

**Audited Consolidated Financial Statements
with Consolidating Information**

COMMON CAUSE & AFFILIATE

June 30, 2017

Common Cause & Affiliate

Contents

<i>Independent Auditor's Report on the Consolidated Financial Statements</i>	1
<i>Consolidated Financial Statements</i>	
Consolidated statements of financial position	2
Consolidated statement of activities - 2017	3
Consolidated statement of activities - 2016	4
Consolidated statements of cash flows	5
Notes to the consolidated financial statements	6 - 18
<i>Consolidating Information</i>	
Independent auditor's report on the consolidating information	19
Consolidating statement of financial position	20
Consolidating statement of activities	21

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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, 2017 and 2016, 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, 2017 and 2016, 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.

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Common Cause & Affiliate

Consolidated Statements of Financial Position

June 30,	2017	2016
Assets		
Cash and cash equivalents	\$ 1,837,636	\$ 632,267
Investments	2,186,796	1,528,424
Promises to give	2,432,015	2,697,659
Prepaid expenses	462,399	229,654
Property and equipment	1,279,179	1,461,099
Total assets	\$ 8,198,025	\$ 6,549,103
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,155,968	\$ 1,414,570
Line of credit	50,000	300,000
Deferred rent	1,448,439	1,274,162
Total liabilities	2,654,407	2,988,732
Commitments and contingencies	-	-
Net assets (deficit)		
Unrestricted	274,511	(1,266,757)
Temporarily restricted	5,269,107	4,827,128
Total net assets	5,543,618	3,560,371
Total liabilities and net assets	\$ 8,198,025	\$ 6,549,103

See notes to the consolidated financial statements.

Common Cause & Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Contributions	\$ 10,193,833	\$ 3,746,501	\$ 13,940,334
Contributed services	2,302,600		2,302,600
Bequests	598,046		598,046
Contract income	147,585		147,585
Rental income	50,675		50,675
Other income	45		45
	13,292,784	3,746,501	17,039,285
Net assets released from restriction	3,604,710	(3,604,710)	-
Total revenue and support	16,897,494	141,791	17,039,285
Expense			
Program services			
Educational activities	5,219,762		5,219,762
Program operations, lobbying, and communications	5,083,673		5,083,673
Program development and management	528,606		528,606
Total program services	10,832,041	-	10,832,041
Supporting services			
General and administration	2,258,025		2,258,025
Fund raising, including new member acquisitions	2,271,026		2,271,026
Total supporting services	4,529,051	-	4,529,051
Total expense	15,361,092	-	15,361,092
Change in net assets from operations	1,536,402	141,791	1,678,193
Investment income	4,866	300,188	305,054
Change in net assets	1,541,268	441,979	1,983,247
Net (deficit) assets, July 1, 2016	(1,266,757)	4,827,128	3,560,371
Net assets, June 30, 2017	\$ 274,511	\$ 5,269,107	\$ 5,543,618

See notes to the consolidated financial statements.

Common Cause & Affiliate

Consolidated Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Contributions	\$ 7,282,851	\$ 4,906,087	\$ 12,188,938
Contributed services	1,025,693		1,025,693
Bequests	1,302,397		1,302,397
Contract income	176,769		176,769
Rental income	11,699		11,699
List rentals and other income	6,896		6,896
	9,806,305	4,906,087	14,712,392
Net assets released from restriction	4,706,348	(4,706,348)	-
Total revenue and support	14,512,653	199,739	14,712,392
Expense			
Program services			
Educational activities	5,999,323		5,999,323
Program operations, lobbying, and communications	3,310,818		3,310,818
Program development and management	846,026		846,026
Total program services	10,156,167	-	10,156,167
Supporting services			
General and administration	2,060,153		2,060,153
Fund raising, including new member acquisitions	2,373,960		2,373,960
Total supporting services	4,434,113	-	4,434,113
Total expense	14,590,280	-	14,590,280
Change in net assets from operations	(77,627)	199,739	122,112
Investment (loss) income	(3,291)	5,697	2,406
Change in net assets	(80,918)	205,436	124,518
Net (deficit) assets, July 1, 2015	(1,185,839)	4,621,692	3,435,853
Net (deficit) assets, June 30, 2016	\$ (1,266,757)	\$ 4,827,128	\$ 3,560,371

See notes to the consolidated financial statements.

Common Cause & Affiliate

Consolidated Statements of Cash Flows

<i>Year Ended June 30,</i>	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,983,247	\$ 124,518
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (gain) loss on investments	(288,185)	7,630
Bad debt expense	16,191	5,950
Depreciation and amortization	205,668	104,849
Loss on disposal of property and equipment	1,614	-
Changes in assets and liabilities:		
Promises to give	249,453	(431,548)
Prepaid expenses	(232,745)	74,716
Accounts payable and accrued expenses	(258,602)	234,938
Deferred rent	174,277	1,186,472
Total adjustments	(132,329)	1,183,007
Net cash provided by operating activities	1,850,918	1,307,525
Cash flows from investing activities		
Proceeds from sales and maturities of investments	97,965	368,079
Purchases and donations of investments	(468,152)	(266,342)
Purchases of property and equipment	(25,362)	(1,325,384)
Net cash used in investing activities	(395,549)	(1,223,647)
Cash flows from financing activities		
Proceeds from draw downs on line of credit	-	250,000
Payments on line of credit	(250,000)	(200,000)
Net cash (used in) provided by financing activities	(250,000)	50,000
Net increase in cash and cash equivalents	1,205,369	133,878
Cash and cash equivalents, beginning of year	632,267	498,389
Cash and cash equivalents, end of year	\$ 1,837,636	\$ 632,267
Schedule of Noncash Investing Activities		
Securities donated during the year	\$ 46,278	\$ 11,811
Property and equipment purchased with lease incentive	\$ -	\$ 1,223,306

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 92,000 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.

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;

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 (Continued):

- 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 cost reimbursements are contributions from the state affiliates which defray the costs of certain program and supporting services at the state affiliate level.

Subsequent events: Subsequent events have been evaluated through October 2, 2017, which is the date the consolidated financial statements were available to be issued.

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.

Notes to the Consolidated Financial Statements

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, exchange-traded 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.

Investments consisted of the following at June 30,:

	2017	2016
Investments, at fair value		
Mutual and exchange-traded funds - fixed income	\$ 78,127	\$ 7,609
Mutual funds - equities	1,793,938	1,178,674
Common stocks	<u>215,531</u>	<u>153,567</u>
	2,087,596	1,339,850
Investments, at cost		
Money market funds	73,747	163,121
Certificate of deposit	<u>25,453</u>	<u>25,453</u>
	<u>99,200</u>	<u>188,574</u>
	<u>\$ 2,186,796</u>	<u>\$ 1,528,424</u>

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

C. INVESTMENTS - CONTINUED

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

	2017	2016
MGGE (see Note G)	\$ 1,781,044	\$ 1,167,501
Rankin Trust for Colorado Office	338,847	304,744
New York office lease - letter of credit	25,453	25,453
Shriver Quasi-endowed Fund	21,057	18,915
Donated stock held at year end	20,395	11,811
	<u>\$ 2,186,796</u>	<u>\$ 1,528,424</u>

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

	2017	2016
Net gain (loss) on investments	\$ 288,185	\$ (7,630)
Interest and dividends	21,835	14,324
Investment fees	(4,966)	(4,288)
	<u>\$ 305,054</u>	<u>\$ 2,406</u>

D. PROMISES TO GIVE

Unconditional: Promises to give primarily consisted of pledges receivable 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 had been recorded. Bad debt expense totaled \$16,191 and \$5,950 for the years ended June 30, 2017 and 2016, respectively.

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

	2017	2016
Promises to give	\$ 2,432,015	\$ 2,661,043
Other receivable (office build out)	-	36,616
	<u>\$ 2,432,015</u>	<u>\$ 2,697,659</u>

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

D. PROMISES TO GIVE - CONTINUED

Promises to give include multi-year unconditional promises to give from donors. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give 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 promises to give was immaterial.

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

	2017	2016
Receivable in less than one year	\$ 1,855,015	\$ 2,594,543
Receivable in one to five years	577,000	66,500
	<u>\$ 2,432,015</u>	<u>\$ 2,661,043</u>

Conditional: The Organization has received conditional promises to give from donors. Under the terms of the gift agreements, the Organization is eligible to receive contributions from the donors of approximately \$500,000 when other contributions are raised by the Organization. Due to the conditional nature of these gifts, the Organization does not record promises to give for the conditional gifts. In relation to the conditional promises to give, the Organization has received a cumulative total of \$200,000 through June 30, 2017.

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,:

	2017	2016
Computer equipment and software	\$ 341,618	\$ 343,971
Furniture and other equipment	212,946	207,157
Leasehold improvements	1,179,613	1,168,430
	<u>1,734,177</u>	<u>1,719,558</u>
Less accumulated depreciation and amortization	<u>(454,998)</u>	<u>(258,459)</u>
	<u>\$ 1,279,179</u>	<u>\$ 1,461,099</u>

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

F. UNRESTRICTED NET ASSETS (DEFICIT)

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:

Reserve Fund: The National Governing Board passed a resolution to establish the Reserve Fund to seize opportunities and prepare for emergencies. In particular, effective January 1, 2015, 25% of all bequests received will be allocated to the Reserve Fund. Furthermore, effective 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. The designated Reserve Fund balance totaled \$986,969 as of June 30, 2017, of which \$409,488 had been funded by the Organization as of that date.

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.

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 (deficit) consisted of the following at June 30,:

	2017	2016
Undesignated		
Deficit in general operations	\$ (857,980)	\$ (2,097,784)
Board designated		
Reserve Fund	984,969	685,947
Bob Edgar Legacy - Opportunity Fund	126,465	126,165
Shriver Quasi-endowed Fund (see Note G)	21,057	18,915
	<u>1,132,491</u>	<u>831,027</u>
	<u>\$ 274,511</u>	<u>\$ (1,266,757)</u>

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

F. UNRESTRICTED NET ASSETS - CONTINUED

Deficit in unrestricted net assets: As reported in the accompanying consolidated statements of financial position, the Organization had a deficit in unrestricted net assets at June 30, 2016 and continues to have a deficit in undesignated net assets at June 30, 2017 and 2016. The Organization is aware of the deficit in unrestricted and in undesignated net assets and is actively working to alleviate it through increasing unrestricted contributions, decreasing expense, and reviewing the allocation of costs to all programs and between Common Cause and the Education Fund.

The deficit in unrestricted net assets was allocated between Common Cause and the Education Fund as follows at June 30,:

	2017	2016
Common Cause	\$ 662,688	\$ (1,211,526)
Education Fund	<u>(374,512)</u>	<u>(55,231)</u>
	<u>\$ 288,176</u>	<u>\$ (1,266,757)</u>

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.

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

G. ENDOWMENT FUNDS - CONTINUED

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, 2017 and 2016, 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 \$910,957 and \$913,099 at June 30, 2017 and 2016, respectively.

Endowment funds consisted of the following at June 30,:

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated				
Shriver Quasi-endowed Fund	\$ 21,057	\$ -	\$ -	\$ 21,057
Donor-restricted				
MGGE		1,927,612		1,927,612
	\$ 21,057	\$ 1,927,612	\$ -	\$ 1,948,669
<hr/>				
2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated				
Shriver Quasi-endowed Fund	\$ 18,915	\$ -	\$ -	\$ 18,915
Donor-restricted				
MGGE		1,419,529		1,419,529
	\$ 18,915	\$ 1,419,529	\$ -	\$ 1,438,444

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

G. ENDOWMENT FUNDS - CONTINUED

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

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, July 1, 2016	\$ 18,915	\$ 1,419,529	\$ -	\$ 1,438,444
Contributions		300,000		300,000
Investment return				
Net gain on investments	1,887	251,902		253,789
Interest and dividends	413	11,740		12,153
Investment fees	(158)	(100)		(258)
	2,142	263,542	-	265,684
Appropriations		(55,459)		(55,459)
Endowment funds, June 30, 2017	\$ 21,057	\$ 1,927,612	\$ -	\$ 1,948,669

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, July 1, 2015	\$ 19,539	\$ 1,274,792	\$ -	\$ 1,294,331
Contributions		200,000		200,000
Investment return				
Net (loss) gain on investments	(1,918)	8,163		6,245
Interest and dividends	1,428	1,551		2,979
Investment fees	(134)	(100)		(234)
	(624)	9,614	-	8,990
Appropriations		(64,877)		(64,877)
Endowment funds, June 30, 2016	\$ 18,915	\$ 1,419,529	\$ -	\$ 1,438,444

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

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 years ended June 30,:

2017	Beginning	Additions	Releases	Ending
Government accountability	\$ 1,419,529	\$ 563,642	\$ (55,559)	\$ 1,927,612
General support	240,805	1,526,500	(313,159)	1,454,146
State office operations	1,109,547	233,547	(775,436)	567,658
Money in politics	530,619	700,000	(720,264)	510,355
Media and democracy	411,959	803,000	(782,122)	432,837
Election reform and protection	1,114,669	220,000	(958,170)	376,499
	\$ 4,827,128	\$ 4,046,689	\$ (3,604,710)	\$ 5,269,107

2016	Beginning	Additions	Releases	Ending
Government accountability	\$ 1,274,792	\$ 269,714	\$ (124,977)	\$ 1,419,529
General support	-	790,000	(549,195)	240,805
State office operations	901,516	1,610,282	(1,402,251)	1,109,547
Money in politics	362,363	857,000	(688,744)	530,619
Media and democracy	486,593	720,000	(794,634)	411,959
Election reform and protection	1,592,663	664,788	(1,142,782)	1,114,669
Ethics	3,765		(3,765)	-
	\$ 4,621,692	\$ 4,911,784	\$ (4,706,348)	\$ 4,827,128

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 \$2,302,600 and \$1,025,693 during the years ended June 30, 2017 and 2016, 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 defer a maximum of 50% of their annual compensation to the plan each year, not to exceed Internal Revenue Service (IRS) limits. Common Cause does not provide a matching contribution; however, a discretionary contribution is made each year. Common Cause's contributions under the plan totaled \$210,334 and \$233,204 for the years ended June 30, 2017 and 2016, respectively.

K. COMMITMENTS AND CONTINGENCIES

Office lease: Common Cause has an operating lease for the National office at 805 15th Street in Washington, D.C. The lease is scheduled to expire in February 2027. The terms of the office lease agreement, including amendments, require a \$175,000 security deposit which has been classified within prepaid expenses in the consolidated statements of financial position. In addition, the terms of the office lease agreement provide a 50% abatement of rent due for April 2016 through January 2017 and include an escalation clause that adjusts annual base rentals. In addition, the terms of the office lease provided a tenant improvement allowance totaling \$1,224,466 as an incentive to lease the office space, all of which was for leasehold improvements and furniture and equipment, which have been capitalized, and for other costs, which were expensed as incurred.

Generally accepted accounting principles (GAAP) require that the cost of the tenant improvements be capitalized and depreciated or amortized as property and equipment. GAAP also requires that the lease incentive along with the rent abatement and scheduled rent increases resulting from the escalation of base rentals be recorded as a liability and amortized ratably so as to record rent expense on a straight-line basis over the term of the office lease agreement.

Common Cause & Affiliate

Notes to the Consolidated Financial Statements

K. COMMITMENTS AND CONTINGENCIES - CONTINUED

State offices: Under various operating lease agreements, Common Cause has office space for certain state offices. The terms of the state office leases cover varying periods through 2024.

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

Year Ending June 30,	National	States	Total
2018	\$ 706,700	\$ 157,800	\$ 864,500
2019	724,400	109,600	834,000
2020	742,500	40,900	783,400
2021	761,000	36,700	797,700
2022	780,100	37,000	817,100
Thereafter	3,905,100	72,200	3,977,300
	\$ 7,619,800	\$ 454,200	\$ 8,074,000

Rent expense for the national and state office leases totaled \$954,045 and \$719,749 for the years ended June 30, 2017 and 2016, respectively.

Subleases: From time to time, the Organization subleases a portion of its national office. The subleases typically have terms no longer than one year. Rental income from subleases totaled \$50,675 and \$11,699 for the years ended June 30, 2017 and 2016, respectively.

Letter of credit: The Organization has a letter of credit with a bank totaling \$25,746 that must be maintained in accordance with the terms of the New York office lease agreement and expires February 2019. The letter of credit is collateralized by a certificate of deposit with the same bank, which is 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, which was 3.55% and 2.96% at June 30, 2017 and 2016, respectively. Interest is calculated monthly on the outstanding balance which totaled \$50,000 and \$300,000 at June 30, 2017 and 2016.

Employment agreement: The Organization has an employment agreement with its President and Chief Executive Officer. Under the terms of the agreement, should the Organization terminate her employment without cause, the Organization would be obligated to pay severance.

T A T E



T R Y O N

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, 2017, and our report thereon dated October 2, 2017, 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
October 2, 2017

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Common Cause & Affiliate

Consolidating Statement of Financial Position

June 30, 2017

	Common Cause	Education Fund	Elimination	Consolidated Total
Assets				
Cash and cash equivalents	\$ 1,562,603	\$ 275,033	\$ -	\$ 1,837,636
Investments	387,743	1,799,053		2,186,796
Promises to give	260,675	2,171,340		2,432,015
Amount due from affiliate		96,095	(96,095)	-
Prepaid expenses	292,508	169,891		462,399
Property and equipment	1,279,179			1,279,179
Total assets	\$ 3,782,708	\$ 4,511,412	\$ (96,095)	\$ 8,198,025
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	\$ 850,732	\$ 305,236	\$ -	\$ 1,155,968
Amount due to affiliate	96,095		(96,095)	-
Line of credit	50,000			50,000
Deferred rent	1,448,439			1,448,439
Total liabilities	2,445,266	305,236	(96,095)	2,654,407
Net assets (deficit)				
Unrestricted	649,023	(374,512)		274,511
Temporarily restricted	688,419	4,580,688		5,269,107
Total net assets	1,337,442	4,206,176	-	5,543,618
Total liabilities and net assets	\$ 3,782,708	\$ 4,511,412	\$ (96,095)	\$ 8,198,025

Common Cause & Affiliate

Consolidating Statement of Activities

Year Ended June 30, 2017

	Unrestricted Activities			Temporarily Restricted Activities			Consolidated Total
	Common Cause	Education Fund	Total	Common Cause	Education Fund	Total	
Revenue and support							
Contributions	\$ 6,888,860	\$ 3,304,973	\$ 10,193,833	\$ 145,001	\$ 3,601,500	\$ 3,746,501	\$ 13,940,334
Contributed services	2,302,600		2,302,600			-	2,302,600
Bequests	347,183	250,863	598,046			-	598,046
Contract income	142,323	5,262	147,585			-	147,585
Rental income	50,675		50,675			-	50,675
Other income	45		45			-	45
	9,731,686	3,561,098	13,292,784	145,001	3,601,500	3,746,501	17,039,285
Net assets released from restriction	796,690	2,808,020	3,604,710	(796,690)	(2,808,020)	(3,604,710)	-
Total revenue and support	10,528,376	6,369,118	16,897,494	(651,689)	793,480	141,791	17,039,285
Expense							
Program services							
Educational activities		5,219,762	5,219,762			-	5,219,762
Program operations, lobbying, and communications	5,083,673		5,083,673			-	5,083,673
Program development and management	252,887	275,719	528,606			-	528,606
Total program services	5,336,560	5,495,481	10,832,041	-	-	-	10,832,041
Supporting services							
General and administration	1,470,517	787,508	2,258,025			-	2,258,025
Fund raising, including new member acquisitions	1,791,129	479,897	2,271,026			-	2,271,026
Total supporting services	3,261,646	1,267,405	4,529,051	-	-	-	4,529,051
Total expense	8,598,206	6,762,886	15,361,092	-	-	-	15,361,092
Change in net assets from operations	1,930,170	(393,768)	1,536,402	(651,689)	793,480	141,791	1,678,193
Investment income	2,379	2,487	4,866	36,546	263,642	300,188	305,054
State affiliate costs	(72,000)	72,000	-			-	-
Change in net assets	1,860,549	(319,281)	1,541,268	(615,143)	1,057,122	441,979	1,983,247
Net (deficit) assets, July 1, 2016	(1,211,526)	(55,231)	(1,266,757)	1,303,562	3,523,566	4,827,128	3,560,371
Net assets, June 30, 2017	\$ 649,023	\$ (374,512)	\$ 274,511	\$ 688,419	\$ 4,580,688	\$ 5,269,107	\$ 5,543,618