

FINANCIAL STATEMENTS

**CENTER FOR
RESPONSIVE POLITICS**

**FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2005**

CENTER FOR RESPONSIVE POLITICS

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Center for Responsive Politics
Washington, D.C.

We have audited the accompanying statement of financial position of the Center for Responsive Politics as of December 31, 2006, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center for Responsive Politics' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2005 financial statements and, in our report dated June 29, 2006, we expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Responsive Politics as of December 31, 2006, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

February 19, 2008

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFPCA.COM

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CENTER FOR RESPONSIVE POLITICS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005

ASSETS		<u>2006</u>	<u>2005</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 1,101,021	\$ 820,191
Accounts receivable		450	399
Grants receivable		859,600	1,087,000
Prepaid expenses		<u>17,323</u>	<u>26,172</u>
Total current assets		<u>1,978,394</u>	<u>1,933,762</u>
FIXED ASSETS			
Furniture and equipment		535,036	486,712
Leasehold improvements		<u>22,171</u>	<u>22,171</u>
		557,207	508,883
Less: Accumulated depreciation and amortization		<u>(513,131)</u>	<u>(485,479)</u>
Net fixed assets		<u>44,076</u>	<u>23,404</u>
OTHER ASSETS			
Deposits		<u>28,885</u>	<u>28,885</u>
TOTAL ASSETS		<u>\$ 2,051,355</u>	<u>\$ 1,986,051</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ <u>67,123</u>	\$ <u>38,956</u>
NET ASSETS			
Unrestricted		1,013,332	897,095
Temporarily restricted (Note 2)		<u>970,900</u>	<u>1,050,000</u>
Total net assets		<u>1,984,232</u>	<u>1,947,095</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,051,355</u>	<u>\$ 1,986,051</u>

See accompanying notes to financial statements.

CENTER FOR RESPONSIVE POLITICS

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005**

	<u>2006</u>			<u>2005</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants	\$ -	\$ 1,186,440	\$ 1,186,440	\$ 1,200,000
Contributions	41,346	-	41,346	14,184
Contracts	26,900	-	26,900	-
Interest/dividend income	46,176	-	46,176	28,234
Sales	23,556	-	23,556	21,093
Publication sales	931	-	931	1,513
Other revenue	9,688	-	9,688	9,616
Net assets released from donor restrictions (Note 3)	<u>1,265,540</u>	<u>(1,265,540)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,414,137</u>	<u>(79,100)</u>	<u>1,335,037</u>	<u>1,274,640</u>
EXPENSES				
Program services:				
Research and Analysis	493,204	-	493,204	406,677
Library Services	38,936	-	38,936	31,798
Education and Outreach	<u>584,054</u>	<u>-</u>	<u>584,054</u>	<u>488,645</u>
Total program services	<u>1,116,194</u>	<u>-</u>	<u>1,116,194</u>	<u>927,120</u>
Supporting services:				
Management and General	129,788	-	129,788	103,852
Fundraising	<u>51,918</u>	<u>-</u>	<u>51,918</u>	<u>45,741</u>
Total supporting services	<u>181,706</u>	<u>-</u>	<u>181,706</u>	<u>149,593</u>
Total expenses	<u>1,297,900</u>	<u>-</u>	<u>1,297,900</u>	<u>1,076,713</u>
Change in net assets	116,237	(79,100)	37,137	197,927
Net assets at beginning of year	<u>897,095</u>	<u>1,050,000</u>	<u>1,947,095</u>	<u>1,749,168</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,013,332</u>	<u>\$ 970,900</u>	<u>\$ 1,984,232</u>	<u>\$ 1,947,095</u>

See accompanying notes to financial statements.

CENTER FOR RESPONSIVE POLITICS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005**

	Program Services			Total Program Services
	Research and Analysis	Library Services	Education and Outreach	
Salaries, payroll taxes and employee benefits	\$ 330,460	\$ 26,089	\$ 391,336	\$ 747,885
Printing and production	890	70	1,054	2,014
Legal	76	6	89	171
Occupancy	54,831	4,329	64,931	124,091
Contracts with service bureau	1,346	106	1,594	3,046
Insurance	2,852	225	3,377	6,454
Depreciation and amortization	10,508	830	12,443	23,781
Telephone	3,870	305	4,582	8,757
Travel	5,181	409	6,136	11,726
Consulting fees	19,329	1,526	22,889	43,744
Postage and delivery	492	38	583	1,113
Repairs and maintenance	440	35	521	996
Supplies	2,176	172	2,577	4,925
Subscriptions	44,031	3,476	52,141	99,648
Accounting	7,110	561	8,420	16,091
Outreach	124	10	146	280
Meeting and conference	200	16	237	453
Miscellaneous	2,757	218	3,265	6,240
Computer expenses	3,285	259	3,890	7,434
Online service	2,708	214	3,206	6,128
Advertising	538	42	637	1,217
TOTAL	\$ 493,204	\$ 38,936	\$ 584,054	\$ 1,116,194

2006			2005		
Supporting Services					
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	Total Expenses
\$ 86,964	\$ 34,785	\$ 121,749	\$ 869,634	\$ 849,727	
234	95	329	2,343	3,890	
20	8	28	199	637	
14,428	5,772	20,200	144,291	104,821	
354	141	495	3,541	2,490	
750	300	1,050	7,504	7,781	
2,765	1,106	3,871	27,652	19,995	
1,018	409	1,427	10,184	8,687	
1,364	545	1,909	13,635	9,396	
5,086	2,035	7,121	50,865	1,146	
129	52	181	1,294	2,033	
116	46	162	1,158	1,324	
572	229	801	5,726	3,327	
11,587	4,635	16,222	115,870	17,069	
1,871	748	2,619	18,710	16,664	
33	13	46	326	781	
53	21	74	527	3,213	
726	290	1,016	7,256	7,379	
864	346	1,210	8,644	5,555	
712	285	997	7,125	10,798	
142	57	199	1,416	-	
\$ 129,788	\$ 51,918	\$ 181,706	\$ 1,297,900	\$ 1,076,713	

See accompanying notes to financial statements.

CENTER FOR RESPONSIVE POLITICS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 37,137	\$ 197,927
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	27,652	19,995
(Increase) decrease in:		
Accounts receivable	(51)	14,350
Grants receivable	227,400	(348,500)
Prepaid expenses	8,849	2,013
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>28,167</u>	<u>5,773</u>
Net cash provided (used) by operating activities	<u>329,154</u>	<u>(108,442)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment, and leasehold improvements	<u>(48,324)</u>	<u>(23,417)</u>
Net cash used by investing activities	<u>(48,324)</u>	<u>(23,417)</u>
Net increase (decrease) in cash and cash equivalents	280,830	(131,859)
Cash and cash equivalents at beginning of year	<u>820,191</u>	<u>952,050</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,101,021</u>	<u>\$ 820,191</u>

See accompanying notes to financial statements.

CENTER FOR RESPONSIVE POLITICS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for Responsive Politics (the Center) is a nonprofit corporation that educates the American public on the role that money plays in its elections and actions. The Center conducts and distributes the results of nonpartisan research on campaign finance and other money-in-politics issues.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Cash and cash equivalents -

The Center considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Center maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Furniture, equipment and leasehold improvements -

Furniture, equipment and leasehold improvements are stated at cost. Furniture, equipment and leasehold improvements are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses as incurred. Leasehold improvements are amortized over the life of the lease. The Center has established a capitalization threshold policy of \$1,000.

Income taxes -

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Center is a public charity under Section 509(a) and is not a private foundation.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Center and include both internally designated and undesignated resources.

CENTER FOR RESPONSIVE POLITICS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2006:

Time Restrictions	\$ <u>970,900</u>
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3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Timing Restrictions	\$ <u>1,265,540</u>
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CENTER FOR RESPONSIVE POLITICS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

4. LEASE COMMITMENT

The Center entered into a lease for office space on March 16, 2000, commencing on April 14, 2000 and expiring on April 30, 2006. Subsequent to year-end, the lease term was extended to April 30, 2011. The \$28.50 per rentable square foot is subject to an escalation of two percent per annum at the beginning of all lease years, commencing on the first anniversary of the commencement date, plus a \$1,000 increase at the beginning of the fourth lease year. The Center also pays a proportionate share of direct expenses. The Center's proportionate share of such expenses is 3.56%. Rent expense for the year ended December 31, 2006 was \$144,291.

Year Ended December 31,

2007	\$ 143,633
2008	147,212
2009	150,903
2010	157,525
2011	<u>53,405</u>
	<u>\$ 652,678</u>

5. RETIREMENT PLAN

The Center maintains a 403(b) retirement plan covering all employees. The Center contributes four percent of salary for each participant. Retirement plan expense for the year ended December 31, 2006 was \$27,015.