

**CENTER FOR RESPONSIVE POLITICS**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2017**

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# 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, 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.

### ***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, 2017 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  
November 7, 2018

**CENTER FOR RESPONSIVE POLITICS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents (Note 2)	\$	266,663
Investments (Notes 2, 4 and 5)		1,213,076
Accounts receivable (Note 2)		16,000
Contributions receivable current (Notes 2 and 6)		800,000
Prepaid expenses		28,476
Total Current Assets	<u>\$</u>	<u>2,324,215</u>

**PROPERTY AND EQUIPMENT, at cost (Note 2)**

Furniture and equipment	\$	158,348
Leasehold improvement		445,437
Software		187,451
Total Property and Equipment	<u>\$</u>	<u>791,236</u>
Less: accumulated depreciation		(127,259)
Property and Equipment, net	<u>\$</u>	<u>663,977</u>

**OTHER ASSETS:**

Contributions receivable net of current (Notes 2 and 6)	\$	500,000
Security deposits		57,885
Total Other Assets	<u>\$</u>	<u>557,885</u>

**TOTAL ASSETS**

\$ 3,546,077

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$	149,595
Accrued payroll		89,445
Total Current Liabilities	<u>\$</u>	<u>239,040</u>

**OTHER LIABILITIES:**

Deferred rent (Note 8)	\$	384,088
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**TOTAL LIABILITIES**

\$ 623,128

**NET ASSETS:**

Unrestricted (Note 2)	\$	2,122,949
Temporarily restricted (Notes 2 and 9)		800,000
Total Net Assets	<u>\$</u>	<u>2,922,949</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 3,546,077

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

**CENTER FOR RESPONSIVE POLITICS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
Contributions (Note 2)	\$ 889,728	\$ 445,000	\$ 1,334,728
Contract fees	48,221	-	48,221
Library services	14,439	-	14,439
Investment Income (Note 4)	143,833	-	143,833
Other Income	6,559	-	6,559
Net assets released from restriction:			
Satisfaction of time restriction	915,000	(915,000)	-
	<u>\$ 2,017,780</u>	<u>\$ (470,000)</u>	<u>\$ 1,547,780</u>
<b>PROGRAM AND SUPPORT SERVICES EXPENSES:</b>			
Program services:			
Research and analysis	\$ 794,410	\$ -	\$ 794,410
Education and outreach	843,105	-	843,105
Total Program Expenses	<u>\$ 1,637,515</u>	<u>\$ -</u>	<u>\$ 1,637,515</u>
Supporting services:			
Management and general	\$ 214,027	\$ -	\$ 214,027
Grant development	180,500	-	180,500
Total Supporting Expenses	<u>\$ 394,527</u>	<u>\$ -</u>	<u>\$ 394,527</u>
	<u>\$ 2,032,042</u>	<u>\$ -</u>	<u>\$ 2,032,042</u>
<b>CHANGE IN NET ASSETS</b>	\$ (14,262)	\$ (470,000)	\$ (484,262)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,137,211</u>	<u>1,270,000</u>	<u>3,407,211</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,122,949</u>	<u>\$ 800,000</u>	<u>\$ 2,922,949</u>

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



**CENTER FOR RESPONSIVE POLITICS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (484,262)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	83,898
Unrealized gain on investments	(111,755)
Change in assets and liabilities:	
Increase in accounts receivable	(5,000)
Increase in contributions receivable	(30,000)
Increase in prepaid expense	(13,374)
Increase in security deposit	(29,000)
Increase in accounts payable	123,434
Decrease in accrued payroll	(8,572)
Increase in deferred rent	38,587
Net Cash Used In Operating Activities	\$ (436,044)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of property and equipment	\$ (93,024)
Purchase of leasehold improvements	(99,936)
Sale of investment	462,844
Purchase of investments	(350,529)
Net Cash Used In Investing Activities	\$ (80,645)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** \$ (516,689)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 783,352

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 266,663

**SUPPLEMENTARY NONCASH INVESTING TRANSACTIONS**

Leasehold improvement incentives provided by landlord \$ 345,440

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

**CENTER FOR RESPONSIVE POLITICS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**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](http://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](http://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.

**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, 2017, the Center's allowance for doubtful accounts was \$0. The Center had no bad debt expense for the year ended December 31, 2017.

CENTER FOR RESPONSIVE POLITICS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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, 2017.

CENTER FOR RESPONSIVE POLITICS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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. **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 4. **Investments:**

Investments are stated at fair value based on quoted market prices. At December 31, 2017, the balance of investments was \$1,213,635 and consisted of money market, mutual funds, and equities.

At December 31, 2017 investment income was comprised of:

Interest and dividends	\$	31,889
Unrealized gain		<u>111,755</u>
Total	\$	<u>143,644</u>

For the year ended December 31, 2017 the Center also earned \$189 in interest income from money market and savings accounts.

**CENTER FOR RESPONSIVE POLITICS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2017**

**Note 5. 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 Center 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 Center 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 Center 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, 2017.

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Inputs Other Than Quoted Prices for Identical Assets (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Balance as of December 31, 2017				
Money Market Funds	\$ 10,090	\$ 10,090	\$ ---	\$ ---
Mutual Funds	20,714	20,714	---	---
Equity	<u>1,182,272</u>	<u>1,182,272</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 1,213,076</u>	<u>\$ 1,213,076</u>	<u>\$ ---</u>	<u>\$ ---</u>

**Note 6. Contributions Receivable:**

Contributions receivable at December 31, 2017 are as follows:

Receivables in less than one year	\$ 800,000
Receivables in one to two years	500,000
Total	<u>\$ 1,300,000</u>

**Note 7. 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, 2017 was \$15,526 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, 2017**

**Note 8. Operating Lease:**

The Center leased office space under a lease agreement that expired on September 30, 2017. The Center entered into a new lease agreement on October 1, 2017 that continues until June 1, 2028. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payment is reflected as deferred rent in the accompanying statement of financial position. The lease also provided for a build out in space totaling \$345,440. These incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying statement of financial position.

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

2018	\$	120,158
2019		178,970
2020		183,450
2021		188,049
2022		192,745
Thereafter		<u>1,131,082</u>
Total		<u>\$ 1,994,454</u>

Rent expense for the year ended December 31, 2017 was \$204,418. Including utilities, storage and parking, office occupancy cost was \$211,139.

**Note 9. Temporarily Restricted Net Assets:**

At December 31, 2017 temporarily restricted net assets consisted of the following:

Research and Analysis	\$	100,000
Time Restricted – General Support		<u>700,000</u>
Total		<u>\$ 800,000</u>

**Note 10. Subsequent Events:**

The Center has evaluated all subsequent events through November 7, 2018 which is the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified based on this evaluation.

