

Common Cause and Affiliate

Consolidated Financial Report
June 30, 2020

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Independent Auditor's Report

Members and National Governing Board
Common Cause and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Common Cause and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 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 financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Common Cause and Affiliate as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Common Cause and Affiliate, as of and for the year ended June 30, 2019, were audited by other auditors whose report dated October 17, 2019, expressed an unmodified opinion on those financial statements.

RSM US LLP

Washington, D.C.
October 22, 2020

Common Cause and Affiliate

**Consolidated Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,082,401	\$ 2,594,091
Investments	4,708,514	4,401,270
Promises to give	1,269,521	3,576,274
Prepaid expenses	380,140	422,603
Property and equipment	843,830	1,028,076
	<u>16,284,406</u>	<u>12,022,314</u>
Total assets	\$ 16,284,406	\$ 12,022,314
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,146,550	\$ 980,212
Deferred rent	1,190,093	1,294,171
Note payable	1,129,700	-
	<u>3,466,343</u>	<u>2,274,383</u>
Total liabilities	3,466,343	2,274,383
Commitments and contingencies (see Note 13)		
Net assets:		
Without donor restrictions	3,631,706	1,628,952
With donor restrictions	9,186,357	8,118,979
	<u>12,818,063</u>	<u>9,747,931</u>
Total net assets	12,818,063	9,747,931
	<u>\$ 16,284,406</u>	<u>\$ 12,022,314</u>
Total liabilities and net assets	\$ 16,284,406	\$ 12,022,314

See notes to consolidated financial statements.

Common Cause and Affiliate

**Consolidated Statement of Activities
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 12,971,378	\$ 7,827,975	\$ 20,799,353
Contributed services	1,964,083	-	1,964,083
Bequests	895,165	-	895,165
Other income	146,891	-	146,891
Rental income	48,900	-	48,900
Net assets released from restrictions	6,582,413	(6,582,413)	-
Total revenue and support	22,608,830	1,245,562	23,854,392
Expenses:			
Program services:			
Educational activities	7,640,963	-	7,640,963
Program operations, lobbying and communications	5,330,948	-	5,330,948
Program development and management	1,053,490	-	1,053,490
Total program services	14,025,401	-	14,025,401
Supporting services:			
Fund raising, including new member acquisitions	3,566,997	-	3,566,997
General and administration	3,073,461	-	3,073,461
Total supporting services	6,640,458	-	6,640,458
Total expenses	20,665,859	-	20,665,859
Change in net assets from operations	1,942,971	1,245,562	3,188,533
Net investment return	59,783	(178,184)	(118,401)
Change in net assets	2,002,754	1,067,378	3,070,132
Net assets:			
Beginning	1,628,952	8,118,979	9,747,931
Ending	\$ 3,631,706	\$ 9,186,357	\$ 12,818,063

See notes to consolidated financial statements.

Common Cause and Affiliate

**Consolidated Statement of Activities
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 10,743,196	\$ 5,775,615	\$ 16,518,811
Contributed services	3,773,936	-	3,773,936
Bequests	857,710	-	857,710
Other income	2,916	-	2,916
Rental income	44,825	-	44,825
Net assets released from restrictions	4,984,985	(4,984,985)	-
Total revenue and support	20,407,568	790,630	21,198,198
Expenses:			
Program services:			
Educational activities	6,881,817	-	6,881,817
Program operations, lobbying and communications	6,889,770	-	6,889,770
Program development and management	578,469	-	578,469
Total program services	14,350,056	-	14,350,056
Supporting services:			
Fund raising, including new member acquisitions	2,927,057	-	2,927,057
General and administration	2,607,068	-	2,607,068
Total supporting services	5,534,125	-	5,534,125
Total expenses	19,884,181	-	19,884,181
Change in net assets from operations	523,387	790,630	1,314,017
Net investment return	13,976	217,855	231,831
Change in net assets	537,363	1,008,485	1,545,848
Net assets:			
Beginning	1,091,589	7,110,494	8,202,083
Ending	\$ 1,628,952	\$ 8,118,979	\$ 9,747,931

See notes to consolidated financial statements.

Common Cause and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 3,070,132	\$ 1,545,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net loss (gain) on investments	141,320	(133,920)
Bad debt expense	3,655	16,401
Depreciation and amortization	218,156	216,217
Loss on disposal of property and equipment	-	1,841
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	2,303,098	881,675
Prepaid expenses	42,463	(52,130)
Increase (decrease) in:		
Accounts payable and accrued expenses	166,338	(289,783)
Deferred rent	(104,078)	(85,968)
Net cash provided by operating activities	5,841,084	2,100,181
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	403,349	148,526
Purchases and donations of investments	(851,913)	(1,742,090)
Purchases of property and equipment	(33,910)	(31,996)
Net cash used in investing activities	(482,474)	(1,625,560)
Cash flows from financing activities:		
Proceeds from note payable	1,129,700	-
Net cash provided by financing activities	1,129,700	-
Net increase in cash and cash equivalents	6,488,310	474,621
Cash and cash equivalents:		
Beginning	2,594,091	2,119,470
Ending	\$ 9,082,401	\$ 2,594,091
Supplemental schedule of noncash investing activities:		
Securities donated during the year	\$ 29,852	\$ 31,017

See notes to consolidated financial statements.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Common Cause was formed in 1968 as a nonprofit under the laws of the District of Columbia. Common Cause is a nonpartisan, grassroots organization dedicated to upholding the core values of American democracy. Common Cause works to create open, honest, and accountable government that serves the public interest; promotes equal rights, opportunity, and representation for all; and empowers all people to make their voices heard in the political process. Common Cause has an innovative, pragmatic, and comprehensive pro-democracy agenda. Common Cause leads and defines the democracy reform movement, promoting solutions already succeeding in some communities to shift power to the people.

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 provides public education, engagement, and research. Grants and tax-deductible contributions to the Education Fund increase capacity to build public engagement on democracy issues and promote the effective citizen participation so critical for a healthy, robust democratic society.

Together, Common Cause and the Education Fund, employ a powerful combination of grassroots organizing, coalition building, research, policy development, public education, lobbying and litigation to win reform at all levels of government.

Program services include the following activities:

Educational activities: The activities of this program service include the functions 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:
 1. 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;
 2. 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

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

3. 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: The activities of this program service include the functions 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: The activities of this program service include development and direction of Common Cause's and the Education Fund'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 include the following activities:

Fund raising, including new member acquisition: The activities of this supporting service include new member acquisition and other activities that encourage and secure financial support for the Organization.

General and administration: The activities of this supporting service include the administrative processes of the Organization, such as managing operations and financial responsibilities.

A summary of Common Cause's and the Education Fund's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of Common Cause and the Education Fund. Significant inter-entity accounts and transactions have been eliminated in consolidation. For purposes of this report, the entities are collectively referred to as the Organization.

Basis of accounting: The consolidated financial statements of the Organization are presented on the accrual basis of accounting. Consequently, revenue, other than contributions, is recognized when earned and expenses, other than grants, are recognized when the obligations are incurred.

Basis of presentation: The Organization follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Organization is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Without donor restrictions: Net assets without donor restrictions 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. The Organization has a board-designated fund which is referred to as the Reserve Fund. The National Governing Board established the Reserve Fund to seize opportunities and prepare for emergencies. The Organization's goal is to accumulate a reserve fund equal to approximately three months of operating expense. In order to achieve this goal, 50% of all bequests received are allocated to the Reserve Fund. The Reserve Fund totaled \$2,539,231 and \$2,018,238 at June 30, 2020 and 2019, respectively (see Note 7).

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

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 (IRC). The Education Fund is classified as other than a private foundation within the meaning of Section 509(a)(1) of the IRC.

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

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to net investment return net of related fees.

Financial 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.

The Organization invests in various types of 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 financial statements may not be reflective of the portfolio's value during subsequent periods.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Promises to give: Promises to give include unconditional promises to give from donors. Promises to give are expected to be collected within one year and have been recorded at net realizable value.

Management periodically reviews the status of all promises to give for collectability. Each promise to give is assessed based on management's knowledge of and relationship with the donor and the payment history of each donor. As a result of these reviews, promises to give 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 \$3,655 and \$16,401 for the years ended June 30, 2020 and 2019, respectively.

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 three to 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.

Valuation of long-lived assets: Long-lived property, such as leasehold improvements, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets from operations.

Deferred rent: The Organization recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent and lease incentive in the statements of financial position along with the unamortized landlord provided tenant improvement allowance (see Note 13).

Contributions: Contributions include bequests, grants and amounts received from members. Contributions are recognized in the statement of activities when donors make unconditional promises to give or when gifts of cash or other assets are received. Contributions are classified as support with donor restrictions or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor, or that have an implied time restriction, are reported as increases in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions upon satisfaction of the donor's purpose restriction or when time restrictions expire. All contributions that are restricted by donor, for which restrictions are met within the same fiscal year, are classified as activities without donor restrictions.

Contributed services: Contributed (donated) services are recognized in the statements of activities as contributions and expenses in equal amounts in accordance with U.S GAAP 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. Contributed services have been recorded using the estimated fair market value of the services provided and primarily consist of pro bono legal services.

Allocation of expenses: The costs of providing the various program and supporting activities of the Organization have been summarized on a functional basis in the accompanying consolidated statements of activities. Costs related to a specific functional activity are charged directly to that activity. However, other indirect costs are allocated among the program and supporting services benefited based on management's best estimates. In particular, salaries and benefits along with other shared costs, such as occupancy, are allocated based on estimated employee effort.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Measure of operations: The Organization does not include net investment return in the change in net assets from operations.

Recent accounting pronouncement adopted: In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution). ASU 2018-08 also provided guidance for distinguishing between conditional and unconditional contributions. The Organization adopted the contributions received portion of the new standard effective for the year ended June 30, 2020, using the modified prospective method. The Organization will adopt the contributions made portion of the new standard when it is required during the year ending June 30, 2021. Based on management's review of its contributions received, the timing of the amount of contributions recognized previously is consistent with how contributions are recognized under this new standard. Therefore, the adoption of this standard had no impact on the consolidated financial statements but the standard does require additional disclosures related to conditional contributions when they are present.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization's year ending June 30, 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization anticipates adopting the new standard during the year ending June 20, 2023, and is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

Subsequent events: Subsequent events have been evaluated through October 22, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

The Organization follows the accounting standards topic regarding fair value measurements, which establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. 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 reporting entity'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 presented at fair value using Level 1 inputs include a mutual fund and common stocks, which were valued based on quoted prices for identical assets in active markets.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 2. Investments (Continued)

Investments presented at fair value using Level 2 inputs include U.S. Government obligations (in 2019 only) and certificates of deposit (held in the Fidelity reserve fund accounts), the fair values of which were provided by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security.

Management believes the estimated fair values of investments to be a reasonable approximation of their exit price.

Investments recorded at cost include certificates of deposit (held as collateral for the letters of credit) and cash and money market funds.

The following is a summary of investments at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual fund – small cap equity	\$ 2,555,087	\$ -	\$ -	\$ 2,555,087
Common stocks	379,515	-	-	379,515
Certificates of deposit	-	917,287	-	917,287
	<u>\$ 2,934,602</u>	<u>\$ 917,287</u>	<u>\$ -</u>	<u>3,851,889</u>
Investments, at cost:				
Certificates of deposit				25,453
Cash and money market funds				831,172
				<u>856,625</u>
				<u>\$ 4,708,514</u>

The following is a summary of investments at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual fund – small cap equity	\$ 2,687,482	\$ -	\$ -	\$ 2,687,482
Common stocks	285,600	-	-	285,600
U.S. Government obligations	-	353,762	-	353,762
Certificates of deposit	-	752,308	-	752,308
	<u>\$ 2,973,082</u>	<u>\$ 1,106,070</u>	<u>\$ -</u>	<u>4,079,152</u>
Investments, at cost:				
Certificates of deposit				25,453
Cash and money market funds				296,665
				<u>322,118</u>
				<u>\$ 4,401,270</u>

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Notes to Consolidated Financial Statements

Note 2. Investments (Continued)

Investments have been segregated into the following accounts at June 30, 2020 and 2019:

	2020	2019
Endowment for MGGE (see Note 9)	\$ 2,555,241	\$ 2,687,577
Fidelity reserve fund accounts	1,702,432	1,259,117
Rankin Trust for Colorado Office	352,091	375,940
Donated stock held at year end	73,297	53,183
Office leases – collateral for letters of credit	25,453	25,453
	<u>\$ 4,708,514</u>	<u>\$ 4,401,270</u>

Net investment return consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Net (loss) gain on investments	\$ (141,320)	\$ 133,920
Interest and dividends	29,610	104,568
Investment fees	(6,691)	(6,657)
	<u>\$ (118,401)</u>	<u>\$ 231,831</u>

Note 3. Promises To Give

Unconditional: Unconditional promises to give consisted of the following at June 30 2020 and 2019:

	2020	2019
Receivable in less than one year	\$ 1,269,521	\$ 3,381,274
Receivable in one to five years	-	195,000
	<u>\$ 1,269,521</u>	<u>\$ 3,576,274</u>

Conditional: The Organization also has conditional promises to give from various funding sources. Future payments are contingent upon the Organization carrying out certain activities, which will meet the donor-imposed barriers stipulated by the funding sources. Conditional promises to give totaled \$150,000 at June 30, 2020.

Note 4. Liquidity and Availability of Resources

The Organization receives significant contributions which are restricted by donors. Therefore, the Organization considers contributions restricted for programs which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining a level of reserves to provide reasonable assurance that long-term obligations will be discharged.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 4. Liquidity and Availability of Resources (Continued)

The Organization has a reserve policy targeting a goal of three months of operating expenditures in net assets without donor restrictions, which includes undesignated and designated net assets. The Organization currently has net assets without donor restrictions equal to approximately four weeks of expected operating expenditures. To achieve its target reserve level, the Organization continues to add at least 50% of all bequests to reserves and has invested in lower risk investments that have less market volatility. Reserves are monitored monthly and the investment policy is reviewed at least every three years. The Organization's level of liquidity and reserves was managed within the policy requirements during both of the years ended June 30, 2020 and 2019. Board-designated amounts such as the reserve fund could be undesignated should the need arise.

Financial assets available for general expenditure within one year consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 9,082,401	\$ 2,594,091
Investments	4,708,514	4,401,270
Promises to give	1,269,521	3,576,274
Subtotal financial assets	<u>15,060,436</u>	<u>10,571,635</u>
Amounts not available for general expenditures:		
Promises to give receivable in one to five years	-	(195,000)
Board designated net assets	(2,539,231)	(2,018,238)
	<u>\$ 12,521,205</u>	<u>\$ 8,358,397</u>

Line of credit: Common Cause has a \$1,000,000, 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 with interest calculated using a variable rate in accordance with the agreement. The outstanding balance due on the line of credit totaled \$0 at June 30, 2020 and 2019.

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Computer equipment and software	\$ 309,101	\$ 282,265
Furniture and other equipment	223,228	216,154
Leasehold improvements	1,179,613	1,179,613
	<u>1,711,942</u>	<u>1,678,032</u>
Less accumulated depreciation and amortization	(868,112)	(649,956)
	<u>\$ 843,830</u>	<u>\$ 1,028,076</u>

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 6. Note Payable

In May 2020, the Organization obtained a loan totaling \$1,129,700, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. The loan matures on May 12, 2022 and bears interest at a rate of 1% per annum. Proceeds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020.

The loan and related accrued interest are forgivable after 24 weeks if the Organization uses the loan proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over two years, with a deferral of payments for the first six months. The note payable may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The Organization intends to use the entire proceeds of the loan for qualifying expenses as described in the CARES Act.

Note 7. Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following at June 30, 2020 and 2019:

	2020	2019
Undesignated:		
CCAUSE	\$ 700,126	\$ 313,628
Education Fund	392,349	(702,914)
	<u>1,092,475</u>	<u>(389,286)</u>
Board designated:		
Reserve	2,539,231	2,018,238
	<u>\$ 3,631,706</u>	<u>\$ 1,628,952</u>

Cash and investments held to fund the board-designated reserve consisted of the following at June 30, 2020 and 2019:

	2020	2019
Reserve investment accounts	\$ 1,702,432	\$ 1,259,117
Reserve cash accounts	675,527	559,769
Held in operating cash	161,272	199,352
	<u>\$ 2,539,231</u>	<u>\$ 2,018,238</u>

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions and related activities consisted of the following as of and for the year ended June 30, 2020:

	Beginning Balance	Transfers	Contributions and Net Investment Return	Releases from Restrictions	Ending Balance
Election reform and protection	\$ 2,399,922	\$ -	\$ 4,881,300	\$ (3,467,606)	\$ 3,813,616
Government accountability	2,430,429	-	117,664	(128,013)	2,420,080
Other restricted funds	461,870	-	699,954	(255,840)	905,984
State office operations	1,858,844	-	623,473	(1,573,699)	908,618
Money in politics	577,552	-	1,227,400	(950,198)	854,754
Media and democracy	390,362	-	100,000	(207,057)	283,305
	<u>\$ 8,118,979</u>	<u>\$ -</u>	<u>\$ 7,649,791</u>	<u>\$ (6,582,413)</u>	<u>\$ 9,186,357</u>

Net assets with donor restrictions and related activities consisted of the following as of and for the year ended June 30, 2019:

	Beginning Balance	Transfers	Contributions and Net Investment Return	Releases from Restrictions	Ending Balance
Election reform and protection	\$ 1,817,964	\$ (62,620)	\$ 2,694,449	\$ (2,049,871)	\$ 2,399,922
Government accountability	2,195,315	-	459,188	(224,074)	2,430,429
Other restricted funds	920,324	-	618,500	(1,076,954)	461,870
State office operations	1,452,698	-	1,156,598	(750,452)	1,858,844
Money in politics	637,672	62,620	594,735	(717,475)	577,552
Media and democracy	86,521	-	470,000	(166,159)	390,362
	<u>\$ 7,110,494</u>	<u>\$ -</u>	<u>\$ 5,993,470</u>	<u>\$ (4,984,985)</u>	<u>\$ 8,118,979</u>

Note 9. Endowment Fund

The Organization's endowment funds may, from time to time, include both board-designated and donor-restricted funds. However, the Organization only has one donor-restricted endowment fund. In accordance with the George S. McGovern Great Government Endowment (MGGE) gift agreement, the Organization may spend both the principal and the investment earnings to support the activities of the great government program. The government accountability category of net assets with donor restrictions is the same as the MGGE fund.

Interpretation of relevant law: The Organization has interpreted the relevant Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) 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 and Affiliate

Notes to Consolidated Financial Statements

Note 9. Endowment Fund (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, may fall below the amount originally intended to be held in perpetuity as the principal for an endowment fund. In accordance with U.S GAAP, deficiencies of this nature would be reported in net assets with donor restrictions and typically result from unfavorable market fluctuations or continued appropriation when deemed prudent by the National Governing Board. However, the Organization had no such deficiencies at June 30, 2020 and 2019.

Changes in the donor-restricted endowment fund, which has no amounts to be held in perpetuity, consisted of the following as of and for the year ended June 30, 2020 and 2019:

	2020	2019
Beginning balance	\$ 2,430,429	\$ 2,195,315
Contributions	272,000	250,000
Net investment return	(154,336)	209,188
Appropriations	(128,013)	(224,074)
Ending balance	<u>\$ 2,420,080</u>	<u>\$ 2,430,429</u>

Note 10. Contributed Services

Recorded: Related to its program services activities, the Organization received donated legal services totaling \$1,964,083 and \$3,773,936 during the years ended June 30, 2020 and 2019, respectively. In-kind contributions of donated services have been recognized at estimated fair value in equal amounts within both contributed services revenue and legal expense within program services.

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.

Note 11. Retirement Plan

The Organization maintains a defined contribution 401(k) retirement plan available to all employees meeting certain eligibility requirements as defined in the plan document. Under the terms of the plan, employees may defer a portion of their annual compensation to the plan each year, not to exceed Internal Revenue Service (IRS) limits. The Organization provides a discretionary contribution, a portion of which is a matching contribution. The Organization's contributions under the plan totaled \$287,977 and \$251,746 for the years ended June 30, 2020 and 2019, respectively.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 12. Functional Expenses

Functional expenses consisted of the following for the year ended June 30, 2020:

	Program Services			Supporting Services		Total
	Educational Activities	Program Operations, Lobbying and Communications	Program Development and Management	Fundraising, Including New Member Acquisitions	General and Administrative	
Salaries and benefits	\$ 4,894,914	\$ 1,770,973	\$ 752,571	\$ 985,075	\$ 1,108,273	\$ 9,511,806
Consultants/professional fees	1,691,899	1,043,027	146,816	38,959	215,444	3,136,145
Direct marketing/advertising	127,103	63,451	19,109	2,222,386	9,558	2,441,607
Donated services	-	1,964,083	-	-	-	1,964,083
Occupancy	281,691	152,727	9,142	1,918	769,216	1,214,694
Information technology	74,970	221,585	932	250,221	467,259	1,014,967
Other expense	187,226	66,769	3,430	58,552	387,730	703,707
Travel, conferences and meetings	383,160	48,333	121,490	9,886	115,981	678,850
	<u>\$ 7,640,963</u>	<u>\$ 5,330,948</u>	<u>\$ 1,053,490</u>	<u>\$ 3,566,997</u>	<u>\$ 3,073,461</u>	<u>\$ 20,665,859</u>

Functional expenses consisted of the following for the year ended June 30, 2019:

	Program Services			Supporting Services		Total
	Educational Activities	Program Operations, Lobbying and Communications	Program Development and Management	Fundraising, Including New Member Acquisitions	General and Administrative	
Salaries and benefits	\$ 4,613,227	\$ 1,672,782	\$ 354,608	\$ 837,134	\$ 842,608	\$ 8,320,359
Consultants/professional fees	957,317	931,714	5,494	62,860	169,306	2,126,691
Direct marketing/advertising	176,972	83,558	-	1,760,214	13,991	2,034,735
Donated services	-	3,773,936	-	-	-	3,773,936
Occupancy	304,473	114,361	10,379	1,394	698,665	1,129,272
Information technology	59,706	168,238	556	137,812	507,971	874,283
Other expense	211,650	77,952	5,321	104,126	252,255	651,304
Travel, conferences and meetings	558,472	67,229	202,111	23,517	122,272	973,601
	<u>\$ 6,881,817</u>	<u>\$ 6,889,770</u>	<u>\$ 578,469</u>	<u>\$ 2,927,057</u>	<u>\$ 2,607,068</u>	<u>\$ 19,884,181</u>

Note 13. 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 financial statements. In addition, the office lease agreement provides a 50% abatement of rent due for April 2016 through January 2017 and includes 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.

U.S. GAAP requires that the cost of the tenant improvements be capitalized and depreciated or amortized as property and equipment. U.S. 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. The liability for deferred rent totaled \$1,190,093 and \$1,294,171 at June 30, 2020 and 2019, respectively.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 13. 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 2025.

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

	National	States	Total
Years ending June 30:			
2021	\$ 761,000	\$ 288,717	\$ 1,049,717
2022	780,100	234,584	1,014,684
2023	799,600	191,752	991,352
2024	819,600	184,860	1,004,460
2025	840,000	132,352	972,352
Thereafter	1,445,800	16,690	1,462,490
	<u>\$ 5,446,100</u>	<u>\$ 1,048,955</u>	<u>\$ 6,495,055</u>

Rent expense for the national and state office leases totaled \$1,037,138 and \$1,005,833 for the years ended June 30, 2020 and 2019, 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 \$48,900 and \$44,825 for the years ended June 30, 2020 and 2019, respectively.

Equipment operating lease: The Organization leases copier equipment with a lease term through 2023. Future minimum cash basis equipment lease payments are as follows:

Years ending June 30:	
2021	\$ 38,117
2022	38,117
2023	25,411
	<u>\$ 101,645</u>

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 expired July 2019. The Organization is in the process of renewing the letter of credit. The letter of credit is collateralized by a certificate of deposit with the same bank, which is included in investments in the accompanying consolidated financial statements.

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.

Common Cause and Affiliate

Notes to Consolidated Financial Statements

Note 14. Covid-19 Pandemic

On January 30, 2020, the World Health Organization declared the outbreak of Covid-19 (the coronavirus) a Public Health Emergency of International Concern and, on March 11, 2020, declared it to be a pandemic. As part of its response to the pandemic, the Organization applied for a PPP loan (see Note 6). It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. Quarantines, labor shortages, or other disruptions to the Organization's operations may adversely impact the Organization's revenues, ability to provide its program services and operating results. The operations of the Organization have been negatively impacted by the regional and global outbreak of the coronavirus. Although revenues remain at an all-time high, concerns regarding the economy have emerged that may impact overall revenue due to the adverse effect of the coronavirus.

To date, the Organization has cancelled several large events, including its 50th Anniversary gala, and the Organization will be assessing the need to cancel additional fundraising events in the near future. The Organization was able to successfully convert the in-person events to virtual programs. To further mitigate the potential loss of revenue, the Organization has reduced its operating costs. The Organization has a reserve fund and an existing line of credit to provide further insulation to the continued cash shortages created by this pandemic. A full picture of the impact on operations is not yet known and likely will not be felt until after the 2020 election. The extent to which the coronavirus pandemic impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain it or its impact, among others.

Independent Auditor's Report on the Supplementary Information

Members and National Governing Board
Common Cause and Affiliate

We have audited the consolidated financial statements of Common Cause and Affiliate (the Organization) as of and for the year ended June 30, 2020, and have issued our report thereon dated October 22, 2020, which contained an unmodified opinion on those consolidated financial statements. See pages 1 and 2. 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, changes in net assets and cash flows of the individual entities and it 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

RSM US LLP

Washington, D.C.
October 22, 2020

Common Cause and Affiliate

**Consolidating Statement of Financial Position
June 30, 2020**

	Common Cause	Education Fund	Eliminations	Consolidated Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,921,607	\$ 7,160,794	\$ -	\$ 9,082,401
Investments	1,361,074	3,347,440	-	4,708,514
Promises to give	112,968	1,156,553	-	1,269,521
Amount due from affiliate	207,217	-	(207,217)	-
Prepaid expenses	297,379	82,761	-	380,140
Property and equipment	842,817	1,013	-	843,830
Total assets	\$ 4,743,062	\$ 11,748,561	\$ (207,217)	\$ 16,284,406
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 325,435	\$ 821,115	\$ -	\$ 1,146,550
Amount due to affiliate	-	207,217	(207,217)	-
Deferred rent	1,190,093	-	-	1,190,093
Note payable	-	1,129,700	-	1,129,700
Total liabilities	1,515,528	2,158,032	(207,217)	3,466,343
Net assets:				
Without donor restrictions	2,245,532	1,386,174	-	3,631,706
With donor restrictions	982,002	8,204,355	-	9,186,357
Total net assets	3,227,534	9,590,529	-	12,818,063
Total liabilities and net assets	\$ 4,743,062	\$ 11,748,561	\$ (207,217)	\$ 16,284,406

Common Cause and Affiliate

Consolidating Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions			With Donor Restrictions			Consolidated Total
	Common Cause	Education Fund	Total	Common Cause	Education Fund	Total	
Revenue and support:							
Contributions	\$ 7,329,523	\$ 5,641,855	\$ 12,971,378	\$ 948,221	\$ 6,879,754	\$ 7,827,975	\$ 20,799,353
Contributed services	1,964,083	-	1,964,083	-	-	-	1,964,083
Bequests	787,983	107,182	895,165	-	-	-	895,165
Other income	96,377	50,514	146,891	-	-	-	146,891
Rental income	48,900	-	48,900	-	-	-	48,900
Net assets released from restrictions	1,181,777	5,400,636	6,582,413	(1,181,777)	(5,400,636)	(6,582,413)	-
Total revenue and support	11,408,643	11,200,187	22,608,830	(233,556)	1,479,118	1,245,562	23,854,392
Expenses:							
Program services:							
Educational activities	-	7,640,963	7,640,963	-	-	-	7,640,963
Program operations, lobbying and communications	5,330,948	-	5,330,948	-	-	-	5,330,948
Program development and management	359,637	693,853	1,053,490	-	-	-	1,053,490
Total program services	5,690,585	8,334,816	14,025,401	-	-	-	14,025,401
Supporting services:							
Fund raising, including new member acquisitions	2,876,314	690,683	3,566,997	-	-	-	3,566,997
General and administration	2,062,722	1,010,739	3,073,461	-	-	-	3,073,461
Total supporting services	4,939,036	1,701,422	6,640,458	-	-	-	6,640,458
Total expenses	10,629,621	10,036,238	20,665,859	-	-	-	20,665,859
Change in net assets from operations	779,022	1,163,949	1,942,971	(233,556)	1,479,118	1,245,562	3,188,533
Net investment return	25,967	33,816	59,783	(23,848)	(154,336)	(178,184)	(118,401)
Change in net assets	804,989	1,197,765	2,002,754	(257,404)	1,324,782	1,067,378	3,070,132
Net assets:							
Beginning	1,440,543	188,409	1,628,952	1,239,406	6,879,573	8,118,979	9,747,931
Ending	\$ 2,245,532	\$ 1,386,174	\$ 3,631,706	\$ 982,002	\$ 8,204,355	\$ 9,186,357	\$ 12,818,063