

**BETTER GOVERNMENT ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

# BETTER GOVERNMENT ASSOCIATION, INC.

## CONTENTS

---

<b>Independent Auditors' Report</b> .....	1-2
---	-----

### **Financial Statements**

Statements of Financial Position.....	3-4
Statements of Activities and Changes in Net Assets .....	5-6
Statements of Functional Expenses .....	7-8
Statements of Cash Flows.....	9

<b>Notes to Financial Statements</b> .....	10-22
--	-------

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Better Government Association, Inc.**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Better Government Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

### *Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2020 and 2019, 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.

*Marcum LLP*

Deerfield, IL  
October 11, 2021

# BETTER GOVERNMENT ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 579,511	\$ 762,558
Investments	2,151,835	1,712,897
Pledges receivable, current portion	875,000	343,000
Prepaid expenses	19,086	44,870
<b>Total Current Assets</b>	<u>3,625,432</u>	<u>2,863,325</u>
<b>Property and Equipment, Net</b>	<u>50,219</u>	<u>45,825</u>
<b>Other Assets</b>		
Pledges receivable, long-term portion, net of present value discount of \$13,122 and \$21,709 at December 31, 2020 and 2019, respectively	386,878	378,292
Website and software, net	2,723	22,809
Lease deposit	6,391	6,391
<b>Total Other Assets</b>	<u>395,992</u>	<u>407,492</u>
<b>Total Assets</b>	<u>\$ 4,071,643</u>	<u>\$ 3,316,642</u>

*The accompanying notes are an integral part of these financial statements.*

# BETTER GOVERNMENT ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 55,681	\$ 27,894
Accrued expenses	24,537	18,600
Other payable	96,358	--
Paycheck Protection Program loan	413,400	--
<b>Total Current Liabilities</b>	<u>589,976</u>	<u>46,494</u>
<b>Long-Term Liabilities</b>		
Deferred rent	<u>14,912</u>	<u>13,125</u>
<b>Net Assets</b>		
Without donor restrictions	2,270,294	2,516,731
With donor restrictions	<u>1,196,461</u>	<u>740,292</u>
<b>Total Net Assets</b>	<u>3,466,755</u>	<u>3,257,023</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,071,643</u>	<u>\$ 3,316,642</u>

*The accompanying notes are an integral part of these financial statements.*

# BETTER GOVERNMENT ASSOCIATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restriction	Total
<b>Revenue and Support</b>			
Contributions	\$ 1,394,479	\$ 928,586	\$ 2,323,065
Contributions in-kind	81,762	--	81,762
Events	476,663	150,000	626,663
Net assets released from restrictions	622,417	(622,417)	--
<b>Total Revenue and Support</b>	<b>2,575,321</b>	<b>456,169</b>	<b>3,031,490</b>
<b>Investment Income</b>			
Interest and dividends, net of expense of \$9,817	15,103	--	15,103
Realized gain on investments	18,069	--	18,069
Unrealized gain on investments	139,836	--	139,836
<b>Total Investment Income</b>	<b>173,008</b>	<b>--</b>	<b>173,008</b>
<b>Total Revenue, Support, and Investment Income</b>	<b>2,748,329</b>	<b>456,169</b>	<b>3,204,498</b>
<b>Expenses</b>			
Program services	2,241,150	--	2,241,150
Management and general	220,593	--	220,593
Fundraising	533,023	--	533,023
<b>Total Expenses</b>	<b>2,994,766</b>	<b>--</b>	<b>2,994,766</b>
<b>Change in Net Assets</b>	<b>(246,437)</b>	<b>456,169</b>	<b>209,732</b>
<b>Net Assets - Beginning</b>	<b>2,516,731</b>	<b>740,292</b>	<b>3,257,023</b>
<b>Net Assets - Ending</b>	<b>\$ 2,270,294</b>	<b>\$ 1,196,461</b>	<b>\$ 3,466,755</b>

*The accompanying notes are an integral part of these financial statements.*

# BETTER GOVERNMENT ASSOCIATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and Support</b>			
Contributions	\$ 954,096	\$ 229,617	\$ 1,183,713
Contributions in-kind	88,318	--	88,318
Events	1,225,443	43,000	1,268,443
Miscellaneous income	10,100	--	10,100
Net assets released from restrictions	<u>465,000</u>	<u>(465,000)</u>	<u>--</u>
<b>Total Revenue and Support</b>	<u>2,742,957</u>	<u>(192,383)</u>	<u>2,550,574</u>
<b>Investment Income</b>			
Interest and dividends, net of expense of \$9,951	21,285	--	21,285
Realized gain on investments	11,479	--	11,479
Unrealized gain on investments	<u>311,450</u>	<u>--</u>	<u>311,450</u>
<b>Total Investment Income</b>	<u>344,214</u>	<u>--</u>	<u>344,214</u>
<b>Total Revenue, Support, and Investment Income</b>	<u>3,087,171</u>	<u>(192,383)</u>	<u>2,894,788</u>
<b>Expenses</b>			
Program services	2,357,277	--	2,357,277
Management and general	245,562	--	245,562
Fundraising	<u>724,733</u>	<u>--</u>	<u>724,733</u>
<b>Total Expenses</b>	<u>3,327,572</u>	<u>--</u>	<u>3,327,572</u>
<b>Change in Net Assets</b>	(240,401)	(192,383)	(432,784)
<b>Net Assets - Beginning</b>	<u>2,757,132</u>	<u>932,675</u>	<u>3,689,807</u>
<b>Net Assets - Ending</b>	<u>\$ 2,516,731</u>	<u>\$ 740,292</u>	<u>\$ 3,257,023</u>

*The accompanying notes are an integral part of these financial statements.*



**BETTER GOVERNMENT ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services					Supporting Services			Organization Total
	Policies		Civic		Total	Management and General		Total	
	Advocate	Investigative	Engagement	Watchdog		Fundraising			
Personnel	\$ 266,079	\$ 894,355	\$ 158,156	\$ 65,917	\$ 1,384,507	\$ 147,474	\$ 291,149	\$ 438,623	\$ 1,823,130
Benefits	9,632	117,732	29,277	7,311	163,952	22,818	1,951	24,769	188,721
Rent and occupancy costs	24,830	84,813	11,219	6,133	126,995	11,817	10,770	22,587	149,582
Telephone	3,549	12,122	1,603	877	18,151	1,689	1,539	3,228	21,379
Insurance	11,009	37,604	4,974	2,719	56,306	5,240	4,775	10,015	66,321
Office	3,154	11,428	1,916	779	17,277	1,501	2,587	4,088	21,365
Books, dues and subscriptions	1,775	5,794	675	254	8,498	490	1,586	2,076	10,574
Equipment lease/maintenance	4,510	15,407	2,038	1,114	23,069	2,147	1,956	4,103	27,172
Legal	7,191	24,563	3,249	1,776	36,779	3,422	3,119	6,541	43,320
Board committee/staff meeting	152	518	69	37	776	72	1,065	1,137	1,913
Accounting and auditing	11,384	38,885	5,143	2,812	58,224	20,718	4,938	25,656	83,880
Training and conferences	414	2,357	188	103	3,062	198	180	378	3,440
Depreciation and amortization	6,318	21,582	2,855	1,561	32,316	3,007	2,741	5,748	38,064
Direct program expenses									
Investigative	--	95,386	--	--	95,386	--	--	--	95,386
Watchdog training unit	--	--	--	10,371	10,371	--	--	--	10,371
Policy and government affairs	47,841	--	--	--	47,841	--	--	--	47,841
Marketing and communications	--	--	157,640	--	157,640	--	(249)	(249)	157,391
Event expenses	--	--	--	--	--	--	199,862	199,862	199,862
Fundraising	--	--	--	--	--	--	5,054	5,054	5,054
<b>Total Functional Expenses</b>	<b>\$ 397,838</b>	<b>\$ 1,362,546</b>	<b>\$ 379,002</b>	<b>\$ 101,764</b>	<b>\$ 2,241,150</b>	<b>\$ 220,593</b>	<b>\$ 533,023</b>	<b>\$ 753,616</b>	<b>\$ 2,994,766</b>

*The accompanying notes are an integral part of these financial statements.*

**BETTER GOVERNMENT ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services					Supporting Services			Organization Total
	Policies		Civic		Total	Management and General		Total	
	Advocate	Investigative	Engagement	Watchdog		Fundraising			
Personnel	\$ 234,906	\$ 981,728	\$ 181,474	\$ 71,079	\$ 1,469,187	\$ 149,180	\$ 321,483	\$ 470,663	\$ 1,939,850
Benefits	15,798	149,705	20,520	6,367	192,390	42,906	34,758	77,664	270,054
Rent and occupancy costs	18,045	75,415	13,941	5,460	112,861	11,460	24,696	36,156	149,017
Telephone	2,801	11,706	2,164	848	17,519	1,778	3,833	5,611	23,130
Insurance	8,435	35,251	6,516	2,552	52,754	5,357	11,543	16,900	69,654
Office	3,183	11,868	2,447	820	18,318	1,722	4,335	6,057	24,375
Books, dues and subscriptions	1,686	9,076	1,163	344	12,269	722	3,936	4,658	16,927
Equipment lease/maintenance	2,649	11,073	2,047	802	16,571	1,683	3,626	5,309	21,880
Legal	10,086	42,149	7,792	3,052	63,079	6,405	13,803	20,208	83,287
Board committee/staff meeting	680	2,843	525	206	4,254	432	931	1,363	5,617
Accounting and auditing	8,010	33,476	6,188	2,424	50,098	20,387	10,962	31,349	81,447
Training and conferences	131	2,309	101	40	2,581	83	2,138	2,221	4,802
Depreciation and amortization	5,416	22,635	4,184	1,639	33,874	3,440	7,412	10,852	44,726
Direct program expenses									
Investigative	--	122,608	--	--	122,608	--	--	--	122,608
Watchdog training unit	--	--	--	4,927	4,927	--	--	--	4,927
Policy and government affairs	45,630	--	--	--	45,630	--	--	--	45,630
Marketing and communications	--	--	137,955	--	137,955	--	--	--	137,955
Event expenses	--	--	--	--	--	--	264,899	264,899	264,899
Website expenses	--	--	332	--	332	--	--	--	332
Fundraising	11	47	9	3	70	7	16,378	16,385	16,455
<b>Total Functional Expenses</b>	<u>\$ 357,467</u>	<u>\$ 1,511,889</u>	<u>\$ 387,358</u>	<u>\$ 100,563</u>	<u>\$ 2,357,277</u>	<u>\$ 245,562</u>	<u>\$ 724,733</u>	<u>\$ 970,295</u>	<u>\$ 3,327,572</u>

*The accompanying notes are an integral part of these financial statements.*

# BETTER GOVERNMENT ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 209,732	\$ (432,784)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	38,064	44,726
Realized gains on investments	(18,069)	(11,479)
Unrealized gains on investments	(139,836)	(311,450)
Interest and dividends on investments	(15,103)	(21,285)
Deferred rent	1,787	4,250
Changes in operating assets and liabilities:		
Accounts receivable	--	26,078
Pledges and other receivable	(540,586)	211,383
Prepaid expenses	25,784	2,101
Accounts payable	27,791	(106,732)
Accrued expenses	5,937	(14,702)
Other payable	96,358	--
Total Adjustments	<u>(517,873)</u>	<u>(177,110)</u>
<b>Net Cash Used in Operating Activities</b>	<u>(308,141)</u>	<u>(609,894)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(22,376)	(7,197)
Purchase of investments	(1,503,805)	(451,427)
Proceeds from sale of investments	<u>1,237,875</u>	<u>1,247,066</u>
<b>Net Cash (Used in) Provided by Investing Activities</b>	<u>(288,306)</u>	<u>788,442</u>
<b>Cash Flows From Financing Activities</b>		
Paycheck Protection Program loan proceeds	<u>413,400</u>	<u>--</u>
<b>Net (Decrease) Increase in Cash</b>	(183,047)	178,548
<b>Cash - Beginning</b>	<u>762,558</u>	<u>584,010</u>
<b>Cash - Ending</b>	<u>\$ 579,511</u>	<u>\$ 762,558</u>

*The accompanying notes are an integral part of these financial statements.*

# **BETTER GOVERNMENT ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1 - NATURE OF OPERATIONS**

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

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***BASIS OF ACCOUNTING***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Under the accrual basis, revenues and gains are recognized when earned and expenses and losses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows.

#### ***CONTRIBUTIONS***

All contributions received are recorded at fair value and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with restrictions. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions that are subject to donor-imposed restrictions that are met in the same year as the contributions are made are recognized and reported as unrestricted support and included in changes in unrestricted net assets.

#### ***CONTRIBUTED SERVICES***

The Organization receives donated services from several unpaid individuals who volunteer their time and perform a variety of tasks that assist the Organization. In some cases, no amounts have been recognized in the accompanying statements of activities because the accounting criteria for recognition of such volunteer services has not been satisfied. See Note 4 for a summary of in-kind contributed services that met the criteria for recognition.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *CLASSES OF NET ASSETS*

The accounts of the Organization are maintained in accordance with the principles of fund accounting, whereby resources are classified for accounting and reporting purposes into net assets established according to their nature and purposes.

##### *Net Assets Without Donor Restrictions*

Represents the portion of expendable funds that are available for the daily operations of the Organization, which are not limited by donor restriction on use.

##### *Net Assets With Donor Restrictions*

Consists of donor-restricted contributions received with specific time or purpose restrictions. Upon satisfaction of time or purpose restrictions, these donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions. As of December 31, 2020 and 2019, these donor restricted net assets consist of the following contributions and programs:

	2020	2019
Support for operational costs	\$586,879	\$678,292
Support for civic engagement	62,500	--
Support for events	100,000	43,000
Support for investigations	<u>447,082</u>	<u>19,000</u>
<b>Total</b>	<u>\$1,196,461</u>	<u>\$740,292</u>

During the years ended December 31, 2020 and 2019, the following items were released from donor restricted net assets by the Organization satisfying the restricted purpose for the donation:

	2020	2019
Support for operational costs	\$300,000	\$200,000
Support for civic engagement	62,500	--
Support for events	93,000	55,000
Support for investigations	<u>166,917</u>	<u>210,000</u>
<b>Total</b>	<u>\$622,417</u>	<u>\$465,000</u>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING PRONOUNCEMENT*

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Organization adopted ASU 2018-08 as of January 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not have an effect on the Organization's net assets in connection with the implementation of this ASU.

#### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain occupancy and administrative expenses that cannot be charged directly to any one functional expense category have been allocated among the programs and supporting services benefited. All allocations are based off of the direct salary expense percentage associated with the functional expense category to which the expenses are being allocated.

#### *INVESTMENT VALUATION AND INCOME RECOGNITION*

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Organization's gains and losses on investments bought and sold as well as held during the year.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *PROPERTY AND EQUIPMENT*

The Organization capitalizes purchased property and equipment in excess of \$500 to which it has title at cost. Donated assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Leasehold improvements are depreciated over the lesser of their estimated useful lives or the related lease term. Depreciation on purchased and donated assets is provided using the straight-line method.

The estimated useful lives and costs of property and equipment are as follows:

	2020	2019	Life in Years
Furniture and fixtures	\$ 52,420	\$ 52,420	5-10
Computers	140,955	118,583	3-10
Office equipment	46,267	46,267	3-10
Office furniture	20,964	20,964	10
Leasehold improvements	<u>6,314</u>	<u>6,314</u>	3-7
<b>Subtotal</b>	266,920	244,548	
Less: Accumulated depreciation	<u>(216,701)</u>	<u>(198,723)</u>	
<b>Property and Equipment, Net</b>	<u>\$ 50,219</u>	<u>\$ 45,825</u>	

Depreciation expense was \$17,973 and \$19,145 for the years ended December 31, 2020 and 2019, respectively.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There were no impairment indicators at December 31, 2020 and 2019.

##### *ACCOUNTS AND PLEDGES RECEIVABLE*

The Organization uses the allowance method to account for uncollectible contributions and accounts receivable balances. Under the allowance method, if needed, an estimate of uncollectible donor or customer balances is made based upon expected actual write-offs. Factors used to establish an allowance include the credit quality of the donor or customer and whether the balance is significant. Management determined no allowance for doubtful accounts was necessary at December 31, 2020 and 2019.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *USE OF ESTIMATES*

The preparation of financial statements in conformity with GAAP 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 the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### *CONCENTRATION OF CREDIT RISKS*

The Organization maintains its cash in accounts which from time to time exceed the amount insured by the Federal Deposit Insurance Corporation ("FDIC"), which is \$250,000 per depositor per institution. Amounts exceeding FDIC insured limits totaled approximately \$164,000 and \$420,000 at December 31, 2020 and 2019, respectively. The Organization has not experienced any losses attributed to cash balances in banks or investment companies.

As of December 31, 2020, 90% of pledges receivable were from five donors. As of December 31, 2019, 94% of pledges receivable were from two donors.

#### *INCOME TAXES*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, the Organization has made no provision for income taxes in the accompanying financial statements.

The Organization evaluates all significant tax positions as required by GAAP. The Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. If the Organization were to incur an income tax liability in the future, the interest on any tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income tax expense. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. The Organization's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction and there are currently no examinations pending or in progress.



# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *RECLASSIFICATIONS*

Certain prior year amounts have been reclassified to the current year presentation. Such reclassifications had no effect on the change in net assets.

##### *SUBSEQUENT EVENTS*

The Organization evaluated all significant events or transactions that occurred through October 11, 2021, the date that the financial statements were available to be issued. Except as disclosed in Notes 13, 15, and below, there were no additional matters requiring recognition or disclosure in the financial statements.

Subsequent to year end, a donor requested that the Organization return a contribution made during the year. The Organization agreed to return the donation and has included this in other payable.

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value measurements and disclosures topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Level 1 inputs are given the highest priority in the hierarchy while level 3 inputs are given the lowest priority. Assets and liabilities carried at fair value are classified in one of the following three categories based on the nature of the inputs to the valuation technique used:

##### *Level 1*

Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

##### *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;

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

- 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*

Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Exchange traded funds, common stock, and mutual funds are valued at the daily closing price at December 31, 2020 and 2019, as reported by a national stock exchange. Certificates of deposit are valued at their redemption values at December 31, 2020 and 2019.

The following tables set forth, by level within the fair value hierarchy, the Association's assets that were accounted for at fair value on a recurring basis. As required by the fair value measurements and disclosure topic, these assets are classified based on the lowest level input that is significant to the fair value measurement.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Description	Fair Value as of December 31, 2020	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Fixed Income</b>				
Exchange traded funds	\$ 289,763	\$ 289,763	\$ --	\$ --
Mutual funds	<u>548,307</u>	<u>548,307</u>	<u>--</u>	<u>--</u>
<b>Total Fixed Income</b>	<u>838,070</u>	<u>838,070</u>	<u>--</u>	<u>--</u>
<b>Equities</b>				
Exchange traded funds	116,645	116,645	--	--
Mutual funds	<u>1,197,120</u>	<u>1,197,120</u>	<u>--</u>	<u>--</u>
<b>Total Equities</b>	<u>1,313,765</u>	<u>1,313,765</u>	<u>--</u>	<u>--</u>
<b>Total Investments</b>	<u>\$2,151,835</u>	<u>\$2,151,835</u>	<u>\$ --</u>	<u>\$ --</u>

Description	Fair Value as of December 31, 2019	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Fixed Income</b>				
Certificates of deposit	\$ 30,055	\$ --	\$30,055	\$ --
Exchange traded funds	147,961	147,961	--	--
Mutual funds	<u>428,948</u>	<u>428,948</u>	<u>--</u>	<u>--</u>
<b>Total Fixed Income</b>	<u>606,964</u>	<u>576,909</u>	<u>30,055</u>	<u>--</u>
<b>Equities</b>				
Exchange traded funds	84,344	84,344	--	--
Mutual funds	<u>1,021,589</u>	<u>1,021,589</u>	<u>--</u>	<u>--</u>
<b>Total Equities</b>	<u>1,105,933</u>	<u>1,105,933</u>	<u>--</u>	<u>--</u>
<b>Total Investments</b>	<u>\$1,712,897</u>	<u>\$1,682,842</u>	<u>\$30,055</u>	<u>\$ --</u>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 4 - CONTRIBUTIONS IN-KIND

The Organization received contributions in-kind at fair value in support of fundraising and general operations as follows:

In-Kind Support	Year-End December 31,	
	2020	2019
Advertising support	\$ 81,762	\$ 68,318
Legal expenses	--	10,000
Rent and occupancy	--	<u>10,000</u>
<b>Total</b>	<u>\$ 81,762</u>	<u>\$ 88,318</u>

#### NOTE 5 - WEBSITE AND SOFTWARE

The Organization has recorded various costs associated with website and software development as intangible assets. The Organization is amortizing these assets over a period of three to five years using the straight-line method. Amortization expense relating to these items was \$20,091 and \$25,581 for years ending December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, website and software consists of the following:

	2020	2019
Software	\$ 40,492	\$ 40,492
Website	<u>253,605</u>	<u>253,605</u>
<b>Subtotal</b>	294,097	294,097
Less: Accumulated amortization	<u>(291,374)</u>	<u>(271,288)</u>
<b>Website and Software, Net</b>	<u>\$ 2,723</u>	<u>\$ 22,809</u>

Website and software amortization expense for the next year is as follows:

For the Years Ending December 31,	Amount
2021	<u>\$ 2,723</u>
<b>Total</b>	<u>\$ 2,723</u>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 6 - PLEDGES RECEIVABLE

The Organization has received pledges to contribute to the Organization. These amounts are classified as within donor restricted net assets until received. Pledges receivables were \$1,261,878 and \$721,292 as of December 31, 2020 and 2019, respectively.

Pledges due in more than one year are discounted at 2.27% for the year ended December 31, 2020. The discount amortization is reflected in contributions on the statement of activities. Net pledges receivable as of December 31, 2020 were as follows:

	Amount
Receivable in less than one year	\$ 875,000
Receivable in one to five years	<u>400,000</u>
<b>Subtotal</b>	1,275,000
Less: Discounts to net present value	<u>(13,122)</u>
<b>Net Pledges Receivable</b>	<u>\$1,261,878</u>

#### NOTE 7 - OPERATING LEASE COMMITMENTS

The Organization leases its office space under an operating lease agreement that expires in July 2024. The lease requires monthly base rental payments that escalate over its term in addition to the Organization's share of utilities, taxes, and common area maintenance costs. The current monthly base rent is \$9,519. The Organization records its base rents on a straight-line basis in accordance with GAAP. The difference between rents paid and straight-line rents is recorded as deferred rent expense. At December 31, 2020 and 2019, deferred rent totaled \$14,912 and \$13,125, respectively. Rent expense under this agreement exclusive of operating expenses, was \$115,809 and \$115,805 for the years ended December 31, 2020 and 2019, respectively.

The Organization entered into an operating lease agreement for a copy machine. The agreement calls for monthly rent of \$456, inclusive of a set amount of copies and a maintenance agreement, and expires on December 28, 2025.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 7 - OPERATING LEASE COMMITMENTS (CONTINUED)

The estimated future rental obligations under these leases for the next five years are as follows:

For the Years Ending December 31,	Amount
2021	\$122,008
2022	124,583
2023	127,218
2024	77,968
2025	<u>5,470</u>
<b>Total</b>	<b><u>\$457,247</u></b>

#### NOTE 8 - LITIGATION

The Organization is, in the normal course of business, involved in various litigation matters. The Organization believes it will ultimately prevail in these matters, although the final outcome of these matters cannot be reasonably determined at this time. Therefore, no provision for any potential gains or losses that may arise from the resolution of these litigation matters has been reflected in these financial statements.

#### NOTE 9 - SPECIAL EVENTS

A significant portion of the Organization's support is provided by major fundraising events. These events generally include an annual luncheon and investigative awards. The Organization has a long established history of these fundraising events and expects the events and the support received to continue. Gross revenues and expenses from these events for the years ended December 31, 2020 and 2019 are as follows:

Event	2020			2019		
	Revenues	Expenses	Net	Revenues	Expenses	Net
Annual Luncheon	\$605,133	\$151,022	\$454,111	\$1,193,595	\$199,837	\$ 993,758
Investigative Awards	<u>21,530</u>	<u>48,840</u>	<u>(27,310)</u>	<u>74,848</u>	<u>65,062</u>	<u>9,786</u>
<b>Total</b>	<b><u>\$626,663</u></b>	<b><u>\$199,862</u></b>	<b><u>\$426,801</u></b>	<b><u>\$1,268,443</u></b>	<b><u>\$264,899</u></b>	<b><u>\$1,003,544</u></b>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

#### NOTE 10 - RELATED PARTY TRANSACTIONS

The Organization has received various monetary and sponsorship donations from members of the Board of Directors and through their efforts. Donations and sponsorships from Board members and their employers totaled \$534,360 and \$426,341 for the years ended December 31, 2020 and 2019, respectively.

#### NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects certain of the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or are classified as restricted cash, beneficial interests in perpetual trusts, and beneficial interests in charitable remainder unitrusts, long-term notes receivable and other long-term investments.

	2020	2019
Cash and cash equivalents	\$ 579,511	\$ 762,558
Investments	2,151,835	1,712,897
Pledges receivable, current portion	<u>875,000</u>	<u>343,000</u>
<b>Financial Assets at Year-End</b>	3,606,346	2,818,455
Less those unavailable for general expenditure within one year, due to donor restricted cash received to support for events and investigations	<u>(1,196,461)</u>	<u>(740,292)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<u>\$2,409,885</u>	<u>\$2,078,163</u>

#### NOTE 12 - RETIREMENT PLANS

The Organization sponsors a 401(k) Plan. The Plan allows all eligible employees, as defined in the Plan, to defer a portion of their salary subject to limitations contained in the Internal Revenue Code. The Organization may also contribute a discretionary employer contribution to the Plan. The total employer contribution was \$30,328 and \$36,570 for the years ended December 31, 2020 and 2019, respectively, and is included in benefits expense on the statement of functional expenses.

# **BETTER GOVERNMENT ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

#### **NOTE 13 - COLLECTIVE BARGAINING AGREEMENT**

A majority of the Organization's employees are members of the Screen Actors Guild - American Federation of Television and Radio Artists' union. During 2018, the Organization entered into a collective bargaining agreement that expired on April 23, 2021. Subsequent to year end, in April 2021, the collective bargaining agreement was extended to December 31, 2022.

#### **NOTE 14 - RISKS AND UNCERTAINTIES**

In a media briefing on March 11, 2020, the World Health Organization ("WHO") declared that the novel coronavirus that causes coronavirus disease 2019 ("COVID-19") has been characterized as a pandemic due to the spread and severity of the virus. Management is attempting to mitigate the effects of this by following health department and other regulatory guidelines. The potential future impact, if any, to the Organization cannot be reasonably determined as of the date of this report, and therefore no adjustments have been made to these financial statements as a result of this matter.

#### **NOTE 15 - PAYCHECK PROTECTION PROGRAM LOAN**

As part of federal legislation to deal with the economic effects of the COVID-19 pandemic, during May 2020, under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the Organization received loan proceeds from Fifth Third Bank totaling \$413,400. The loan bears interest at 1%, principal and interest are due by May 2022. The principal balance of this loan may be forgiven if the loan proceeds are spent on qualifying costs as defined in the CARES Act. Subsequent to year end, the Organization received full forgiveness of this loan in May 2021.

On February 27, 2021, the Organization received a second PPP loan totaling \$363,892 at 1% interest. The loan provides for a ten-month deferral period after the loan forgiveness covered period of 8 to 24 weeks whereby the Organization does not have to make any payments. If the loan is not forgiven within the ten-month deferral period, it is repayable in equal installments until the 60th month from the funding date. The loan is eligible to be forgiven if the funds are used for qualified expenses.

The Organization has elected to classify the entire PPP loan balance as a current liability as management expects the loan to be forgiven within one year of the balance sheet date.