

CENTER FOR RESPONSIVE POLITICS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016

CENTER FOR RESPONSIVE POLITICS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-10

Chaconas & Wilson, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Center for Responsive Politics
Washington DC

We have audited the accompanying financial statements of the Center for Responsive Politics (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 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.

Auditor's 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 auditor's 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 the Center for Responsive Politics as of December 31, 2016 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.

Chaconas & Wilson, P.C.

Washington, DC
October 5, 2017

CENTER FOR RESPONSIVE POLITICS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2)	\$ 783,352
Investments (Notes 2, 5 and 6)	1,213,636
Accounts receivable (Note 2)	11,000
Contributions receivable (Notes 2 and 7)	1,270,000
Prepaid expenses	15,102
Total Current Assets	<u>\$ 3,293,090</u>

PROPERTY AND EQUIPMENT, at cost (Note 2)

Furniture and equipment	\$ 65,324
Leasehold improvement	22,171
Software	187,451
Total Property and Equipment	<u>\$ 274,946</u>
Less: accumulated depreciation	(65,532)
Property and Equipment, net	<u>\$ 209,414</u>

OTHER ASSETS:

Security deposit	<u>\$ 28,885</u>
------------------	------------------

TOTAL ASSETS

\$ 3,531,389

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 26,161
Accrued payroll	98,017
Total Current Liabilities	<u>\$ 124,178</u>

NET ASSETS:

Unrestricted (Note 2)	\$ 2,137,211
Temporarily restricted (Notes 2 and 10)	1,270,000
Total Net Assets	<u>\$ 3,407,211</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 3,531,389

The accompanying notes are an integral part of this statement.

CENTER FOR RESPONSIVE POLITICS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Contributions (Note 2)	\$ 1,179,809	\$ 1,309,000	\$ 2,488,809
In-kind contributions (Notes 2 and 3)	187,451	-	187,451
Contract fees	100,488	-	100,488
Library services	15,270	-	15,270
Interest Income	5,059	-	5,059
Other Income	1,715	-	1,715
Net assets released from restriction:			
Satisfaction of time restriction	976,811	(976,811)	-
	<u>\$ 2,466,603</u>	<u>\$ 332,189</u>	<u>\$ 2,798,792</u>
PROGRAM AND SUPPORT SERVICES EXPENSES:			
Program services:			
Research and analysis	\$ 881,699	\$ -	\$ 881,699
Education and outreach	856,148	-	856,148
Total Program Expenses	<u>\$ 1,737,847</u>	<u>\$ -</u>	<u>\$ 1,737,847</u>
Supporting services:			
Management and general	\$ 201,786	\$ -	\$ 201,786
Grant development	177,464	-	177,464
Total Supporting Expenses	<u>\$ 379,250</u>	<u>\$ -</u>	<u>\$ 379,250</u>
Total Expenses	<u>\$ 2,117,097</u>	<u>\$ -</u>	<u>\$ 2,117,097</u>
CHANGE IN NET ASSETS	\$ 349,506	\$ 332,189	\$ 681,695
NET ASSETS, BEGINNING OF YEAR	<u>1,787,705</u>	<u>937,811</u>	<u>2,725,516</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,137,211</u></u>	<u><u>\$ 1,270,000</u></u>	<u><u>\$ 3,407,211</u></u>

The accompanying notes are an integral part of this statement.

CENTER FOR RESPONSIVE POLITICS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services		Supporting Services		Total
	Research and Analysis	Education and Outreach	Management and General	Grant Development	
Accounting services	\$ 11,964	\$ 12,960	\$ 2,988	\$ 2,683	\$ 5,671
Computer expense	128,646	54,715	12,613	11,327	23,940
Consulting fees	312	338	-	4,378	4,378
Contracts with service bureau	2,048	2,219	512	459	971
Depreciation	4,183	4,531	1,045	938	1,983
Insurance	1,808	1,959	452	406	858
Meetings and conferences	13,946	734	1,760	1,580	3,340
Occupancy, parking, utilities	82,468	89,340	20,595	18,496	39,091
Office	48	52	8,002	-	8,002
Online service	19,403	21,019	4,846	4,352	9,198
Postage and delivery	1,293	1,400	323	290	613
Printing and production	2,535	2,746	633	568	1,201
Repairs and maintenance	1,781	1,929	445	399	844
Salaries, payroll taxes employee benefits	576,484	624,525	143,971	129,294	273,265
Subscriptions	24,552	26,598	-	-	-
Supplies	2,189	2,372	547	491	1,038
Telephone	4,137	4,481	1,033	928	1,961
Travel	3,903	4,229	2,021	875	2,896
Total Expenses	\$ 881,699	\$ 856,148	\$ 201,786	\$ 177,464	\$ 379,250
					\$ 2,117,097

The accompanying notes are an integral part of this statement.

CENTER FOR RESPONSIVE POLITICS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 681,695
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	10,697
Unrealized loss on investments	18,711
In-kind contributions	(187,451)
Change in assets and liabilities:	
Decrease in accounts receivable	29,000
Increase in contributions receivable	(684,250)
Increase in prepaid expense	(8,154)
Increase in accounts payable	13,556
Increase in accrued payroll	26,231
Net Cash Used In Operating Activities	<u>\$ (99,965)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	\$ (2,568)
Purchase of investments	<u>(1,232,347)</u>
Net Cash Used In Investing Activities	<u>\$ (1,234,915)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS \$ (1,334,880)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,118,232

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 783,352

The accompanying notes are an integral part this statement.

CENTER FOR RESPONSIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 1. **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. The Center's program areas are:

Research and Analysis – The on-line newsletter (www.capitaleye.org) puts the Center's data in context, pointing out trends and adding a money-in-politics angle to ongoing news stories and policy debates.

Education and Outreach – The Center's website (www.opensecrets.org) allows users to explore connections between money and politics. Freely available, easy-to-use databases track federal campaign contributions and lobbying in a variety of illuminating ways, such as by industry and interest group.

Note 2. **Summary of Significant Accounting Policies:**

Method of Accounting

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

Contributions

The Center recognizes contribution revenue when an unconditional pledge is made or when cash is received if a pledge was not made. Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted, based on donor intent.

In kind contributions are recorded at fair market value.

Cash Equivalents

The Center considers all short term investments with original maturities of three months or less to be cash equivalents included in cash.

The Center's demand deposits with financial institutions at times exceeded federally insured limits. The Center has not experienced any losses in such accounts and management believes the Center is not exposed to any significant credit risks.

Accounts and Contributions Receivable

Accounts and contributions receivables are recorded at the amount the Center expects to collect on balances outstanding at the end of the fiscal year. Management closely monitors amounts receivable and charges off any balances that are determined to be uncollectible. At December 31, 2016, the Center's allowance for doubtful accounts was \$0. The Center had no bad debt expense for the year ended December 31, 2016.

CENTER FOR RESPONSIVE POLITICS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

Note 2. **Summary of Significant Accounting Policies:** (Continued)

Investments

Investments are recorded at fair market value.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is calculated on a straight line basis over a three year or five year estimated useful life. Leasehold improvements are depreciated over the life of the lease. The Center capitalizes property and equipment purchases of \$500 or more.

Accounting for Uncertainty in Income Taxes

The Center has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, *Income Taxes*, which prescribes measurement and disclosure requirements for current and deferred income tax provisions. The interpretation provides for a consistent approach in identifying and reporting uncertain tax positions. It is management's belief that the Center does not hold any uncertain tax positions.

Classes of Net Assets

The Center is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are contributions without a donor imposed time and/or program restriction. The funds are available for general operating purposes.

Temporarily restricted net assets are contributions with donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the accompanying statement of activities as net assets released from restrictions. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions are received.

Permanently restricted net assets must be maintained by the Center in perpetuity. There were no permanently restricted net assets as of December 31, 2016.

CENTER FOR RESPONSIVE POLITICS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

Note 2. **Summary of Significant Accounting Policies:** (Concluded)

Functional Allocation of Expenses

The allocation of the costs of providing various programs has been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain indirect costs have been allocated to program and supporting activities based on management's estimate of effort devoted to these activities.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. **In-Kind Contributions:**

The center recognizes contribution revenue for certain materials received at their fair market value. For the year ended December 31, 2016, the Center received \$187,451 of donated Microsoft software licenses. This amount is recorded in the accompanying statement of activities.

Note 4. **Tax Status:**

The Center has been recognized as exempt from federal income tax by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation.

Note 5. **Investments:**

Investments are stated at fair value based on quoted market prices. At December 31, 2016, the balance of investments was \$1,213,635 and consisted of money market, mutual funds, and equities.

At December 31, 2016 investment income was comprised of:

Interest and dividends	\$ 23,235
Unrealized losses	<u>(18,711)</u>
Total	<u>\$ 4,524</u>

For the year ended December 31, 2016 the Center also earned \$536 in interest income from money market and savings accounts.

CENTER FOR RESPONSIVE POLITICS
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

DECEMBER 31, 2016

Note 6. Fair Value of Measurements:

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In accordance with FASB ASC 820-10, fair value is defined as the price the Organization would receive to sell an investment or to pay to transfer a liability in an orderly transaction with an independent counter-party in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The FASB ASC 820-10 hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets that the Organization had the access to at the measurement date and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable inputs for the asset and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The Organization did not have any level 2 or 3 inputs at December 31, 2016.

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Inputs Other Than Quoted Prices for Identical Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Balance as of December 31, 2016				
Money Market Funds	\$ 208,780	\$ 208,780	\$ ---	\$ ---
Mutual Funds	13,783	13,783	---	---
Equity	991,072	991,072	---	---
Total	<u>\$ 1,213,635</u>	<u>\$ 1,213,635</u>	<u>\$ ---</u>	<u>\$ ---</u>

Note 7. Contributions Receivable:

Contributions receivable are due in one year or less. The balance of contributions receivable at December 31, 2016 was \$1,270,000.

Note 8. Retirement Plan:

The Center maintains a qualified defined contribution retirement plan for its employees. All employees of the Center are eligible to participate by electing to make salary deferrals up to the maximum allowed by law. Employees completing six months of service qualify for employer contributions up to 2% of employee's salary. The employer contributions are at the discretion of the Board of Directors. The retirement expense for the year ended December 31, 2016 was \$19,564 and is included in "salaries, payroll taxes and employee benefits" in the accompanying statement of functional expenses.

CENTER FOR RESPONSIVE POLITICS
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2016

Note 9. Operating Lease:

The Center leases office space under various lease agreements that expired on September 30, 2017. On May 22, 2017, the Center signed a new lease for office space located in 1300 L Street, NW, Washington DC. The lease commences on October 1, 2017 and ends on May 31, 2028.

Future minimum rental payments under the lease are as follow for the years ending December 31:

2017	\$	189,880
2018		174,625
2019		178,991
2020		183,456
2021		188,052
Thereafter		<u>1,323,819</u>
Total		<u>\$ 2,238,823</u>

Rent expense for the year ended December 31, 2016 was \$203,679. Including utilities, storage and parking, office occupancy cost was \$210,899.

Note 10. Temporarily Restricted Net Assets:

At December 31, 2016 temporarily restricted net assets consisted of the following:

Research and Analysis	\$	20,000
Time Restricted – General Support		<u>1,250,000</u>
Total		<u>\$ 1,270,000</u>

Note 11. Subsequent Events:

The Center has evaluated all subsequent events through October 5, 2017 which is the date the financial statements were available to be issued. As discussed in Note 9, on May 22, 2017, the Center signed a new lease for office space commencing October 1, 2017. No other subsequent events requiring disclosure were identified based on this evaluation.

