

**Do Something, Inc.**

Financial Statements

December 31, 2017

## Independent Auditors' Report

### **Board of Directors Do Something, Inc.**

We have audited the accompanying financial statements of Do Something, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Do Something, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of Do Something, Inc., as of and for the year ended December 31, 2016, were audited by other auditors whose report dated June 5, 2017, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

May 1, 2018

## Do Something, Inc.

Statement of Financial Position  
December 31, 2017  
(with comparative amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,163,087	\$ 12,529,448
Investments	582,423	555,159
Contributions receivable	802,442	870,750
Consulting receivables	364,386	455,022
Other receivables	44,516	-
Prepaid expenses	163,731	40,620
Security deposits	121,785	121,785
Property and equipment, net	<u>359,736</u>	<u>538,339</u>
	<u>\$ 18,602,106</u>	<u>\$ 15,111,123</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 228,491	\$ 154,407
Grants payable	2,000,652	2,703,604
Deferred revenue	87,000	86,000
Deferred rent	<u>96,395</u>	<u>29,212</u>
Total Liabilities	<u>2,412,538</u>	<u>2,973,223</u>
Net Assets		
Unrestricted	14,531,932	10,048,462
Temporarily restricted	<u>1,657,636</u>	<u>2,089,438</u>
Total Net Assets	<u>16,189,568</u>	<u>12,137,900</u>
	<u>\$ 18,602,106</u>	<u>\$ 15,111,123</u>

See notes to financial statements

## Do Something, Inc.

### Statement of Activities Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
<b>OPERATING SUPPORT AND REVENUE</b>				
Contributions				
Foundations	\$ 5,655,500	\$ 500,000	\$ 6,155,500	\$ 657,117
Corporations	4,368,659	1,230,500	5,599,159	5,300,352
Individuals	43,303	-	43,303	151,880
Special events (net of direct costs of \$148,446 and \$86,476)	326,237	-	326,237	555,704
Donated services and materials	6,331,802	-	6,331,802	7,085,551
Consulting fees	1,899,191	-	1,899,191	2,151,496
Investment income	60,735	-	60,735	54,383
Miscellaneous income	9,264	-	9,264	3,120
Net assets released from restrictions	<u>2,162,302</u>	<u>(2,162,302)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue	<u>20,856,993</u>	<u>(431,802)</u>	<u>20,425,191</u>	<u>15,959,603</u>
<b>OPERATING EXPENSES</b>				
Program services	<u>15,015,466</u>	<u>-</u>	<u>15,015,466</u>	<u>15,747,528</u>
Supporting Services				
Management and general	1,120,514	-	1,120,514	953,966
Fundraising	<u>237,543</u>	<u>-</u>	<u>237,543</u>	<u>339,923</u>
Total Supporting Services	<u>1,358,057</u>	<u>-</u>	<u>1,358,057</u>	<u>1,293,889</u>
Total Expenses	<u>16,373,523</u>	<u>-</u>	<u>16,373,523</u>	<u>17,041,417</u>
Change in Net Assets	4,483,470	(431,802)	4,051,668	(1,081,814)
<b>NET ASSETS</b>				
Beginning of year	<u>10,048,462</u>	<u>2,089,438</u>	<u>12,137,900</u>	<u>13,219,714</u>
End of year	<u>\$ 14,531,932</u>	<u>\$ 1,657,636</u>	<u>\$ 16,189,568</u>	<u>\$ 12,137,900</u>

See notes to financial statements

**Do Something, Inc.**

Statement of Functional Expenses  
Year Ended December 31, 2017  
(with summarized totals for the year ended December 31, 2016)

	Supporting Services			Direct Costs of Special Events	2017 Total	2016 Total
	Program Services	Management and General	Fundraising			
Personnel Expenses						
Salaries and wages	\$ 4,099,304	\$ 641,666	\$ 152,228	\$ -	\$ 4,893,198	\$ 4,404,126
Payroll taxes and employee benefits	807,010	114,504	29,749	-	951,263	847,985
Total Personnel Expenses	4,906,314	756,170	181,977	-	5,844,461	5,252,111
Professional fees	208,577	98,003	3,000	-	309,580	159,764
Professional fees - in-kind	206,397	-	-	-	206,397	375,849
Program communications, marketing and promotion	433,562	4,360	-	46,840	484,762	591,974
In-kind public service outreach	6,071,405	-	-	-	6,071,405	6,655,702
Website	156,702	-	-	-	156,702	153,433
Grants and scholarships	1,102,300	-	-	-	1,102,300	1,539,000
Occupancy	446,705	55,838	18,613	-	521,156	547,883
Equipment rental and maintenance	317,949	4,251	1,140	14,875	338,215	321,721
Insurance	24,488	2,975	992	-	28,455	26,133
Telephone and internet	51,749	6,206	2,069	-	60,024	56,251
Mobile apps and technology	10,022	-	-	-	10,022	17,004
SMS/MMS text products	542,561	-	-	-	542,561	548,353
Dues and subscriptions	768	392	-	-	1,160	15,097
Catering, conferences and meetings	29,317	978	96	85,356	115,747	128,734
Travel, meals and entertainment	160,330	62,284	19,788	-	242,402	204,080
Travel - in-kind	46,285	5,786	1,929	-	54,000	54,000
Office expense and supplies	46,022	26,502	1,224	545	74,293	84,023
Postage, printing and publication	15,225	5,174	35	31	20,465	22,534
Staff development	20,614	45,406	6,130	-	72,150	48,522
Bank and finance charges	-	9,558	-	-	9,558	15,535
License, permit and fees	13,314	17,451	207	-	30,972	21,311
Miscellaneous	12,901	6,468	343	799	20,511	26,187
Depreciation and amortization	191,959	12,712	-	-	204,671	262,692
Total Expenses Including Direct Costs of Special Events	15,015,466	1,120,514	237,543	148,446	16,521,969	17,127,893
Direct costs of special events	-	-	-	(148,446)	(148,446)	(86,476)
Total Expenses Reported by Function on the Statements of Activities	\$ 15,015,466	\$ 1,120,514	\$ 237,543	\$ -	\$ 16,373,523	\$ 17,041,417

See notes to financial statements

**Do Something, Inc.**

Statement of Cash Flows  
Year Ended December 31, 2017  
(with comparative amounts for the year ended December 31, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,051,668	\$ (1,081,814)
Adjustments to reconcile change in net assets to net cash from operating activities		
Deferred rent	67,183	29,212
Depreciation and amortization	204,671	262,692
Realized gain on investments	-	(4,891)
Unrealized gain on investments	(15,876)	(13,173)
Changes in operating assets and liabilities		
Contributions receivable	68,308	2,692,943
Consulting receivables	90,636	(69,536)
Other receivables	(44,516)	-
Prepaid expenses	(123,111)	47,830
Accounts payable and accrued expenses	74,084	(3,532)
Grants payable	(702,952)	(708,692)
Deferred revenue	1,000	86,000
Other liabilities	-	(44,709)
Net Cash from Operating Activities	3,671,095	1,192,330
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	7,920	23,519
Purchase of investments	(19,308)	(25,945)
Purchase of property and equipment	(26,068)	(33,292)
Net Cash from Investing Activities	(37,456)	(35,718)
Net Change in Cash and Cash Equivalents	3,633,639	1,156,612
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	12,529,448	11,372,836
End of year	\$ 16,163,087	\$ 12,529,448

See notes to financial statements

## **Do Something, Inc.**

Notes to Financial Statements  
December 31, 2017

### **1. Organization and Tax Status**

Do Something, Inc., (the “Organization”) is a non-profit organization founded in 1993 to advocate and promote social leadership, community activism and citizenship. Today it is also known as DoSomething.org and is one of the largest global organizations for young people and social change. At the website, [www.DoSomething.org](http://www.DoSomething.org), members tackle campaigns that impact every cause, from poverty to violence to the environment to literally everything else - any cause, anytime, anywhere.

Campaigns: These are calls-to-action that do not require money, an adult or a car. The measurable action has a material effect on a social problem or well-being of another person. In 2017, DoSomething.org produced over 200 campaigns. The following elements are included in campaigns:

- Simple Call to Measurable Action – This is something that young people can do that does not require money, an adult or a car.
- Campaign Types – Members can choose campaigns based on what they would like to do; Donate Something, Make Something, Face to Face, Share Something, Host an Event, Start Something, Improve a Space or Take a Stand.
- Corporate Sponsor – More than just a source of funds, these companies help tent pole campaigns reach more young people and maximize social impact.
- Co-Branded Microsite on DoSomething.org – The site is always the primary home of campaign information and resources and is built in-house.
- Cause-Specific Strategic Partner Organizations – These experts help ensure that the call to action will have the strongest impact.

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

#### ***Use of Estimates***

The preparation of the financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

## **Do Something, Inc.**

Notes to Financial Statements  
December 31, 2017

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Summarized Prior-Year Information***

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended December 31, 2016, from which the summarized information was derived.

#### ***Net Asset Presentation***

The Organization reports information regarding financial position and activities according to three classes of net assets:

- *Unrestricted* – Resources that are fully available at the discretion of management and the Board of Directors (the Board), for use in activities within the Organization's mission.
- *Temporarily restricted* – Funds the Organization may use in accordance with donors' restrictions for specific purposes or upon the passage of time.
- *Permanently restricted* – Funds where donor-imposed restrictions stipulate that the resources be maintained in perpetuity.

The Organization had no permanently restricted net assets at December 31, 2017 and 2016.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash held in checking and money market accounts.

#### ***Fair Value Measurements***

The Organization follows US GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices for similar assets and liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investments***

The Organization carries investments in marketable securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. All interest, dividends and unrealized gains and losses are included in the change in net assets in the statement of activities.

## **Do Something, Inc.**

Notes to Financial Statements  
December 31, 2017

### **2. Summary of Significant Accounting Policies (continued)**

#### ***In-Kind Contributions and Contributed Services***

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a few volunteers who give their time to the Organization's programs and fund-campaigns. However, these services do not meet the criteria for financial statement recognition. During the years ended December 31, 2017 and 2016, the Organization benefited from donated public service announcements which were valued by the media broadcasting companies at \$6,071,405 and \$6,655,702, travel vouchers valued at \$54,000 and \$54,000, and legal expenses valued at \$206,397 and \$375,849. These amounts have been reported as both donated services and material revenue and in-kind public service outreach, travel and legal expenses in the financial statements.

#### ***Contributions Receivable***

Unconditional promises to give are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization determines whether an allowance for uncollectible receivables should be provided. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The Organization has determined that an allowance for doubtful accounts was not necessary at December 31, 2017 and 2016.

#### ***Consulting Fee Revenue***

Consulting fees are earned based on the terms of the agreement. Such fees are recorded when services are provided and collection is reasonably assured.

#### ***Property and Equipment***

Property and equipment are carried at cost, except for donated assets which are recorded at fair value at the date of donation. Property and equipment purchases in excess of \$1,000 are capitalized. Depreciation and amortization are provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives of the assets (ranging from three to five years) on a straight-line basis.

## **Do Something, Inc.**

Notes to Financial Statements  
December 31, 2017

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Property and Equipment (continued)***

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected as an increase or decrease in unrestricted net assets. Repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred.

#### ***Deferred Rent***

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As remaining future payments exceed the annual expense, deferred rent will be reduced to zero by the end of the lease term.

#### ***Grants Payable***

Grants payable represent unpaid commitments made by the Organization at year end. Grants payable that are expected to be paid within one year are recorded at the full amount of the grant. Grants payable that are expected to be paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the grants were awarded. All grants are payable within one to four years. Management of the Organization has determined that a discount is insignificant.

#### ***Advertising***

Advertising expense is recognized as the expense is incurred. Advertising expense for the years ended December 31, 2017 and 2016 was \$151,231 and \$217,137.

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and activities of the Organization have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs benefited and supporting services rendered.

#### ***Accounting for Uncertainty in Income Taxes***

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2014.

## Do Something, Inc.

Notes to Financial Statements  
December 31, 2017

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Reclassification***

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is May 1, 2018.

### 3. Concentration of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, investments and receivables. The Organization places its cash and investments in quality financial institutions and the balances in these institutions may exceed Federal Deposit Insurance Corporation or Securities Investors Protection Corporation insurance levels.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing the Organization's client and donor base. The Organization monitors receivable accounts and provides an allowance for uncollectible amounts as they become known.

### 4. Investments

The following are the classes and major categories of investments grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (all Level 1 measurements) at December 31:

	<u>2017</u>	<u>2016</u>
Mutual funds - U.S. fixed income	\$ 447,880	\$ 447,594
Equity securities	<u>134,543</u>	<u>107,565</u>
Total Investments	<u>\$ 582,423</u>	<u>\$ 555,159</u>

The following summarizes the investment income in the statement of activities:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 44,859	\$ 36,319
Realized gain on investments	-	4,891
Unrealized gain on investments	<u>15,876</u>	<u>13,173</u>
	<u>\$ 60,735</u>	<u>\$ 54,383</u>

## Do Something, Inc.

### Notes to Financial Statements December 31, 2017

#### 5. Contributions Receivable

The Organization has contributions receivable of \$802,442. Management believes outstanding contributions will be fully collected and therefore has not provided any allowance for uncollectible amounts. At December 31, 2017, all contributions receivable are due in 2018.

#### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Website and membership platform	\$ 1,046,709	\$ 1,046,709
Computer equipment	145,541	175,456
Leasehold improvements	123,063	123,063
Furniture and fixtures	35,302	47,935
Computer software	<u>13,689</u>	<u>281,908</u>
	1,364,304	1,675,071
Less: accumulated depreciation and amortization	<u>(1,004,568)</u>	<u>(1,136,732)</u>
	<u>\$ 359,736</u>	<u>\$ 538,339</u>

#### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at December 31:

	<u>2017</u>	<u>2016</u>
Grants and awards	\$ 325,500	\$ 1,264,961
Cause campaigns	832,136	722,477
Time restricted	<u>500,000</u>	<u>102,000</u>
	<u>\$ 1,657,636</u>	<u>\$ 2,089,438</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor or as a result of the expiration of donor imposed time restrictions as follows for years ended December 31:

	<u>2017</u>	<u>2016</u>
Grants and awards	\$ 1,314,961	\$ 1,605,125
Cause campaigns	745,341	197,523
Time restricted	<u>102,000</u>	<u>300,000</u>
	<u>\$ 2,162,302</u>	<u>\$ 2,102,648</u>

**Do Something, Inc.**

Notes to Financial Statements  
December 31, 2017

**8. Related Party**

The Organization received in-kind travel vouchers from a company in which a member of its Board of Directors is an executive. The value of the vouchers received for both the years ended December 31, 2017 and 2016 was \$54,000.

The Organization received in-kind legal services from a firm in which a member of the Board of Directors was a former partner. The value of services received for the years ended December 31, 2017 and 2016 was \$206,397 and \$375,849.

**9. Retirement Plan**

The Organization has a tax deferred plan under Internal Revenue Code Section 403(b) for all employees. Under the plan, the Organization may make a contribution on a discretionary basis. For the years ended December 31, 2017 and 2016, the total plan expense was \$69,978 and \$47,093.

**10. Line of Credit**

The Organization has one million dollar line of credit with a financial institution. The credit line is collateralized by the assets of the Organization. Interest is payable at 3.27% per annum. The line expires on November 15, 2018. There was no outstanding balance at December 31, 2017 and 2016.

**11. Lease Commitment**

The Organization leases space for its operating offices on an annual basis subject to escalations. The lease expires on December 31, 2020. Rent expense was \$493,024 and \$501,712 for 2017 and 2016. The remaining minimum lease payments are as follows:

2018	\$ 501,275
2019	516,314
2020	<u>531,803</u>
	<u>\$ 1,549,392</u>

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