



Better Government Association, Inc.

Financial Statements

Years Ended December 31, 2015 and 2014



Better Government Association, Inc.

Financial Statements
Years Ended December 31, 2015 and 2014

Better Government Association, Inc.

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Independent Auditor's Report

Board of Directors
Better Government Association, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of Better Government Association, Inc. (an Illinois nonprofit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Better Government Association, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

July 11, 2016

Financial Statements

Better Government Association, Inc.

Statements of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 197,639	\$ 707,261
Accounts receivable	3,585	5,400
Investments	2,505,948	1,473,581
Pledges receivable	338,500	251,000
Prepaid expenses	82,877	15,382
Total Current Assets	3,128,549	2,452,624
Property and Equipment, net	59,723	56,747
Other Assets		
Long term pledges receivable, net of discount of \$75,902 and \$0 at December 31, 2015 and 2014, respectively	724,098	-
Website and software, net of amortization of \$158,092 and \$143,447 at December 31, 2015 and 2014, respectively	103,355	14,000
Security deposit	6,391	6,391
Total Other Assets	833,844	20,391
	\$ 4,022,116	\$ 2,529,762

Better Government Association, Inc.

Statements of Financial Position

<i>December 31,</i>	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 60,174	\$ 61,859
Accrued liabilities	30,346	22,551
Total Current Liabilities	90,520	84,410
Long-Term Liabilities		
Deferred rent	35,290	22,070
Total Long-Term Liabilities	35,290	22,070
Total Liabilities	125,810	106,480
Net Assets		
Unrestricted	2,795,008	2,081,533
Temporarily restricted	1,101,298	341,749
Total Net Assets	3,896,306	2,423,282
	\$ 4,022,116	\$ 2,529,762

See accompanying notes to the financial statements.

Better Government Association, Inc.

Statement of Activities and Changes in Net Assets

<i>Year ended December 31, 2015</i>	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Public support:			
Contributions	\$ 1,863,651	\$ 1,101,298	\$ 2,964,949
Contributions in-kind	272,418	-	272,418
Special events revenue	1,555,945	-	1,555,945
Total public support	3,692,014	1,101,298	4,793,312
Other revenues:			
Miscellaneous	15,335	-	15,335
Total other revenues	15,335	-	15,335
Investment income (loss):			
Interest and dividends	100,150	-	100,150
Realized loss on investments	(22,492)	-	(22,492)
Unrealized loss on investments	(157,621)	-	(157,621)
Net investment loss	(79,963)	-	(79,963)
Total Revenues, Gains, and Other Support			
Before Net Assets Released From Restrictions	3,627,386	1,101,298	4,728,684
Net Assets Released from Restrictions	341,749	(341,749)	-
Total Revenues, Gains, and Other Support	3,969,135	759,549	4,728,684
Expenses			
Program	2,513,623	-	2,513,623
Management and general	291,625	-	291,625
Fundraising	450,412	-	450,412
Total Expenses	3,255,660	-	3,255,660
Change in Net Assets	713,475	759,549	1,473,024
Net Assets, beginning of year	2,081,533	341,749	2,423,282
Net Assets, end of year	\$ 2,795,008	\$ 1,101,298	\$ 3,896,306

See accompanying notes to the financial statements.

Better Government Association, Inc.

Statement of Activities and Changes in Net Assets

<i>Year ended December 31, 2014</i>	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Public support:			
Contributions	\$ 827,347	\$ 138,778	\$ 966,125
Contribution in-kind	470,301	-	470,301
Special events revenue	1,402,877	-	1,402,877
Total public support	2,700,525	138,778	2,839,303
Other revenues:			
Miscellaneous	35,601	-	35,601
Total other revenues	35,601	-	35,601
Investment income:			
Interest and dividends	13,398	-	13,398
Realized gain on investments	4,315	-	4,315
Unrealized gain on investments	73,054	-	73,054
Total investment income	90,767	-	90,767
Total Revenues, Gains, and Other Support			
Before Net Assets Released From Restrictions	2,826,893	138,778	2,965,671
Net Assets Released from Restrictions	237,844	(237,844)	-
Total Revenues, Gains, and Other Support	3,064,737	(99,066)	2,965,671
Expenses			
Program	2,167,912	-	2,167,912
Management and general	373,065	-	373,065
Fundraising	431,771	-	431,771
Total Expenses	2,972,748	-	2,972,748
Change in Net Assets	91,989	(99,066)	(7,077)
Net Assets, beginning of year	1,989,544	440,815	2,430,359
Net Assets, end of year	\$ 2,081,533	\$ 341,749	\$ 2,423,282

See accompanying notes to the financial statements.

Better Government Association, Inc.

Statement of Functional Expenses

For the year ended December 31, 2015

	PROGRAM					SUPPORT			
	Investigative	Policies Advocate	Citizen Watchdog	Civic Engagement	Total	Management and General	Fundraising	Total	Organization Total
Salaries and wages	\$ 696,457	\$ 260,193	\$ 54,222	\$ 168,667	\$ 1,179,539	\$ 134,191	\$ 126,839	\$ 261,030	\$ 1,440,569
Employee benefits	102,656	33,999	7,142	25,233	169,030	66,878	17,172	84,050	253,080
Payroll taxes	53,620	20,032	4,175	12,986	90,813	10,331	9,765	20,096	110,909
Accounting	29,360	11,723	1,923	6,442	49,448	22,244	5,433	27,677	77,125
Conference and meetings	2,395	935	170	536	4,036	545	1,314	1,859	5,895
Depreciation and amortization	13,294	5,978	2,136	3,974	25,382	2,738	3,178	5,916	31,298
Dues and subscriptions	6,279	1,280	120	3,245	10,924	385	822	1,207	12,131
Equipment rental	8,667	3,388	616	1,942	14,613	1,975	1,553	3,528	18,141
Fundraising	-	-	-	-	-	-	7,478	7,478	7,478
Insurance	27,910	10,910	1,984	6,254	47,058	6,361	5,000	11,361	58,419
Investigative	241,072	-	-	-	241,072	-	-	-	241,072
Legal	207,478	14,007	2,547	8,029	232,061	8,167	6,419	14,586	246,647
Marketing	-	-	-	145,486	145,486	-	-	-	145,486
Policy and government affairs	-	49,703	-	-	49,703	-	-	-	49,703
Rent	55,142	21,555	3,919	12,356	92,972	12,570	9,878	22,448	115,420
Event expenses	-	-	-	-	-	-	237,290	237,290	237,290
Strategic plan	-	-	-	-	-	16,625	-	16,625	16,625
Supplies	10,152	3,912	767	2,272	17,103	2,242	4,648	6,890	23,993
Telephone	10,370	4,054	737	11,352	26,513	2,363	4,571	6,934	33,447
Training and development	239	1,328	1,777	1,816	5,160	54	283	337	5,497
Utilities	4,954	1,936	352	1,110	8,352	1,130	887	2,017	10,369
Watchdog training unit	-	-	56,347	-	56,347	-	-	-	56,347
Website	18,495	11,659	8,070	9,787	48,011	2,826	7,882	10,708	58,719
Total functional expenses	\$ 1,488,540	\$ 456,592	\$ 147,004	\$ 421,487	\$ 2,513,623	\$ 291,625	\$ 450,412	\$ 742,037	\$ 3,255,660

See accompanying notes to the financial statements.

Better Government Association, Inc.

Statement of Functional Expenses

For the year ended December 31, 2014

	PROGRAM					SUPPORT			Organization Total
	Investigative	Policies Advocate	Citizen Watchdog	Civic Engagement	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 582,458	\$ 197,569	\$ 32,549	\$ 122,744	\$ 935,320	\$ 157,295	\$ 96,144	\$ 253,439	\$ 1,188,759
Employee benefits	88,507	30,395	6,784	20,823	146,509	65,991	14,139	80,130	226,639
Payroll taxes	51,397	13,356	3,424	9,504	77,681	12,597	8,991	21,588	99,269
Accounting	28,000	10,922	1,584	5,603	46,109	8,728	4,258	12,986	59,095
Conference and meetings	1,437	560	81	288	2,366	448	219	667	3,033
Depreciation and amortization	8,152	3,637	1,169	2,231	15,189	2,308	1,726	4,034	19,223
Dues and subscriptions	4,634	2,437	60	1,992	9,123	262	504	766	9,889
Equipment rental	7,814	3,048	442	1,563	12,867	2,436	1,188	3,624	16,491
Fundraising	-	-	-	-	-	-	9,586	9,586	9,586
Insurance	29,049	11,331	1,644	5,813	47,837	9,056	4,417	13,473	61,310
Investigative	256,748	-	-	-	256,748	-	-	-	256,748
Legal	151,534	59,106	8,575	30,323	249,538	47,237	23,043	70,280	319,818
Marketing	-	-	-	23,695	23,695	-	9,777	9,777	33,472
Postage	417	155	23	80	675	124	60	184	859
Policy and government affairs	-	52,354	-	-	52,354	-	-	-	52,354
Rent	37,896	14,782	2,145	7,583	62,406	11,813	5,763	17,576	79,982
Event expenses	-	-	5,298	-	5,298	-	228,248	228,248	233,546
Strategic plan	-	-	-	-	-	37,610	-	37,610	37,610
Supplies	10,100	4,444	572	2,271	17,387	3,148	1,894	5,042	22,429
Telephone	9,811	3,827	555	7,250	21,443	3,058	2,531	5,589	27,032
Training and development	1,268	85	12	1,751	3,116	26	18	44	3,160
Travel	3	162	23	83	271	540	63	603	874
Utilities	2,862	1,117	162	573	4,714	892	435	1,327	6,041
Watchdog training unit	-	-	59,843	-	59,843	-	-	-	59,843
Website	45,600	28,758	19,551	23,514	117,423	9,496	18,767	28,263	145,686
Total functional expenses	\$ 1,317,687	\$ 438,045	\$ 144,496	\$ 267,684	\$ 2,167,912	\$ 373,065	\$ 431,771	\$ 804,836	\$ 2,972,748

See accompanying notes to the financial statements.

Better Government Association, Inc.

Statements of Cash Flows

<i>Year ended December 31,</i>	2015	2014
Operating Activities		
Change in net assets	\$ 1,473,024	\$ (7,077)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	31,298	19,223
Realized loss (gain) on sale of investments	22,492	(4,315)
Unrealized loss (gain) on investments	157,621	(73,054)
Changes in operating assets and liabilities:		
Accounts receivable	1,815	(5,400)
Pledges receivable	(811,598)	141,677
Prepaid expenses	(67,495)	8,906
Accounts payable	(1,685)	45,014
Accrued liabilities	7,795	6,441
Deferred rent	13,220	(6,518)
Net cash from operating activities	826,487	124,897
Investing Activities		
Purchases of property and equipment	(19,629)	(12,057)
Payments for website and software	(104,000)	-
Purchases of investments	(2,878,122)	(1,470,605)
Proceeds on sale of investments	1,665,642	882,917
Net cash for investing activities	(1,336,109)	(599,745)
Net Decrease in Cash and Cash Equivalents	(509,622)	(474,848)
Cash and Cash Equivalents, beginning of year	707,261	1,182,109
Cash and Cash Equivalents, end of year	\$ 197,639	\$ 707,261

See accompanying notes to the financial statements.

Better Government Association, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Better Government Association, Inc. (the Organization) works to fight waste, corruption and inefficiency in government by using investigative journalism techniques, litigation, and public policy studies to expose problems, inform citizens about the operations of their government and lay the groundwork for substantive legislative and administrative reforms.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Money market funds maintained in investment accounts are included with investments. Money market funds used for operations and maintained at the Organization's banking institution are included in cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments in money market funds, equities, bonds and exchange traded funds are reported at fair value upon market quotations. Investments in certificates of deposit are reported at cost plus interest accrued which approximates market value. Donated investments are reflected as contributions at their fair values at date of receipt and totaled \$1,002,291 and \$58,161 for the years ended December 31, 2015 and 2014, respectively. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, stock contributions immediately converted to cash are included in cash from operating activities in the statement of cash flows for the years ended December 31, 2015 and 2014. Realized and unrealized gains and losses are included in the accompanying statements of activities.

Better Government Association, Inc.

Notes to Financial Statements

Allowance for Doubtful Accounts

The Organization recognizes an allowance for losses on accounts receivable and pledges receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts and pledges considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as program expense. As of December 31, 2015 and 2014, management has determined that no allowance for doubtful accounts is deemed necessary.

Prepaid Expenses

Prepaid expenses is primarily made up of expenses related to insurance and software maintenance contracts that have been paid in advance of services related to future periods.

Property and Equipment

Property and equipment are carried at cost if purchased or fair value if contributed. Depreciation is computed on the straight-line method over 3-10 years for computers, 5-10 years for furniture and equipment, and 3-7 years for leasehold improvements. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to operations. Maintenance and repairs are expensed as incurred.

Other Assets

The Organization incurred \$261,447 of computer software and website development costs over the years. Under FASB Accounting Standards Codification (ASC) 350, *Intangibles - Goodwill and Other*, these costs are able to be recognized as an intangible asset, and are being amortized using the straight-line method over 3-5 years. Amortization expense was \$14,645 and \$6,000 for the years ended December 31, 2015 and 2014.

Amortization expense for the next five years is expected to be as follows:

Year ended December 31,

2016	\$ 28,640
2017	25,640
2018	18,753
2019	17,290
2020	13,032
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	\$ 103,355

Better Government Association, Inc.

Notes to Financial Statements

Deferred Rent

Rent expense on non-cancelable leases containing known future scheduled rent increases or free rent periods is recorded on a straight-line basis over the respective lease term. The lease term begins when the Organization has the right to control the use of the leased property and includes the initial non-cancelable lease term plus any periods covered by renewal options that the Organization is reasonably assured of exercising. The difference between rent expense and rent paid is accounted for as deferred rent and is amortized over the lease term. The Organization received twelve months of free rent for the year ended December 31, 2015 valued at \$76,800 and received six months of free rent for the year ended December 31, 2014 valued at \$37,200 which is included in contributions on the accompanying statement of activities. The straight-line rent was recalculated to include the free rent months.

Net Assets

The net assets of the Organization are classified as follows:

Unrestricted, which represents the portion of expendable net assets that are available for operations.

Temporarily Restricted, which represents the portion of net assets that were restricted due to a time restraint or for a specific use and available for expenditure when needed for those respective purposes. Upon satisfaction of the restriction, a reclassification is made to unrestricted net assets (See note 6).

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

In the statements of functional expenses, the expenses are charged directly to program, management and general or fundraising categories based upon specific identification where possible. Additionally, certain costs have been allocated among the program and supporting services benefited, based on direct charges or appropriate methods determined by management. These costs include among others, salaries and related taxes and employee benefits, conferences and meetings, dues and subscriptions, insurance, occupancy costs, telephone, supplies, professional fees, and website expenses.

Better Government Association, Inc.

Notes to Financial Statements

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under IRC Section 509(a).

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2012 through the current year. In evaluating the Organization's activities, management believes its position of tax-exempt status is based on current facts and circumstances and there have been no uncertain positions taken related to recording income taxes. In the opinion of management, there are no activities unrelated to the purpose of the Organization and therefore no tax is to be recognized.

It is the policy of the Organization to include in management and general expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in management and general expenses for the years ended December 31, 2015 and 2014.

New Accounting Standards

In May 2015, the FASB issued ASU 2015-07, "*Fair Value Measurement* (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Removing these investments from the fair value hierarchy will determine diversity in current practice, resulting from the way in which investments measured at net asset value per share with future redemption dates are classified and ensure that all investments categorized in the fair value hierarchy are classified using consistent approach. Investments that calculate net asset value per share, but for which the practical expedient is not applied, will continue to be included and should be applied retrospectively to all periods presented. Early adoption of the amendments is permitted. The Organization did not early adopt the new guidance during the year ended December 31, 2015. The Organization is currently evaluating the impact of this guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases*", which established a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability 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. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for leases 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 is currently evaluating the potential impact of the adoption of ASU 2016-02 on the Organization's financial statements.

Better Government Association, Inc.

Notes to Financial Statements

Subsequent Events

Subsequent events were evaluated through July 11, 2016, which is the date the financial statements were available to be issued.

2. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are no changes in valuation methodologies during the years ended December 31, 2015 and 2014.

Better Government Association, Inc.

Notes to Financial Statements

Fair values of assets measured on a recurring basis were as follows:

Fair Value Measurements at December 31, 2015

	Level 1	Level 2	Level 3	Total
Money market	\$ 39,205	\$ -	\$ -	\$ 39,205
Fixed income funds:				
Certificates of deposit	-	861,198	-	861,198
Bonds	157,675	-	-	157,675
Total fixed income funds	157,675	861,198	-	1,018,873
Equities:				
Large blend	337,375	-	-	337,375
Large growth	303,281	-	-	303,281
Foreign large value	234,508	-	-	234,508
Foreign small/mid blend	172,407	-	-	172,407
Intermediate-term bond	129,608	-	-	129,608
Intermediate government	20,621	-	-	20,621
Total equities	1,197,800	-	-	1,197,800
Exchange traded funds:				
Large blend	250,070	-	-	250,070
Total exchange traded funds	250,070	-	-	250,070
	\$ 1,644,750	\$ 861,198	\$ -	\$ 2,505,948

Better Government Association, Inc.

Notes to Financial Statements

Fair Value Measurements at December 31, 2014

	Level 1	Level 2	Level 3	Total
Money market	\$ 83,551	\$ -	\$ -	\$ 83,551
Fixed income funds:				
Certificates of deposit	-	380,244	-	380,244
Bonds	158,629	-	-	158,629
Total fixed income funds	158,629	380,244	-	538,873
Equities:				
Consumer goods	129,826	-	-	129,826
Financial	126,232	-	-	126,232
Technology	115,108	-	-	115,108
Healthcare	110,231	-	-	110,231
Services	78,878	-	-	78,878
Basic materials	68,045	-	-	68,045
Industrial goods	66,546	-	-	66,546
Utilities	14,349	-	-	14,349
Total equities	709,215	-	-	709,215
Exchange traded funds:				
Mid-cap blend	62,640	-	-	62,640
Small blend	35,886	-	-	35,886
Diversified emerging mkts	24,556	-	-	24,556
Foreign large blend	18,860	-	-	18,860
Total exchange traded funds	141,942	-	-	141,942
	\$ 1,093,337	\$ 380,244	\$ -	\$ 1,473,581

3. Concentrations of Credit Risk

The Organization maintains its cash at one financial institution. All deposit accounts at Federal Deposit Insurance Corporation (FDIC) insured institutions are insured up to \$250,000. At times during the years ending December 31, 2015 and 2014, the Organization's bank balances may have exceeded the federally insured limits; however, it has not experienced any losses with respect to its bank balances in excess of government provided insurance.

Investments in certificates of deposit at FDIC-insured institutions are insured up to \$250,000 per institution.

Better Government Association, Inc.

Notes to Financial Statements

The Organization maintains reserve cash at a brokerage firm. This account is insured by the Securities Investor Protection Corporation up to \$500,000 including a maximum of \$250,000 for claims for cash and additional coverage is provided by the brokerage firm. At December 31, 2015 and 2014, the Organization has no uninsured cash investment balances at brokerage firms.

For the year ended December 31, 2015, 63% of total revenues, gains, and other support were from contributions and 6% were from in-kind contributions. For the year ended December 31, 2014, 34% were from contributions and 16% were from in-kind contributions. As of December 31, 2015, 96% of pledges receivable were from two donors and as of December 31, 2014, 96% of total pledges receivable were from five donors.

4. Pledges Receivable

The Organization has received pledges to contribute to the Organization. These amounts are classified as temporarily restricted until received. The total amount of the pledges receivable as of December 31, 2015 and 2014 were \$1,062,598 and \$251,000, respectively.

Pledges due in more than one year are discounted at 2.27% for the year ended December 31, 2015. The discount amortization is reflected in contributions on the statement of activities. As of December 31, 2015, there were long-term pledges receivable, net of discounts, of \$724,098. As of December 31, 2015, pledges receivable were as follows:

Receivable in less than one year	\$	338,500
Receivable in one to five years		800,000
		<hr/> 1,138,500
Less discounts to net present value		(75,902)
		<hr/>
Net pledges receivable	\$	1,062,598

5. Property and Equipment

The costs of the Organization's property and equipment as of December 31 were as follows:

	2015	2014
Computers	\$ 88,877	\$ 71,930
Furniture and equipment	95,471	92,789
Leasehold improvements	7,994	7,994
	<hr/> 192,342	<hr/> 172,713
Less accumulated depreciation	(132,619)	(115,966)
	<hr/>	<hr/>
	\$ 59,723	\$ 56,747

Better Government Association, Inc.

Notes to Financial Statements

Depreciation expense for the years ended December 31, 2015 and 2014 was \$16,653 and \$13,223, respectively.

6. Temporarily Restricted Net Assets

The following items were temporarily restricted as of December 31 due to either use or time restrictions:

	2015	2014
Support for operational costs	\$ 1,101,298	\$ 261,749
Support for strategic plan	-	80,000
	\$ 1,101,298	\$ 341,749

The following items were released from time and/or donor restrictions during the years ended December 31, 2015 and 2014 by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors:

	2015	2014
Support for investigator	\$ -	\$ 8,138
Support for operational costs	261,749	190,355
Support for strategic plan	80,000	39,351
	\$ 341,749	\$ 237,844

7. Contributions In-Kind

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. During the years ended December 31, 2015 and 2014, the Organization received donated legal, consulting, and website development services valued at \$272,418 and \$470,301, respectively. The donation of legal services was received from law firms at which board members are employed.

8. Lease Obligation and Rental Expense

Effective August 15, 2011, the Organization entered into a lease agreement for office space located in Chicago, Illinois for the period August 15, 2011 through January 31, 2018 with monthly base rent in the amount of \$5,750, which increases annually. The lease was amended on August 6, 2015 to extend the lease until January 31, 2023. In addition, the Organization leases office equipment with an original expiration date of February 28, 2015. Following month-to-month renewals, a new agreement was entered into for the office equipment beginning December 1, 2015 with an expiration date of November 30, 2020. These leases are being accounted for as

Better Government Association, Inc.

Notes to Financial Statements

operating leases. Rental expense on all leases for the years ended December 31, 2015 and 2014 was \$133,561 and \$96,473, respectively.

The estimated future minimum rental and lease obligations for the succeeding years under non-cancelable operating leases in effect as of December 31, 2015 are as follows:

Year ended December 31,

2016	\$ 42,000
2017	82,500
2018	84,450
2019	86,250
2020	87,800
Thereafter	182,900
	<hr/>
	\$ 565,900

The Organization is also liable for its proportionate share of increases, if any, of the landlord's total cost for operation of the building.

9. Special Events

Revenues and expenses from special events are shown at the gross amounts in the statements of activities. Gross revenue and expense for each event for the years ended December 31 was as follows:

	2015			2014		
	Revenue	Expense	Net	Revenue	Expense	Net
Annual Luncheon	\$1,411,645	\$ 156,089	\$1,255,556	\$ 1,280,122	\$ 174,415	\$ 1,105,707
Spring Luncheon	77,785	51,886	25,899	90,660	37,788	52,872
Young Professionals	66,515	29,315	37,200	32,095	16,045	16,050
	<hr/>					
	\$1,555,945	\$ 237,290	\$1,318,655	\$ 1,402,877	\$ 228,248	\$ 1,174,629

10. Litigation

In the normal course of business, the Organization is involved in disputes related to certain investigation projects. Management believes that the resolution of these matters will not have a material effect on the Organization's financial position or change in net assets.

Better Government Association, Inc.

Notes to Financial Statements

11. Retirement Plans

The Organization has established a defined contribution plan under Internal Revenue Service Code Section 401(k). There is no minimum contribution requirement for participants and contributions are subject to maximum amount limitation under current tax law. During the years ended December 31, 2015 and 2014, the Organization made matching contributions of \$27,289 and \$24,039, respectively.

12. Related Party Transactions

Members of the Board of Directors are associated with local law firms which provided pro bono professional services to the Organization recognized as contributions in-kind. Contributions in-kind recognized from these law firms for services provided to the Organization amounted to \$175,247 for the year ended December 31, 2015. There were no services received for the year ended December 31, 2014.