

**Audited Consolidated Financial Statements  
with Consolidating Information**

**COMMON CAUSE & AFFILIATE**

*June 30, 2015*

# Common Cause & Affiliate

## Contents

---

<b><i>Independent Auditor's Report on the Consolidated Financial Statements</i></b>	1
<b><i>Consolidated Financial Statements</i></b>	
Consolidated statements of financial position	2
Consolidated statement of activities - 2015	3
Consolidated statement of activities - 2014	4
Consolidated statements of cash flows	5
Notes to the consolidated financial statements	6 - 18
<b><i>Consolidating Information</i></b>	
Independent auditor's report on the consolidating information	19
Consolidating statement of financial position	20
Consolidating statement of activities	21

T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

# Independent Auditor's Report on the Consolidated Financial Statements

To the Members and National Governing Board  
Common Cause & Affiliate

We have audited the accompanying consolidated financial statements of Common Cause & Affiliate (the Organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Common Cause & Affiliate as of June 30, 2015 and 2014, and the related changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC  
September 25, 2015

2021 L STREET, NW

SUITE 400

WASHINGTON, DC

20036

TELEPHONE

202/293-2200

FACSIMILE

202/293-2208

## Common Cause & Affiliate

### Consolidated Statements of Financial Position

<b>June 30,</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 498,389	\$ 1,098,077
Investments	1,637,791	1,556,486
Promises to give and other receivables	2,272,061	1,377,945
Prepaid expenses	304,370	204,172
Property and equipment	240,564	291,895
<b>Total assets</b>	<b>\$ 4,953,175</b>	<b>\$ 4,528,575</b>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,179,632	\$ 755,744
Line of credit	250,000	-
Deferred rent	87,690	211,526
Total liabilities	1,517,322	967,270
Commitments and contingencies	-	-
Net assets		
Unrestricted	(982,074)	(114,977)
Temporarily restricted	4,417,927	3,676,282
Total net assets	3,435,853	3,561,305
<b>Total liabilities and net assets</b>	<b>\$ 4,953,175</b>	<b>\$ 4,528,575</b>

See notes to the consolidated financial statements.

## Common Cause & Affiliate

### Consolidated Statement of Activities

*Year Ended June 30, 2015*

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support</b>			
Contributions	\$ 7,056,978	\$ 4,903,566	\$ 11,960,544
Contributed services	1,594,740		1,594,740
Bequests	1,414,009		1,414,009
Rental income	132,484		132,484
Contract income	63,047		63,047
List rentals and other income	3,277		3,277
	10,264,535	4,903,566	15,168,101
Net assets released from restriction	4,226,400	(4,226,400)	-
Total revenue and support	14,490,935	677,166	15,168,101
<b>Expense</b>			
Program services			
Educational activities	5,903,225		5,903,225
Program operations, lobbying, and communications	3,918,741		3,918,741
Program development and management	872,782		872,782
Total program services	10,694,748	-	10,694,748
Supporting services			
Fund raising, including new member acquisitions	2,533,438		2,533,438
General and administration	2,164,409		2,164,409
Total supporting services	4,697,847	-	4,697,847
Total expense	15,392,595	-	15,392,595
Change in net assets from operations	(901,660)	677,166	(224,494)
Investment income	4,563	64,479	69,042
State affiliate costs	30,000		30,000
<b>Change in net assets</b>	(867,097)	741,645	(125,452)
Net assets, July 1, 2014	(114,977)	3,676,282	3,561,305
<b>Net assets, June 30, 2015</b>	\$ (982,074)	\$ 4,417,927	\$ 3,435,853

See notes to the consolidated financial statements.

## Common Cause & Affiliate

### Consolidated Statement of Activities

*Year Ended June 30, 2014*

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support</b>			
Contributions	\$ 7,302,425	\$ 3,049,520	\$ 10,351,945
Contributed services	1,125,386		1,125,386
Bequests	1,133,513		1,133,513
Rental income	129,229		129,229
Contract income	68,467		68,467
List rentals and other income	39,804		39,804
	9,798,824	3,049,520	12,848,344
Net assets released from restriction	2,392,965	(2,392,965)	-
Total revenue and support	12,191,789	656,555	12,848,344
<b>Expense</b>			
Program services			
Educational activities	4,350,439		4,350,439
Program operations, lobbying, and communications	3,171,365		3,171,365
Program development and management	478,918		478,918
Total program services	8,000,722	-	8,000,722
Supporting services			
Fund raising, including new member acquisitions	2,248,508		2,248,508
General and administration	2,228,934		2,228,934
Total supporting services	4,477,442	-	4,477,442
Total expense	12,478,164	-	12,478,164
Change in net assets from operations	(286,375)	656,555	370,180
Investment income	4,727	224,770	229,497
<b>Change in net assets</b>	(281,648)	881,325	599,677
Net assets, July 1, 2013	166,671	2,794,957	2,961,628
<b>Net assets, June 30, 2014</b>	\$ (114,977)	\$ 3,676,282	\$ 3,561,305

See notes to the consolidated financial statements.

## Common Cause & Affiliate

### Consolidated Statements of Cash Flows

<i>Year Ended June 30,</i>	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (125,452)	\$ 599,677
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	74,207	44,275
Bad debt expense	7,500	3,125
Net gain on investments	(37,359)	(178,986)
Changes in assets and liabilities:		
Promises to give and other receivables	(901,616)	(234,038)
Prepaid expenses	(100,198)	(128,222)
Accounts payable and accrued expenses	423,888	(472,620)
Deferred rent	(123,836)	(106,906)
Total adjustments	(657,414)	(1,073,372)
Net cash used in operating activities	(782,866)	(473,695)
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	683,518	136,018
Purchases and donations of investments	(727,464)	(210,446)
Purchases of property and equipment	(22,876)	(13,552)
Net cash used in investing activities	(66,822)	(87,980)
<b>Cash flows from financing activities</b>		
Proceeds from draw downs on line of credit	250,000	-
Net cash provided by financing activities	250,000	-
<b>Net decrease in cash and cash equivalents</b>	<b>(599,688)</b>	<b>(561,675)</b>
Cash and cash equivalents, beginning of year	1,098,077	1,659,752
<b>Cash and cash equivalents, end of year</b>	<b>\$ 498,389</b>	<b>\$ 1,098,077</b>
<b>Schedule of Noncash Investing Activities</b>		
Donated securities	\$ 128,226	\$ 139,671

See notes to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

---

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Common Cause was formed in 1968 as a nonprofit under the laws of the District of Columbia. Common Cause is a nonpartisan citizens' lobby that works to improve the way federal and state governments operate. Common Cause is supported by dues and small contributions from nearly 90,000 members nationwide. A National Governing Board sets issue priorities and policy for Common Cause.

Common Cause Education Fund (the Education Fund) was formed in 2000 as a nonprofit under the laws of the State of Delaware. The Education Fund conducts charitable research and educational activities which are supported by foundation grants and contributions from individuals.

Together, Common Cause and the Education Fund work to strengthen public participation and faith in the federal and state institutions of self-government; to ensure that government and the political process serve the general interest, rather than special interests; to curb the excessive influence of money on government decisions and elections; to promote fair and honest elections and high ethical standards for government officials; and to protect the civil rights and civil liberties of all Americans.

Principles of consolidation: The consolidated financial statements include the accounts of Common Cause and the Education Fund (the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Income tax status: Common Cause and the Education Fund are exempt from the payment of income taxes on their exempt activities under Section 501(c)(4) and 501(c)(3), respectively, of the Internal Revenue Code. The Education Fund was originally classified as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Basis of accounting: The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

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

Cash and cash equivalents: For consolidated financial statement purposes, the Organization considers demand deposits and money market funds not included in the investment portfolio to be cash and cash equivalents.

Contributions: Bequests, grants, and funds received from members are accounted for as contributions. Contributions are recognized as revenue when received or unconditionally promised, such as pledges and grants receivable. Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when restrictions are satisfied or expire (that is, when a purpose restriction is accomplished or a stipulated time restriction ends). Temporarily restricted support that expires in the same period is classified as unrestricted net assets.



## Notes to the Consolidated Financial Statements

---

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contract income: Contract income primarily consists of fees earned in relation to contracts for providing mission related services to third parties. The Organization has contracts with third-parties in relation to activities such as the Colorado Civic Engagement Roundtable.

Program services: Program services descriptions are as follows:

*Educational activities* includes the programs of the Education Fund which encompass the following goals:

- to bring attention to the fundamental problems caused by the corrupting influence of money in political campaigns, and to help educate citizens in a thoughtful and inspiring way, which are important first steps in the Education Fund's overall strategy to reengage citizens in their democracy; and
- through public outreach and education, coalition-building efforts, research, and study, the Education Fund aims to achieve the following:
  - promote and spur greater inclusiveness in the democratic process by reaching out to, and including, all groups in the political process, especially those that have traditionally been excluded, and work to educate a broad base of organizations and citizens on the need for reforms;
  - strengthen and improve political institutions and procedures through education and outreach efforts, including: using campaign finance data analysis to raise public awareness of the problems in the current campaign finance system and how reform can improve the way government operates; conducting research, public education and outreach programs on elections and the electoral process, including redistricting, election administration, and the financing of elections; convening allied organizations and educating Common Cause members and the general public about the role of media in democracy and the regulatory systems that govern media in the United States; conducting research and public education on ethics in government and other research and education programs aimed at encouraging Common Cause members and volunteers and the general public to be more active and engaged citizens and to promote reform; and
  - foster a new growth of citizen participation in government and develop projects that can help reengage young people, minorities and the disenfranchised as part of this overall effort to spur greater citizen participation in democracy.

## Notes to the Consolidated Financial Statements

---

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Program operations, lobbying, and communications* includes the activities of Common Cause's national and state volunteers which encompass the following goals:

- to maintain contact with members of Congress, state legislatures and their staffs on Common Cause issues;
- to monitor federal and state executive branch activity on Common Cause issues;
- to communicate and interpret information on Common Cause issues to the media, and distribute press releases, editorial memoranda, and public-service radio and television spots that inform the general public on Common Cause issues;
- to carry the national issue program to state offices and Common Cause members and volunteers through program and administrative support; and,
- to provide program and organizing assistance to state offices and Common Cause members and volunteers.

*Program development and management* includes development and direction of the Organization's program activities including research and preparation of position papers on national and state issues, maintaining communications with the National Governing Board, and developing and maintaining partnerships with allied organizations.

Supporting services: Supporting services descriptions are as follows:

*Fund raising, including new member acquisition:* The fund raising function includes activities relating to new member acquisition and other activities that encourage and secure financial support for the Organization.

*General and administration:* The general and administration function includes activities necessary for the administrative processes of the Organization and managing its operations and financial responsibilities.

Functional allocation of expense: The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated between entities and then among the program and supporting services benefited based on estimated employee effort.

Measure of operations: The Organization does not include investment income and state affiliate costs in the change in net assets from operations. State affiliate costs are contributions from Common Cause to state chapters to help defray the costs of certain program and supporting services.

Reclassifications: Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income. In particular, outstanding checks totaling \$129,984 had created a negative cash balance and have been reclassified to accounts payable and accrued expenses in the consolidated statements of financial position.

Subsequent events: Subsequent events have been evaluated through September 25, 2015, which is the date the consolidated financial statements were available to be issued.

## Notes to the Consolidated Financial Statements

---

### B. CONCENTRATIONS

Credit risk: The Organization maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Organization.

Market value risk: The Organization invests funds in various marketable debt and equity securities. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

### C. INVESTMENTS

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the Organization's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value include mutual funds and common stocks, which were valued using Level 1 inputs based on quoted prices for identical assets in active markets. Management believes the estimated fair values of investments to be a reasonable approximation of their exit price.

Investments recorded at cost include money market funds and certificates of deposit. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

## Common Cause & Affiliate

### Notes to the Consolidated Financial Statements

#### C. INVESTMENTS - CONTINUED

Investments consisted of the following at June 30,:

	<b>2015</b>	<b>2014</b>
Investments, at fair value		
Mutual funds - fixed income	\$ 8,365	\$ 7,308
Mutual fund - equity	1,082,887	1,048,698
Corporate bond (Level 2)	-	4,844
Common stocks	190,049	201,502
	1,281,301	1,262,352
Investments, at cost		
Money market funds	202,568	140,212
Certificates of deposit	153,922	153,922
	356,490	294,134
	<b>\$ 1,637,791</b>	<b>\$ 1,556,486</b>

Investments have been segregated into the following accounts at June 30,:

	<b>2015</b>	<b>2014</b>
MGGE	\$ 1,082,887	\$ 1,048,698
Rankin Trust for Colorado Office	330,601	330,410
Office leases - letters of credit	153,922	153,922
Donated stock	50,842	4,319
Shriver Quasi-endowed Fund	19,539	19,137
	1,637,791	1,556,486
	<b>\$ 1,637,791</b>	<b>\$ 1,556,486</b>

Investment income consisted of the following for the years ended June 30,:

	<b>2015</b>	<b>2014</b>
Net gain on investments	\$ 37,359	\$ 178,986
Interest and dividends	34,951	53,643
Investment fees	(3,268)	(3,132)
	69,042	229,497
	<b>\$ 69,042</b>	<b>\$ 229,497</b>

## Common Cause & Affiliate

### Notes to the Consolidated Financial Statements

---

#### D. PROMISES TO GIVE AND OTHER RECEIVABLES

Promises to give and other receivables consisted of unconditional pledges receivable (promises to give) and uncollected contributions from internet donations. Management periodically reviews the status of all receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. As a result of these reviews, account balances deemed to be uncollectible are written-off. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts was recorded. Bad debt expense totaled \$7,500 and \$3,125 for the years ended June 30, 2015 and 2014, respectively.

Promises to give and other receivables consisted of the following at June 30,:

	2015	2014
Promises to give		
Pledges and grants	\$ 2,189,717	\$ 1,268,988
Web contributions	82,241	108,507
Other receivables	<u>103</u>	<u>450</u>
	<u><b>\$ 2,272,061</b></u>	<u><b>\$ 1,377,945</b></u>

Pledges and grants receivable include multi-year unconditional promises to give from donors. Pledges and grants receivable that are expected to be collected within one year are recorded at net realizable value. Pledges and grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management determined that the discount on multi-year pledges and grants receivable was immaterial.

Pledges and grants receivable consisted of the following at June 30,:

	2015	2014
Receivable in less than one year	\$ 2,056,717	\$ 1,078,713
Receivable in one to five years	<u>133,000</u>	<u>190,275</u>
	<u><b>\$ 2,189,717</b></u>	<u><b>\$ 1,268,988</b></u>

## Common Cause & Affiliate

### Notes to the Consolidated Financial Statements

---

#### D. PROMISES TO GIVE AND OTHER RECEIVABLES - CONTINUED

Conditional promise to give: The gift agreement related to the George S. McGovern Great Government Endowment (MGGE), which is detailed in Note G, includes a \$500,000 conditional promise to give from the donor. Under the terms of the gift agreement, the donor promised to provide a matching gift of \$1 for every \$4 that the Organization adds to MGGE. In order to satisfy the matching requirement, the Organization's additions to MGGE may be either in the form of restricted contributions to MGGE from other donors or from the Organization's unrestricted contributions.

Specifically, the Organization is eligible to receive a matching gift of \$50,000 from the donor for every \$200,000 in eligible contributions raised in one year. The matching incentive will be in effect from July 1, 2013 until either total eligible restricted contributions exceed \$2,000,000 or December 31, 2022, whichever is earlier.

The Organization raised \$200,000 in eligible contributions and received a matching gift from the donor totaling \$50,000 during both of the years ended June 30, 2015 and 2014. Therefore, the remaining balance due on the conditional promise to give totaled \$400,000 as of June 30, 2015.

#### E. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than \$1,000 are recorded at cost and depreciated or amortized using the straight-line method over the estimated useful lives. Computer equipment and software are depreciated over a five year period. Furniture and other equipment are depreciated over a period ranging from five to seven years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the remaining term of the lease.

Property and equipment consisted of the following at June 30,:

	2015	2014
Computer equipment and software	\$ 870,750	\$ 881,559
Furniture and other equipment	220,719	220,719
Leasehold improvements	46,963	46,963
	<u>1,138,432</u>	<u>1,149,241</u>
Less accumulated depreciation and amortization	<u>(897,868)</u>	<u>(857,346)</u>
	<u>\$ 240,564</u>	<u>\$ 291,895</u>

Notes to the Consolidated Financial Statements

F. UNRESTRICTED NET ASSETS

Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Undesignated: Undesignated net assets would be used for the general operations of the Organization. However, the Organization currently has a deficit in undesignated net assets.

Designated: Board designated net assets include the following funds:

*Bob Edgar Legacy Funds:* The National Governing Board passed a resolution in 2014 to formally designate the Bob Edgar Legacy Funds and, as a result, established the Opportunity Fund and the Endowment Fund. The Opportunity Fund is for unrestricted contributions that the Organization determines should be included in the Bob Edgar Legacy Fund. The Endowment Fund was established as a donor-restricted endowment fund, the earnings from which will be used to support general operations. However, the Organization has not received any donor-restricted contributions in relation to the Endowment Fund.

*Reserve Fund:* During March 2015, the National Governing Board passed a resolution to establish the Reserve Fund to seize opportunities and prepare for emergencies. In particular, beginning on January 1, 2015, 25% of all bequests received were allocated to the Reserve Fund. Furthermore, beginning on July 1, 2015, 50% of all bequests received will be allocated to the Reserve Fund. The Organization's goal is to establish a balance of \$3,300,000, which approximates three months of operating expense.

*Shriver Quasi-endowed Fund:* The Shriver Quasi-endowed Fund was originally established by a bequest from Joyce Shriver to Common Cause. The Shriver bequest had no donor restriction as to use but it was received by the New York state office. Thus, the National Governing Board of Common Cause passed a resolution to use the gift to establish a quasi-endowed fund to be used for the benefit of both the national office and the New York office.

Unrestricted net assets consisted of the following at June 30,:

	2015	2014
Undesignated		
Deficit in general operations	\$ (1,142,606)	\$ (239,908)
Board designated		
Bob Edgar Legacy - Opportunity Fund	106,244	105,794
Reserve Fund	34,749	-
Shriver Quasi-endowed Fund (see Note G)	19,539	19,137
	<u>160,532</u>	<u>124,931</u>
	<u>\$ (982,074)</u>	<u>\$ (114,977)</u>

Deficit in unrestricted net assets: As reported in the accompanying consolidated statements of financial position, the Organization has a deficit in unrestricted net assets. The Organization is aware of the deficit in unrestricted net assets and is actively working to alleviate it through increasing unrestricted contributions and containing expenses.

## Notes to the Consolidated Financial Statements

---

### G. ENDOWMENT FUNDS

The Organization's endowment funds currently include 1) an unrestricted fund designated by the National Governing Board to function as a quasi-endowed fund (see description in Note F), and 2) a temporarily restricted fund established by a donor for the George S. McGovern Great Government Endowment (MGGE). Under the terms of the MGGE gift agreement, the Organization may spend both the principal and the investment earnings on the fund to support the activities of the great government program.

#### *Interpretation of Relevant Law*

The Organization has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA)*, enacted by both the District of Columbia and the State of Delaware, as requiring the preservation of the real (inflation-adjusted) purchasing power of endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as endowment net assets (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment such as investment income.

#### *Return Objectives and Risk Parameters*

The Organization's endowment investments primarily relate to MGGE which, as directed by the donor, have been invested in a specific mutual fund which primarily invests in equity securities.

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term objectives, the Organization relies on the investment earnings from the mutual fund which was stipulated by the donor in the MGGE gift agreement.

#### *Spending Policy and How Investment Objectives Relate to Spending Policy*

The spending policy in relation to the MGGE has been stipulated by the donor and will be implemented in accordance with the terms which are included in the gift agreement.

#### *Fund Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds, such as MGGE, may fall below the level that the donor originally contributed as an endowment fund to the Organization. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and typically result from unfavorable market fluctuations or continued appropriation when deemed prudent by the National Governing Board. While the investment balance reported in Note C for MGGE was lower than the related net asset balance at June 30, 2015 and 2014, this condition was due to timing differences between investments and cash, which does not indicate a fund deficiency.

In relation to the quasi-endowed fund, the original value of the fund totaled \$932,014. During the year ended June 30, 2009, the National Governing Board approved a resolution to transfer \$744,290 from the quasi-endowed fund to the operating fund to supplement the Organization's cash flow needs. The National Governing Board intends to repay the quasi-endowed fund in equal amounts over a three-year period. The repayments are contingent upon the Organization's financial health and no repayments have yet been made. As a result of the transfer to the operating fund and due to changes in the fair value of the underlying investments, the quasi-endowed fund deficiency totaled \$912,475 and \$912,877 at June 30, 2015 and 2014, respectively.



## Common Cause & Affiliate

### Notes to the Consolidated Financial Statements

#### G. ENDOWMENT FUNDS - CONTINUED

Endowment funds consisted of the following at June 30,:

<b>2015</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Board-designated				
Shriver Quasi-endowed Fund	\$ 19,539	\$ -	\$ -	\$ 19,539
Donor-restricted				
MGGE		1,274,792		1,274,792
	<b>\$ 19,539</b>	<b>\$ 1,274,792</b>	<b>\$ -</b>	<b>\$ 1,294,331</b>

<b>2014</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Board-designated				
Shriver Quasi-endowed Fund	\$ 19,137	\$ -	\$ -	\$ 19,137
Donor-restricted				
MGGE		1,140,657		1,140,657
	<b>\$ 19,137</b>	<b>\$ 1,140,657</b>	<b>\$ -</b>	<b>\$ 1,159,794</b>

Changes in endowment funds consisted of the following as of and for the year ended June 30,:

<b>2015</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment funds, July 1, 2014	\$ 19,137	\$ 1,140,657	\$ -	\$ 1,159,794
Contributions		250,000		250,000
Investment return				
Net (loss) gain on investments	(350)	41,550		41,200
Interest and dividends	907	22,838		23,745
Investment fees	(155)	(100)		(255)
	402	64,288	-	64,690
Appropriations		(180,153)		(180,153)
Endowment funds, June 30, 2015	<b>\$ 19,539</b>	<b>\$ 1,274,792</b>	<b>\$ -</b>	<b>\$ 1,294,331</b>

# Common Cause & Affiliate

## Notes to the Consolidated Financial Statements

### G. ENDOWMENT FUNDS - CONTINUED

<b>2014</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment funds, July 1, 2013	\$ 16,623	\$ 826,027	\$ -	\$ 842,650
Contribution		250,000		250,000
Investment return				
Net gain on investments	2,366	130,871		133,237
Interest and dividends	296	34,794		35,090
Investment fees	(148)	(100)		(248)
	2,514	165,565	-	168,079
Appropriations		(100,935)		(100,935)
Endowment funds, June 30, 2014	<b>\$ 19,137</b>	<b>\$ 1,140,657</b>	<b>\$ -</b>	<b>\$ 1,159,794</b>

### H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include those net assets whose use has been donor restricted by either specified purpose or time limitations.

Temporarily restricted net assets and related activity consist of the following as of and for the year ended June 30,:

<b>2015</b>	<b>Beginning</b>	<b>Additions</b>	<b>Releases</b>	<b>Ending</b>
Election reform and protection	\$ 1,122,127	\$ 1,810,750	\$ (1,345,708)	\$ 1,587,169
Government accountability	1,140,657	314,288	(180,153)	1,274,792
State office operations	655,628	1,209,007	(957,625)	907,010
Money in politics	389,587	1,004,000	(1,031,224)	362,363
Media and democracy	364,518	630,000	(707,925)	286,593
Ethics	3,765		(3,765)	-
	<b>\$ 3,676,282</b>	<b>\$ 4,968,045</b>	<b>\$ (4,226,400)</b>	<b>\$ 4,417,927</b>

<b>2014</b>	<b>Beginning</b>	<b>Additions</b>	<b>Releases</b>	<b>Ending</b>
Election reform and protection	\$ 476,232	\$ 1,374,110	\$ (728,215)	\$ 1,122,127
Government accountability	882,809	415,565	(157,717)	1,140,657
State office operations	496,610	789,615	(630,597)	655,628
Money in politics	560,137	325,000	(495,550)	389,587
Media and democracy	375,404	370,000	(380,886)	364,518
Ethics	3,765			3,765
	<b>\$ 2,794,957</b>	<b>\$ 3,274,290</b>	<b>\$ (2,392,965)</b>	<b>\$ 3,676,282</b>

## Notes to the Consolidated Financial Statements

---

### I. CONTRIBUTED SERVICES

Recorded: Donated services are recognized as contributions and expense in accordance with generally accepted accounting principles when the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization received in-kind contributions, primarily in the form of legal services related to program services activities, totaling \$1,594,740 and \$1,125,386, during the years ended June 30, 2015 and 2014, respectively. In-kind contributions have been recognized as contributed services revenue and related expense at estimated fair value.

Unrecorded: Certain contributed services have not been recorded in the accompanying consolidated financial statements because they do not meet the accounting criteria for recognition. These services relate primarily to national and state office volunteers and state advisory board members who provide program and support assistance to the Organization.

National office volunteers inform and activate the membership nationwide, track issues in the press, monitor congressional committee meetings, respond to inquiries about the Organization and its legislative efforts, and serve as administrative aides. State office volunteers work in congressional districts throughout the country and also provide administrative services for state offices. State advisory board members provide programmatic oversight, participate in program performance, and generally support the operations of the state offices.

### J. RETIREMENT PLAN

Common Cause maintains a defined contribution 401(k) retirement plan available to all employees meeting certain eligibility requirements as defined in the plan document. Under the plan, employees may make deferred salary contributions ranging from 1% to 50% of compensation, subject to legal limitations. Common Cause matches \$1.50 for each \$1.00 of the first 4% contributed by the employee, up to a maximum of 6%. Common Cause's contributions under the plan totaled \$179,956 and \$181,066 for the years ended June 30, 2015 and 2014, respectively.

### K. COMMITMENTS AND CONTINGENCIES

1133 19<sup>th</sup> Street: Common Cause has an operating lease for its national office space which expires in January 2016. The office lease contains certain lease incentives, which have been reported as deferred rent in the accompanying consolidated statements of financial position and have been amortized on a basis to achieve straight-line rent expense over the life of the lease.

805 15<sup>th</sup> Street: During June 2015, Common Cause signed a new operating lease for its national office space, which has an estimated occupancy date of January 2016. The lease term is currently scheduled to expire in November 2026. The new office lease contains certain lease incentives, such as a tenant improvement allowance, which will be reported as deferred rent in the accompanying consolidated statements of financial position and will be amortized on a basis to achieve straight-line rent expense over the life of the lease.

State offices: Under various operating lease agreements, Common Cause is obligated for office space at certain state offices over varying periods through 2021.

## Common Cause & Affiliate

### Notes to the Consolidated Financial Statements

#### K. COMMITMENTS AND CONTINGENCIES - CONTINUED

Future minimum cash basis national and state office lease payments are as follows:

Year Ending June 30,	National	States	Total
2016	\$ 542,900	\$ 168,900	\$ 711,800
2017	550,700	99,900	650,600
2018	711,000	79,000	790,000
2019	728,800	74,800	803,600
2020	747,000	5,400	752,400
Thereafter	5,257,300	500	5,257,800
	<b>\$ 8,537,700</b>	<b>\$ 428,500</b>	<b>\$ 8,966,200</b>

Rent expense for the national and state office leases totaled \$817,661 and \$786,573 for the years ended June 30, 2015 and 2014, respectively.

Subleases: The Organization subleases a portion of its national office space to unrelated tenants. One of the subleases expired during the year ended June 30, 2015 and the remaining sublease will expire in July 2015. Rental income from subleases totaled \$132,484 and \$129,229 for the years ended June 30, 2015 and 2014, respectively.

Letters of credit: The Organization has two letters of credit with a bank, totaling \$117,411 and \$25,746. The \$117,411 letter of credit must be maintained in accordance with the terms of the national office space lease agreement and expires in January 2016. The \$25,746 letter of credit must be maintained in accordance with the terms of the New York office lease agreement and expires February 2016. Both letters of credit are collateralized by certificates of deposit with the same bank, which are included in investments in the accompanying consolidated statements of financial position.

Line of credit: Common Cause has a \$500,000 open end, revolving line of credit with a bank that is secured by cash and any investments held by the same bank plus all other assets. The balance due on the line of credit is payable on demand and, therefore, has no expiration date. Interest is calculated using the one month LIBOR rate plus 2.5% per annum (the actual rate was 2.68% at June 30, 2015). Interest is calculated monthly on the outstanding balance which totaled \$250,000 at June 30, 2015.

Litigation: Although no lawsuits have been filed and no litigation is pending, the Organization has been made aware of a certain assertion. In the opinion of management, resolution of the matter may lead to a negotiated settlement agreement with a related payment ranging from \$70,000 to \$100,000. Therefore, an accrued settlement liability totaling \$70,000 at June 30, 2015 has been recorded in the consolidated financial statements.

T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

## Independent Auditor's Report on the Consolidating Information

To the Members and National Governing Board  
Common Cause & Affiliate

We have audited the consolidated financial statements of Common Cause & Affiliate (the Organization) as of and for the year ended June 30, 2015, and our report thereon dated September 25, 2015, which expressed an unmodified opinion on the consolidated financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, and changes in net assets of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Washington, DC  
September 25, 2015

2021 L STREET, NW

SUITE 400

WASHINGTON, DC

20036

TELEPHONE

202/293-2200

FACSIMILE

202/293-2208

# Common Cause & Affiliate

## Consolidating Statement of Financial Position

*June 30, 2015*

	Common Cause	Education Fund	Elimination	Consolidated Total
<b>Assets</b>				
Cash and cash equivalents	\$ 169,568	\$ 328,821	\$ -	\$ 498,389
Investments	509,612	1,128,179		1,637,791
Promises to give and other receivables	1,041,439	1,230,622		2,272,061
Amount due from affiliate	445,702		(445,702)	-
Prepaid expenses	300,945	3,425		304,370
Property and equipment	240,564			240,564
<b>Total assets</b>	<b>\$ 2,707,830</b>	<b>\$ 2,691,047</b>	<b>\$ (445,702)</b>	<b>\$ 4,953,175</b>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,114,681	\$ 64,951	\$ -	\$ 1,179,632
Amount due to affiliate		445,702	(445,702)	-
Line of credit	250,000			250,000
Deferred rent	87,690			87,690
<b>Total liabilities</b>	<b>1,452,371</b>	<b>510,653</b>	<b>(445,702)</b>	<b>1,517,322</b>
<b>Net assets</b>				
Unrestricted	(370,195)	(611,879)		(982,074)
Temporarily restricted	1,625,654	2,792,273		4,417,927
<b>Total net assets</b>	<b>1,255,459</b>	<b>2,180,394</b>	<b>-</b>	<b>3,435,853</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,707,830</b>	<b>\$ 2,691,047</b>	<b>\$ (445,702)</b>	<b>\$ 4,953,175</b>

**Common Cause & Affiliate**  
**Consolidating Statement of Activities**  
*Year Ended June 30, 2015*

	Unrestricted Activities			Temporarily Restricted Activities			Consolidated Total
	Common Cause	Education Fund	Total	Common Cause	Education Fund	Total	
<b>Revenue and support</b>							
Contributions	\$ 4,237,712	\$ 2,819,266	\$ 7,056,978	\$ 1,326,116	\$ 3,577,450	\$ 4,903,566	\$ 11,960,544
Contributed services	1,594,740		1,594,740			-	1,594,740
Bequests	737,297	676,712	1,414,009			-	1,414,009
Rental income	132,484		132,484			-	132,484
Contract income	35,550	27,497	63,047			-	63,047
List rentals and other income	3,005	272	3,277			-	3,277
	6,740,788	3,523,747	10,264,535	1,326,116	3,577,450	4,903,566	15,168,101
Net assets released from restriction	770,525	3,455,875	4,226,400	(770,525)	(3,455,875)	(4,226,400)	-
<b>Total revenue and support</b>	<b>7,511,313</b>	<b>6,979,622</b>	<b>14,490,935</b>	<b>555,591</b>	<b>121,575</b>	<b>677,166</b>	<b>15,168,101</b>
<b>Expense</b>							
Program services							
Educational activities		5,903,225	5,903,225			-	5,903,225
Program operations, lobbying, and communications	3,918,741		3,918,741			-	3,918,741
Program development and management	509,065	363,717	872,782			-	872,782
<b>Total program services</b>	<b>4,427,806</b>	<b>6,266,942</b>	<b>10,694,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,694,748</b>
Supporting services							
Fund raising, including new member acquisitions	2,037,835	495,603	2,533,438			-	2,533,438
General and administration	1,691,200	473,209	2,164,409			-	2,164,409
<b>Total supporting services</b>	<b>3,729,035</b>	<b>968,812</b>	<b>4,697,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,697,847</b>
<b>Total expense</b>	<b>8,156,841</b>	<b>7,235,754</b>	<b>15,392,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,392,595</b>
Change in net assets from operations	(645,528)	(256,132)	(901,660)	555,591	121,575	677,166	(224,494)
Investment income	4,441	122	4,563	191	64,288	64,479	69,042
State affiliate costs	30,000	-	30,000			-	30,000
<b>Change in net assets</b>	<b>(611,087)</b>	<b>(256,010)</b>	<b>(867,097)</b>	<b>555,782</b>	<b>185,863</b>	<b>741,645</b>	<b>(125,452)</b>
Net assets, July 1, 2014	240,892	(355,869)	(114,977)	1,069,872	2,606,410	3,676,282	3,561,305
<b>Net assets, June 30, 2015</b>	<b>\$ (370,195)</b>	<b>\$ (611,879)</b>	<b>\$ (982,074)</b>	<b>\$ 1,625,654</b>	<b>\$ 2,792,273</b>	<b>\$ 4,417,927</b>	<b>\$ 3,435,853</b>