



**THE CAMPAIGN LEGAL CENTER, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

THE CAMPAIGN LEGAL CENTER, INC.

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DECEMBER 31, 2016 AND 2015

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## Independent Auditors' Report

Board of Trustees  
The Campaign Legal Center, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of The Campaign Legal Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 2016 financial statements referred to above present fairly, in all material respects, the financial position of The Campaign Legal Center, Inc., 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.



### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Prior Period Financial Statements***

The financial statements of The Campaign Legal Center, Inc., as of December 31, 2015, were audited by other auditors whose report dated April 9, 2016, expressed an unmodified opinion on those financial statements.

*Councilor, Buchanan + Mitchell, P.C.*

Washington, D.C.  
July 6, 2017

Certified Public Accountants

THE CAMPAIGN LEGAL CENTER, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015

Assets	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 3,122,143	\$ 1,733,337
Certificates of Deposit	254,401	251,957
Pledges Receivable	1,389,375	1,021,666
Accounts Receivable	12,706	30,052
Prepaid Expenses	12,201	11,171
Total Current Assets	<u>4,790,826</u>	<u>3,048,183</u>
Property and Equipment, Net	44,912	59,626
Security Deposit	12,706	30,413
<b>Total Assets</b>	<u><u>\$ 4,848,444</u></u>	<u><u>\$ 3,138,222</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 83,053	\$ 70,976
Deferred Rent	20,725	22,272
Total Current Liabilities	<u>103,778</u>	<u>93,248</u>
Deferred Rent, Net of Current Portion	<u>60,943</u>	<u>-</u>
Total Liabilities	164,721	93,248
<b>Net Assets</b>		
Unrestricted	1,839,786	1,046,512
Temporarily Restricted	2,843,937	1,998,462
Total Net Assets	<u>4,683,723</u>	<u>3,044,974</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,848,444</u></u>	<u><u>\$ 3,138,222</u></u>

See accompanying Notes to Financial Statements.

THE CAMPAIGN LEGAL CENTER, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>
<b>Revenue</b>						
Contributions and Grants	\$ 1,830,082	\$ 3,054,505	\$ 4,884,587	\$ 678,602	\$ 1,106,457	\$ 1,785,059
Other Revenue	9,448	-	9,448	11,192	-	11,192
Loss on Disposal	-	-	-	(2,038)	-	(2,038)
Interest	7,402	-	7,402	4,790	-	4,790
Net Assets Released from Restrictions	<u>2,209,030</u>	<u>(2,209,030)</u>	<u>-</u>	<u>1,420,870</u>	<u>(1,420,870)</u>	<u>-</u>
Total Revenue	4,055,962	845,475	4,901,437	2,113,416	(314,413)	1,799,003
<b>Expenses</b>						
Program	2,073,449	-	2,073,449	1,345,947	-	1,345,947
Administrative	766,911	-	766,911	448,562	-	448,562
Fundraising	<u>422,328</u>	<u>-</u>	<u>422,328</u>	<u>359,078</u>	<u>-</u>	<u>359,078</u>
Total Expenses	<u>3,262,688</u>	<u>-</u>	<u>3,262,688</u>	<u>2,153,587</u>	<u>-</u>	<u>2,153,587</u>
Change in Net Assets	793,274	845,475	1,638,749	(40,171)	(314,413)	(354,584)
Net Assets, Beginning of Year	<u>1,046,512</u>	<u>1,998,462</u>	<u>3,044,974</u>	<u>1,086,683</u>	<u>2,312,875</u>	<u>3,399,558</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,839,786</u></u>	<u><u>\$ 2,843,937</u></u>	<u><u>\$ 4,683,723</u></u>	<u><u>\$ 1,046,512</u></u>	<u><u>\$ 1,998,462</u></u>	<u><u>\$ 3,044,974</u></u>

See accompanying Notes to Financial Statements.

THE CAMPAIGN LEGAL CENTER, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 1,638,749	\$ (354,584)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	30,208	26,440
Loss on Disposal of Property and Equipment	-	2,038
Amortization of Discount on Pledges Receivable	-	(22,457)
<u>(Increase) Decrease in Assets</u>		
Pledges Receivable	(367,709)	271,666
Accounts Receivable	17,346	(30,052)
Prepaid Expenses	(1,030)	3,224
Security Deposit	17,707	(25,413)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	12,077	1,635
Deferred Rent	59,396	22,272
Net Cash Provided by (Used in) Operating Activities	<u>1,406,744</u>	<u>(105,231)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Certificates of Deposit	(2,444)	(1,757)
Purchases of Property and Equipment	<u>(15,494)</u>	<u>(22,792)</u>
Net Cash Used in Investing Activities	<u>(17,938)</u>	<u>(24,549)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,388,806	(129,780)
Cash and Cash Equivalents, Beginning of Year	<u>1,733,337</u>	<u>1,863,117</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 3,122,143</u></u>	<u><u>\$ 1,733,337</u></u>

See accompanying Notes to Financial Statements.

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Campaign Legal Center, Inc. (the Center), is a District of Columbia nonprofit corporation. The Center works as a nonpartisan organization to protect and strengthen the democratic process across all levels of government through litigation and advocacy.

The Center is supported primarily by grants and contributions.

***Basis of Accounting***

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

***Cash and Cash Equivalents***

For financial statement purposes, the Center considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents.

***Certificates of Deposit***

Certificates of deposit are recorded at cost plus accrued interest, which approximates market value. Upon maturity, the funds are automatically reinvested in certificates of deposit with similar interest rates and maturities.

***Accounts Receivable***

Receivables are recorded at their net realizable value. An allowance for doubtful accounts, if needed, reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowance for known troubled accounts. All amounts are considered collectible at December 31, 2016 and 2015.

***Pledges Receivable***

Pledges expected to be collected within one year are recorded at net realizable value. Pledges expected to be collected in future years are recorded at the present value of their estimated future cash flows, using a rate established at the time of donation by management. Discounts are amortized over the life of the pledge. Pledges receivable at December 31, 2016 and 2015, were all due within the following year. The Center reviews the collectability of the receivables on a regular basis. Management considers all pledges receivable to be fully collectible, and accordingly, does not believe any allowance for uncollectible pledges is necessary as of December 31, 2016 and 2015.

***Property and Equipment***

The Center capitalizes all property and equipment acquisitions greater than \$1,000. Property and equipment are recorded at cost, if purchased, or at fair market value, if donated. Depreciation is computed using the straight-line method over the useful lives of the assets. Maintenance and repairs are charged to expense when incurred.



THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Website Development Costs*

The Center capitalizes costs for website development incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once the website has reached the development stage, management has authorized and committed to the funding of the website. It is probable the project will be completed and the website will be used to perform the function intended. Internal and external costs, if direct and incremental, are capitalized until the website is substantially complete and ready for its intended use.

*Deferred Rent*

The Center recognizes the minimum non-contingent rents required under an operating lease as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid, recorded as deferred rent on the statements of financial position.

*Basis of Presentation*

Net assets and revenues are classified based on the existence or absences of donor-imposed restrictions and reported as follows:

**Unrestricted Net Assets** - net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Permanently Restricted Net Assets** - net assets subject to donor-imposed stipulations that will be maintained permanently by the Center. The Center may use all or part of the income earned on these assets for specific purposes. There were no permanently restricted net assets as of December 31, 2016 and 2015.

*Revenue Recognition*

**Contributions and Grants** - contributions and grants, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on existence and/or the nature of any donor restrictions, when received.

*Functional Allocation of Expenses*

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

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Income Taxes*

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

The Center requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Center does not believe its financial statements include, or reflect, any uncertain tax positions. The Center’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination generally for three years after it is filed.

*Reclassification*

Certain 2015 amounts have been reclassified for comparative purposes.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Computer Equipment	\$ 51,594	\$ 37,550
Furniture and Equipment	26,044	24,592
Website	52,500	52,500
Total	<u>130,138</u>	114,642
Less Accumulated Depreciation and Amortization	<u>(85,226)</u>	<u>(55,016)</u>
Property and Equipment, Net	<u>\$ 44,912</u>	<u>\$ 59,626</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31:

	<u>2016</u>	<u>2015</u>
Reserve Fund	\$ 675,000	\$ 675,000
Website Redesign	7,796	7,796
Personnel	-	169,000
Redistricting	281,863	-
Voting Rights	128,195	75,000
Felon Disenfranchisement	25,000	-
State and Local	194,000	-
Litigation Strategy	40,000	-
Legislative Rights	-	50,000
Subsequent Years Activities	<u>1,492,083</u>	<u>1,021,666</u>
Temporarily Restricted Net Assets	<u>\$ 2,843,937</u>	<u>\$ 1,998,462</u>

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

3. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses or satisfying restrictions as follows:

	<u>2016</u>	<u>2015</u>
Subsequent Years Activities	\$ 1,256,249	\$ 641,666
Website Redesign	-	7,204
Voting Rights	270,994	140,000
NM Legislative Issues	50,000	-
Wisconsin Germander	50,000	-
Redistricting	341,787	-
Felon Litigation	25,000	-
State and Local	6,000	-
Personnel	169,000	-
Litigation Work	-	135,000
Strategic Planning	-	100,000
Legislative Issues	-	22,000
Litigation Strategy	40,000	-
Campaign Refinance	-	350,000
Regulatory Support	-	25,000
	<u>\$ 2,209,030</u>	<u>\$ 1,420,870</u>

4. CONCENTRATIONS

As of December 31, 2016, approximately 78% of the pledges receivable were due from four donors. For the year ended December 31, 2016, approximately 31% of contributions and grants revenue were received from two donors.

As of December 31, 2015, 100% of the pledges receivable were due from five donors. For the year ended December 31, 2015, four grantors contributed approximately 65% of total revenue.

The Center maintains cash balances at financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Center's cash balance exceeded the FDIC insurance limit. Management believes the risk in these situations to be minimal.

5. RETIREMENT PLAN

The Center maintains a 401(k) plan (the Plan) that covers all employees who meet certain age restrictions. Employees are eligible for discretionary profit sharing contributions after completing one year of eligibility and employment on the last day of the year. Discretionary matching contributions may be made based on deferrals. There is no service requirement for elective deferrals. There were no employer contributions for the years ended December 31, 2016 and 2015.

6. OPERATING LEASES

The Center has a non-cancellable operating lease effective April 2015 that expires in March 2020. The minimum payments required under the lease are expensed on a straight-line basis over the term of the lease. The difference between amounts expensed and the required lease payments is reflected as deferred rent in the statements of financial position.

THE CAMPAIGN LEGAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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**6. OPERATING LEASES (CONTINUED)**

Future minimum rental payments required under the leases are as follows:

For the Years Ending December 31,

2017	\$	161,428
2018		164,303
2019		167,278
2020		<u>42,076</u>
Total	\$	<u>535,085</u>

Rent and related operating expenses for the years ended December 31, 2016 and 2015, were approximately \$148,000 and \$119,000, respectively.

**7. SUBSEQUENT EVENTS**

Subsequent events were evaluated through July 6, 2017, which is the date the financial statements were available to be issued.

Subsequent to 2016, the Center amended its lease for office space in Washington, D.C. The amendment provides for approximately 5,900 square feet of additional space at a minimum monthly base rent of approximately \$7,000, increasing approximately 2.5% each year through November 2020.

**SUPPLEMENTARY INFORMATION**

THE CAMPAIGN LEGAL CENTER, INC.

SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>2015 Total</u>
<b>Expenses</b>								
Salaries and Benefits	\$ 1,553,885	\$ 595,362	\$ 331,873	\$ 2,481,120	\$ 1,078,637	\$ 307,595	\$ 291,803	\$ 1,678,035
Accounting and Payroll Services	45,457	17,586	9,709	72,752	-	65,395	-	65,395
Conferences and Meetings	24,007	9,287	5,128	38,422	19,762	5,635	5,346	30,743
Depreciation and Amortization	18,875	7,302	4,031	30,208	16,996	4,846	4,598	26,440
Insurance	-	5,783	-	5,783	-	4,654	-	4,654
Occupancy	92,598	35,822	19,777	148,197	78,956	22,516	21,360	122,832
Office Expenses	34,962	13,527	7,468	55,957	19,256	5,491	5,209	29,956
Printing and Postage	41,715	512	283	42,510	3,250	927	879	5,056
Professional Fees	157,154	60,798	33,564	251,516	90,735	25,877	24,547	141,159
Subscription Services	44,920	-	-	44,920	18,630	-	-	18,630
Telephone	6,924	2,679	1,479	11,082	6,657	1,899	1,801	10,357
Travel	52,952	16,332	9,016	78,300	13,068	3,727	3,535	20,330
Miscellaneous	-	1,921	-	1,921	-	-	-	-
Total Expenses	<u>\$ 2,073,449</u>	<u>\$ 766,911</u>	<u>\$ 422,328</u>	<u>\$ 3,262,688</u>	<u>\$ 1,345,947</u>	<u>\$ 448,562</u>	<u>\$ 359,078</u>	<u>\$ 2,153,587</u>