



VITAL VOICES

GLOBAL PARTNERSHIP

Financial Statements

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)



**and
Report Thereon**



VITAL VOICES GLOBAL PARTNERSHIP, INC.

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For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vital Voices Global Partnership, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Vital Voices Global Partnership, Inc. (Vital Voices), which comprise the statement of financial position as of December 31, 2019, 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 from 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.

Continued

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Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Vital Voices Global Partnership, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Report on Summarized Comparative Information***

We have previously audited Vital Voices' 2018 financial statements, and in our report dated June 24, 2019, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Marcum LLP". The signature is written in a cursive, flowing style.

Washington, DC
June 29, 2020

VITAL VOICES GLOBAL PARTNERSHIP, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(With Summarized Financial Information as of December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 4,306,657	\$ 5,364,825
Certificates of deposit	70,733	70,733
Grants and contributions receivable, net	6,982,489	2,961,877
Government grants and contracts receivable	681,026	658,454
Accounts receivable	75,196	41,459
Prepaid expenses and deposits	2,966,387	225,921
Inventory	33,822	31,474
Property and equipment, net	56,451	60,506
TOTAL ASSETS	<u>\$ 15,172,761</u>	<u>\$ 9,415,249</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 213,637	\$ 239,719
Accrued leave	89,468	83,351
Grants payable	109,851	104,064
Refundable advances	252,250	50,000
Funds held on behalf of others	4,764	3,977
Deferred rent and lease benefit	133,767	226,917
TOTAL LIABILITIES	<u>803,737</u>	<u>708,028</u>
Net Assets		
Without donor restrictions	4,991,783	2,620,063
With donor restrictions	9,377,241	6,087,158
TOTAL NET ASSETS	<u>14,369,024</u>	<u>8,707,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,172,761</u>	<u>\$ 9,415,249</u>

The accompanying notes are an integral part of these financial statements.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 2,958,247	\$ 9,039,404	\$ 11,997,651	\$ 7,281,406
Government grants and contracts	3,759,312	-	3,759,312	3,948,409
Special events revenue	2,209,237	188,762	2,397,999	1,635,725
In-kind goods and services	417,852	-	417,852	690,971
Other revenue	117,734	-	117,734	48,660
Net foreign currency gain (loss)	-	(5,893)	(5,893)	(10,814)
Net assets released from restrictions:				
Satisfaction of program restrictions	5,204,756	(5,204,756)	-	-
Satisfaction of time restrictions	727,434	(727,434)	-	-
TOTAL REVENUE AND SUPPORT	15,394,572	3,290,083	18,684,655	13,594,357
EXPENSES				
Program Services:				
Signature Programs	4,898,207	-	4,898,207	5,364,485
Network Activation	1,989,701	-	1,989,701	2,928,396
Individualized Investments	2,766,119	-	2,766,119	1,784,272
Global Engagement and Public Awareness	254,332	-	254,332	348,451
Total Program Services	9,908,359	-	9,908,359	10,425,604
Supporting Services:				
Management and general	1,053,738	-	1,053,738	809,599
Development and fundraising	1,873,482	-	1,873,482	1,639,174
Fundraising – cost of direct benefit to donors	187,273	-	187,273	154,395
Total Development and Fundraising	2,060,755	-	2,060,755	1,793,569
Total Supporting Services	3,114,493	-	3,114,493	2,603,168
TOTAL EXPENSES	13,022,852	-	13,022,852	13,028,772
CHANGE IN NET ASSETS	2,371,720	3,290,083	5,661,803	565,585
NET ASSETS, BEGINNING OF YEAR	2,620,063	6,087,158	8,707,221	8,141,636
NET ASSETS, END OF YEAR	\$ 4,991,783	\$ 9,377,241	\$ 14,369,024	\$ 8,707,221

The accompanying notes are an integral part of these financial statements.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Program Services					Supporting Services						
	Signature Programs	Network Activation	Individualized Investments	Global Engagement and Public Awareness	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	2019 Total	2018 Total		
Salaries and benefits	\$ 1,984,782	\$ 534,913	\$ 1,172,217	\$ 167,409	\$ 3,859,321	\$ 240,008	\$ 879,091	\$ 1,119,099	\$ 4,978,420	\$ 4,711,390		
Grants and other assistance	244,204	582,230	1,188,934	-	2,015,368	-	-	-	2,015,368	2,186,872		
Professional fees	587,832	431,156	83,411	30,916	1,133,315	526,679	334,621	861,300	1,994,615	2,293,543		
Travel	1,110,782	232,950	73,648	15,296	1,432,676	96,520	122,287	218,807	1,651,483	1,706,330		
Occupancy	251,343	105,779	147,056	13,364	517,542	94,098	108,698	202,796	720,338	642,123		
Trainings and conferences	503,330	28,286	16,225	-	547,841	-	-	-	547,841	517,416		
Receptions and special events	-	-	-	2,228	2,228	-	489,910	489,910	492,138	422,366		
Postage, office supplies and small furniture	78,116	12,657	29,076	4,035	123,884	4,969	26,798	31,767	155,651	155,334		
Other expenses	54,347	37,960	23,041	5,751	121,099	65,319	48,192	113,511	234,610	175,538		
Printing	8,350	1,709	2,356	396	12,811	4,824	29,082	33,906	46,717	56,276		
Insurance	22,686	9,547	13,273	1,206	46,712	8,493	9,811	18,304	65,016	41,402		
Telephone and internet	28,359	8,252	10,958	920	48,489	9,037	7,886	16,923	65,412	66,381		
Depreciation and amortization	10,985	2,846	3,956	8,693	26,480	2,530	2,924	5,454	31,934	31,583		
Repairs and maintenance	13,091	1,416	1,968	4,118	20,593	1,261	1,455	2,716	23,309	22,218		
TOTAL OPERATING EXPENSES	\$ 4,898,207	\$ 1,989,701	\$ 2,766,119	\$ 254,332	\$ 9,908,359	\$ 1,053,738	\$ 2,060,755	\$ 3,114,493	\$ 13,022,852	\$ 13,028,772		

The accompanying notes are an integral part of these financial statements.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,661,803	\$ 565,585
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	31,934	31,583
Amortization of deferred rent and lease benefit	11,746	11,746
Changes in assets and liabilities:		
Grants and contributions receivable	(4,020,612)	372,462
Government grants and contracts receivable	(22,572)	144,317
Accounts receivable	(33,737)	28,513
Prepaid expenses and deposits	(2,740,466)	(10,806)
Inventory	(2,348)	(11,137)
Accounts payable and accrued expenses	(26,082)	(22,682)
Accrued leave	6,117	5,815
Grants payable	5,787	(96,088)
Refundable advances	202,250	50,000
Funds held on behalf of others	787	(8,953)
Deferred rent and lease benefit	<u>(104,896)</u>	<u>(86,336)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,030,289)</u>	<u>974,019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(27,879)</u>	<u>(4,102)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(27,879)</u>	<u>(4,102)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,058,168)	969,917
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,364,825</u>	<u>4,394,908</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,306,657</u>	<u>\$ 5,364,825</u>

The accompanying notes are an integral part of these financial statements.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies

Organization

Vital Voices Global Partnership, Inc. (Vital Voices) was incorporated on March 1, 1999, under the laws of the state of Delaware as a nonprofit 501(c)(3) public charity. Vital Voices is a global movement that invests in women leaders who are solving the world's greatest challenges. Guided by the belief that women are essential to progress in their communities, Vital Voices identifies women with daring vision for change. Vital Voices then partners with her to make that vision a reality. Through long-term investments that expand her skills, connections and visibility, Vital Voices accelerates and scales her impact. These activities are funded primarily through foundation and corporate grants, contributions from individuals, United States and foreign government awards.

Vital Voices operates outside the United States through Vital Voices Europe, Ltd. Vital Voices also operates through a network of partners based in Argentina, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Poland and Ukraine. Each of the foreign entities operates as a separate and distinct organization, with its own governance and financial structure.

Basis of Accounting

The financial statements of Vital Voices have been prepared on the accrual basis of accounting.

Cash Equivalents

Vital Voices considers money market funds to be cash equivalents.

Certificates of Deposit

Certificates of deposit are reported at cost, which approximates fair value. The certificates of deposit are held as security for the letter of credit issued in connection with the office space lease.

Property and Equipment and Related Depreciation and Amortization

Furniture, equipment and software are stated at cost and are depreciated and amortized on a straight-line basis over three to 10 years, with no salvage value. Leasehold improvements are amortized over the shorter of their useful life or the remaining life of the lease. Vital Voices capitalizes expenditures for furniture, equipment, software and leasehold improvements in excess of \$5,000. Expenditures for purchases less than \$5,000 are expensed when incurred.

Classification of Net Assets

The net assets of Vital Voices are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of Vital Voices at the discretion of Vital Voices' management and the Board of Directors (the Board).

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of Vital Voices or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Revenue Recognition

Unconditional grants and contributions are reported as revenue and support in the year in which payments are received and/or unconditional promises to give are made. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Vital Voices reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Grants and contributions that are expected to be collected within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management determines the allowance for probable uncollectible grants and contributions by reviewing all outstanding grants and contributions receivable for possible uncollectibility. Receivables are charged to the allowance account when deemed uncollectible.

Government grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on government grants for which billings have not been presented to or collected from the awarding agency is included in grants and contracts receivable in the accompanying statement of financial position. The expenditures under these grants are subject to review by the granting authority. Unconditional grants that are received and spent in the same year are included as grants and contributions without donor restrictions in the accompanying statement of activities. Conditional government and non-government grant and contract awards received but not yet expended are included as refundable advances in the accompanying statement of financial position.

Special events revenue consists of mainly unconditional contributions and ticket sales for gala events. Contributions are recorded as with or without donor restrictions based on whether they are restricted for a particular purpose or to a specific time as noted above. Ticket sales are treated as exchange transactions and are recognized at the point in time that the performance obligations are met, in this case at the time the gala event takes place.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

In-Kind Goods and Services

Vital Voices receives donated professional services, lodging, airfare and other goods in support of all of its programs and supporting services. In-kind donations are recorded as revenue and expense at the estimated fair value as of the date of the donation, as based upon comparable market rates for similar goods and services.

Grant Expenses

Unconditional grants are expensed in the year in which the grant commitment is made to the partner organizations. Conditional grants - that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Foreign Currency Transactions

Vital Voices occasionally receives grants denominated in a foreign currency. Vital Voices records such grants at the United States dollar equivalent as of the date of the transaction. Any outstanding pledge in a foreign currency is revalued in United States dollars at the current exchange rate as of the statement of financial position date. Any resulting foreign currency gain or loss is recorded in the accompanying statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of Vital Voices are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Shared costs are management and general costs which are pooled and allocated at year-end. These costs include salaries and benefits, professional fees, travel, occupancy, depreciation, repairs and maintenance, insurance, printing, postage, and office supplies and are allocated based on total direct expenses of the functional areas of expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. VVGP adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. VVGP adopted ASU 2018-08 as of January 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for VVGP grants and contributions.

2. Grants and Contributions Receivable

Grants and contributions receivable include amounts due from individuals, foundations and corporations. The amounts were expected to be collected as follows as of December 31, 2019:

Due in less than one year	\$ 3,410,857
Due in one to five years	<u>3,910,000</u>
Total Grants and Contributions Receivable	7,320,857
Less: Discount to Present Value (4.75%)	(303,368)
Less: Allowance for Doubtful Accounts	<u>(35,000)</u>
Grants and Contributions Receivable, Net	<u>\$ 6,982,489</u>

As of December 31, 2019, contributions of \$7,327,841 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. Of these conditional contributions, \$160,000 is due from a private foundation in support of VV GROW Fellowship program and is conditioned upon meeting certain performance obligations – milestones and benchmarks included in the grant, \$7,167,841 relates to cost-reimbursable grants that have not been recognized at December 31, 2019, because qualifying expenditures have not yet been incurred.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

3. Property and Equipment

Vital Voices held the following property and equipment as of December 31, 2019:

Furniture and equipment	\$ 62,081
Leasehold improvements	175,174
Software and website	<u>160,864</u>
Total Property and Equipment	398,119
Less: Accumulated Depreciation and Amortization	<u>341,668</u>
Property and Equipment, Net	<u>\$ 56,451</u>

For the year ended December 31, 2019, depreciation and amortization expense was \$31,934.

4. Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions were for the following purposes or time specifications:

Subject to expenditure for specified purpose:	
Signature Programs	\$ 1,820,962
Individualized Investments	811,608
Network Activation	148,663
Building Fund	573,233
Global Engagement and Public Awareness	<u>72,027</u>
Total Subject to Expenditure for Specified Purpose	<u>3,426,493</u>
Subject to occurrence of specified events/passage of time:	
Passage of time	5,736,986
Specified events	<u>213,762</u>
Total Subject to Occurrence of Specified Events/ Passage of Time	<u>5,950,748</u>
Total Net Assets With Donor Restrictions	<u>\$ 9,377,241</u>

5. In-Kind Goods and Services

Vital Voices received donated professional services, lodging, airfare and other goods during the year ended December 31, 2019, valued at \$417,852, representing the fair value based upon comparable market rates for similar goods and services. The in-kind donations have been recorded as revenue and expenses in the accompanying financial statements.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

6. Line of Credit

Vital Voices obtained a \$600,000 secured revolving line of credit with a bank, available through June 30, 2020. The line of credit was secured by a blanket lien on all of Vital Voices' assets. Amounts drawn on this line of credit accrue interest at the London Interbank Offered Rate Daily Floating Rate plus 2.5%. As of December 31, 2019, the interest rate was 4.05%. There were no borrowings during the year ended December 31, 2019, and, as of December 31, 2019, Vital Voices had no outstanding balance under this line of credit.

On April 8, 2020, Vital Voices terminated the line of credit and applied for a new line of credit with a different financial institution for the same amount of \$600,000. After 90 days of the confirmation of the termination of the old line of credit, the new line will be approved.

7. Commitments and Contingencies

Lease

On June 30, 2010, Vital Voices entered into a noncancelable operating lease for office space in Washington, D.C. The annual base rent was \$39 per square foot for 10,882 square feet of space, with an escalation of approximately 2.5% annually and an abatement of one-half of each of the first six monthly installments in the first year.

The lease commenced on November 1, 2010, and was to expire on January 31, 2019. Under the lease agreement, Vital Voices was required to provide the landlord with a security deposit of two months' rent. A \$70,733 irrevocable letter was issued by Vital Voices' financial institution in lieu of a cash security deposit. The letter of credit renews annually and is secured by the certificates of deposit reported in the accompanying statement of financial position.

On September 8, 2011, Vital Voices entered into the lease's first amendment. The amendment commenced on January 1, 2012, and extends the term of the lease through February 28, 2021. The amendment also expanded the premises to include an additional 4,287 square feet of space.

The annual base rent for the expanded premises is \$42.75 per square foot, with an escalation of approximately 2.5% annually and an abatement of one-half of each of the first four monthly installments in the first year. Additionally, the lease provided Vital Voices with a tenant allowance of \$107,668, which Vital Voices used in 2012.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease benefit in the accompanying statement of financial position.

On June 21, 2013, Vital Voices entered into an agreement to sublease a portion of its office space. The sublease commenced on July 1, 2013, and was to expire on June 30, 2016. On July 16, 2015, Vital Voices entered into an agreement to extend the sublease for a period of 24

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

7. Commitments and Contingencies (continued)

Lease (continued)

months. The extension commenced on July 1, 2017, and expired on June 30, 2019. The subtenant rental terms were approximately the same as those contained in the master lease between the landlord and Vital Voices.

As of December 31, 2019, future minimum lease payments required under this operating lease and exclusive of pass-through operating expenses were as follows:

For the Year Ending December 31,	
2020	\$ 778,830
2021	<u>132,667</u>
Total	<u>\$ 911,497</u>

For the year ended December 31, 2019, rent expense was \$720,337, which is included in occupancy expense in the accompanying statement of functional expenses.

Conditional Grants

Vital Voices provides certain grants to organizations, small businesses and individuals each year that are core to its mission. These grants are contingent on grant awardees' achievement of certain goals and milestones mutually agreed upon with Vital Voices, as well as conditional funding approval for future years from Vital Voices. During the year ended December 31, 2019, Vital Voices recognized \$920,631 in expenses relating to these grants based on the full execution of agreements and the achievement of the agreed-upon milestones, which amount is included in grants and other assistance in the accompanying statement of functional expenses. The total remaining balance of \$340,806 of grants executed as of December 31, 2019, will be recognized in future periods upon achievement of the agreed-upon milestones and approval of funding by Vital Voices.

Concentration of Risk

Vital Voices maintains its cash and cash equivalents and certificates of deposit with certain commercial financial institutions, for which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2019, Vital Voices had approximately \$4,401,000 composed of demand deposits, money market funds and certificates of deposit, which exceeded the maximum limit insured by the FDIC by approximately \$4,151,000. Vital Voices monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents and certificates of deposit.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

7. Commitments and Contingencies (continued)

Compliance Audit

Vital Voices has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although Vital Voices expects such amounts, if any, to be insignificant.

8. Availability and Liquidity

Vital Voices regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. Vital Voices' financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2019, were as follows:

Cash and cash equivalents	\$ 4,306,657
Grants and contribution receivable	6,982,489
Government grants and contracts and accounts receivable	<u>756,222</u>
Total Financial Assets Available	12,045,368
Less:	
Amounts unavailable for general expenditures within one year due to following donors' restriction:	
Pledges receivable to be collected in one year or more	(3,606,632)
Funds held on behalf of others	<u>(4,764)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 8,433,972</u>

Vital Voices has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Vital Voices considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Management is focused on sustaining the financial liquidity of Vital Voices throughout the year. This is done through monitoring and reviewing Vital Voices' cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of Vital Voices' cash flow related to Vital Voices' various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, Vital Voices has a secured line of credit of \$600,000, which was unused and available to draw upon as of December 31, 2019.

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

9. Retirement Plan

Vital Voices sponsors a tax-deferred annuity plan that is qualified under Section 403(b) of the Internal Revenue Code (the IRC). Participating employees may make salary reduction contributions to the plan up to the maximum amount permitted by the IRC. Vital Voices makes a discretionary matching contribution to each participant's account. The retirement expense was \$61,015 for the year ended December 31, 2019, and is included in salaries and benefits expense in the accompanying statement of functional expenses.

10. Income Taxes

Under Section 501(c)(3) of the IRC, Vital Voices is exempt from federal taxes on income other than net unrelated business income. For the year ended December 31, 2019, no provision for income taxes was made, as Vital Voices had no significant net unrelated business income. Vital Voices performed an evaluation of its uncertainty in income taxes for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2019, the statute of limitations for tax years 2016 through 2018 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which Vital Voices files tax returns; however, there are currently no audits for any tax periods pending or in progress. It is Vital Voices' policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2019, Vital Voices had no accruals for interest and/or penalties.

11. Reclassification

Certain 2018 amounts have been reclassified to conform with the 2019 financial statements presentation.

12. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Vital Voices' financial statements for the year ended December 31, 2019, from which the summarized information was derived.

13. Subsequent Events

In preparing these financial statements, Vital Voices has evaluated events and transactions, for potential recognition or disclosure, through June 29, 2020, the date the financial statements were available to be issued. Except for the line of credit termination in Note 6, the real estate

VITAL VOICES GLOBAL PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

13. Subsequent Events (continued)

sales contract and COVID-19 pandemic event disclosed below, there were no other subsequent events identified through June 29, 2020, that require recognition or disclosure in these financial statements.

On May 15, 2019, Vital Voices entered into a real estate sales contract to purchase the right, title and interest in real property in Washington, D.C. that will potentially serve as its headquarters office. In accordance with the terms of the agreement, Vital Voices was required to pay an initial deposit of \$2,650,000 to be applied towards the total purchase price. An inspection period of 60 days from the effective date of May 15, 2019, is provided to Vital Voices to review property documents and inspect the property to determine if it can be used for Vital Voices intended purposes. The deposit is fully refundable if Vital Voices elects to terminate the contract within the 60-day period. On April 17, 2020, Vital Voices settled on the purchase of the real property for a sale price of \$26,500,000 that was partially financed by tax exempt bonds issued by the District of Columbia for the benefit of Vital Voices. The District of Columbia Revenue Bonds (Vital Voices Global Partnership, Inc. Project) which were purchased by a financial institution consist of \$24,320,000 Series 2020A Bonds and \$2,895,000 Series 2020B Bonds for a total loan amount of \$27,215,000 which the proceeds will be used to fund acquisition and renovation of the real property. The bonds bears an interest rate of 3.150% and are scheduled to mature after thirty years on to maturity April 17, 2050.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. Vital Voices has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact Vital Voices' financial condition or results of operations is uncertain and being evaluated by management and the Board.

On May 1, 2020, Vital Voices' Small Business Administration loan application for the amount of \$801,660 has been approved by a financial institution. The loan will mature on May 1, 2022, with a fixed interest rate of 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained.