

**BETTER GOVERNMENT ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

# BETTER GOVERNMENT ASSOCIATION, INC.

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## 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, 2017 and 2016, 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 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, 2017 and 2016, 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  
September 7, 2018

# BETTER GOVERNMENT ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 256,935	\$ 777,462
Investments	3,082,851	2,738,781
Pledges receivables, current portion	405,000	110,000
Account receivable	10,000	2,385
Prepaid expenses	33,164	59,306
<b>Total Current Assets</b>	<u>3,787,950</u>	<u>3,687,934</u>
<b>Property and Equipment, Net</b>	<u>65,724</u>	<u>60,164</u>
<b>Other Assets</b>		
Pledges receivable, long-term portion, net of present value discount of \$46,780 and \$59,465 at December 31, 2017 and 2016, respectively	653,220	740,535
Website and software, net	63,879	94,589
Lease deposit	6,391	6,391
<b>Total Other Assets</b>	<u>723,490</u>	<u>841,515</u>
<b>Total Assets</b>	<u>\$ 4,577,164</u>	<u>\$ 4,589,613</u>

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

# BETTER GOVERNMENT ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 64,839	\$ 126,058
Accrued expenses	<u>44,096</u>	<u>40,087</u>
<b>Total Current Liabilities</b>	<u>108,935</u>	<u>166,145</u>
<b>Long-Term Liabilities</b>		
Deferred rent	<u>2,210</u>	<u>69,118</u>
<b>Net Assets</b>		
Unrestricted	3,427,799	3,120,479
Temporarily restricted	<u>1,038,220</u>	<u>1,233,871</u>
<b>Total Net Assets</b>	<u>4,466,019</u>	<u>4,354,350</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,577,164</u>	<u>\$ 4,589,613</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, 2017

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Contributions	\$ 1,153,821	\$ 168,612	\$ 1,322,433
Contributions in-kind	462,864	--	462,864
Events	1,654,731	149,073	1,803,804
Miscellaneous income	20,250	--	20,250
Net assets released from restrictions	<u>513,336</u>	<u>(513,336)</u>	<u>--</u>
<b>Total Revenue and Support</b>	<u>3,805,002</u>	<u>(195,651)</u>	<u>3,609,351</u>
<b>Investment Income</b>			
Interest and dividends	38,751	--	38,751
Realized gain on investments	49,881	--	49,881
Unrealized gain on investments	<u>236,487</u>	<u>--</u>	<u>236,487</u>
<b>Total Investment Income</b>	<u>325,119</u>	<u>--</u>	<u>325,119</u>
<b>Total Revenue, Support, and Investment Income</b>	<u>4,130,121</u>	<u>(195,651)</u>	<u>3,934,470</u>
<b>Expenses</b>			
Program services	3,072,843	--	3,072,843
Management and general	214,793	--	214,793
Fundraising	<u>527,716</u>	<u>--</u>	<u>527,716</u>
<b>Total Expenses</b>	3,815,352	--	3,815,352
<b>Income Before Loss on Property</b>	314,769	(195,651)	119,118
<b>Loss on Disposal of Property</b>	<u>(7,449)</u>	<u>--</u>	<u>(7,449)</u>
<b>Change in Net Assets</b>	307,320	(195,651)	111,669
<b>Net Assets - Beginning</b>	<u>3,120,479</u>	<u>1,233,871</u>	<u>4,354,350</u>
<b>Net Assets - Ending</b>	<u>\$ 3,427,799</u>	<u>\$ 1,038,220</u>	<u>\$ 4,466,019</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, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Contributions	\$ 1,517,156	\$ 551,437	\$ 2,068,593
Contributions in-kind	384,479	--	384,479
Events	1,562,916	10,000	1,572,916
Miscellaneous income	19,718	--	19,718
Net assets released from restrictions	<u>428,864</u>	<u>(428,864)</u>	<u>--</u>
<b>Total Revenue and Support</b>	<u>3,913,133</u>	<u>132,573</u>	<u>4,045,706</u>
<b>Investment Income</b>			
Interest and dividends	38,579	--	38,579
Realized loss on investments	29,217	--	29,217
Unrealized loss on investments	<u>50,258</u>	<u>--</u>	<u>50,258</u>
<b>Total Investment Income</b>	<u>118,054</u>	<u>--</u>	<u>118,054</u>
<b>Total Revenue, Support, and Investment Income</b>	<u>4,031,187</u>	<u>132,573</u>	<u>4,163,760</u>
<b>Expenses</b>			
Program services	2,905,911	--	2,905,911
Management and general	268,782	--	268,782
Fundraising	<u>531,023</u>	<u>--</u>	<u>531,023</u>
<b>Total Expenses</b>	<u>3,705,716</u>	<u>--</u>	<u>3,705,716</u>
<b>Change in Net Assets</b>	325,471	132,573	458,044
<b>Net Assets - Beginning</b>	<u>2,795,008</u>	<u>1,101,298</u>	<u>3,896,306</u>
<b>Net Assets - Ending</b>	<u>\$ 3,120,479</u>	<u>\$ 1,233,871</u>	<u>\$ 4,354,350</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, 2017**

	Program Services					Supporting Services			Organization Total
	Policies Advocate	Investigative	Civic Engagement	Watchdog	Total	Management and General	Fundraising	Total	
Personnel	\$ 349,644	\$ 1,006,840	\$ 238,553	\$ 69,925	\$ 1,664,962	\$ 108,490	\$ 211,005	\$ 319,495	\$ 1,984,457
Benefits	42,575	130,075	27,840	8,495	208,985	67,605	20,785	88,390	297,375
Rent and occupancy costs	7,490	19,819	3,788	1,262	32,359	2,148	3,117	5,265	37,624
Telephone	4,207	11,131	2,128	709	18,175	1,207	4,364	5,571	23,746
Insurance	16,182	42,818	8,184	2,727	69,911	4,641	6,734	11,375	81,286
Office	6,709	19,556	3,862	1,135	31,262	1,924	2,951	4,875	36,137
Books, dues and subscriptions	228	2,239	115	38	2,620	65	1,009	1,074	3,694
Equipment lease/maintenance	4,951	13,101	2,504	834	21,390	1,420	2,060	3,480	24,870
Legal	19,627	51,934	9,927	3,308	84,796	5,629	8,168	13,797	98,593
Board committee/staff meeting	877	2,321	444	148	3,790	252	1,542	1,794	5,584
Accounting and auditing	12,054	31,896	6,097	2,032	52,079	18,757	5,016	23,773	75,852
Training and conferences	48	964	24	8	1,044	14	2,002	2,016	3,060
Depreciation and amortization	9,835	21,187	6,427	4,101	41,550	1,978	5,221	7,199	48,749
Direct program expenses									
Investigative	--	182,321	--	--	182,321	--	--	--	182,321
Watchdog training unit	--	--	--	50,719	50,719	--	--	--	50,719
Policy and government affairs	48,967	--	--	--	48,967	--	--	--	48,967
Marketing and communications	--	--	533,395	--	533,395	--	--	--	533,395
Event expenses	--	--	--	--	--	--	241,359	241,359	241,359
Website expenses	5,944	9,752	4,801	4,021	24,518	663	3,868	4,531	29,049
Fundraising	--	--	--	--	--	--	8,515	8,515	8,515
<b>Total Functional Expenses</b>	<u>\$ 529,338</u>	<u>\$ 1,545,954</u>	<u>\$ 848,089</u>	<u>\$ 149,462</u>	<u>\$ 3,072,843</u>	<u>\$ 214,793</u>	<u>\$ 527,716</u>	<u>\$ 742,509</u>	<u>\$ 3,815,352</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, 2016**

	Program Services					Supporting Services			Organization Total
	Policies Advocate	Investigative	Civic Engagement	Watchdog	Total	Management and General	Fundraising	Total	
Personnel	\$ 305,739	\$ 844,613	\$ 236,236	\$ 33,977	\$ 1,420,565	\$ 145,089	\$ 190,634	\$ 335,723	\$ 1,756,288
Benefits	31,837	125,152	33,249	4,775	195,013	62,935	21,345	84,280	279,293
Rent and occupancy	14,606	40,836	11,223	1,378	68,043	8,385	9,059	17,444	85,487
Telephone	3,610	10,093	4,983	341	19,027	2,073	5,121	7,194	26,221
Insurance	11,357	31,752	8,727	1,072	52,908	6,520	7,044	13,564	66,472
Office	3,856	10,767	2,959	363	17,945	2,211	2,388	4,599	22,544
Books, dues and subscriptions	683	2,489	525	64	3,761	392	7,588	7,980	11,741
Equipment lease/maintenance	3,768	12,427	3,710	327	20,232	1,991	3,101	5,092	25,324
Legal	19,195	133,613	14,749	1,811	169,368	11,020	11,905	22,925	192,293
Board committee/staff meeting	439	1,228	338	41	2,046	252	491	743	2,789
Accounting and auditing	9,790	26,684	7,202	725	44,401	21,034	6,104	27,138	71,539
Training and conferences	1,590	1,735	3,495	--	6,820	--	819	819	7,639
Depreciation and amortization	9,059	19,613	7,698	3,736	40,106	3,375	6,190	9,565	49,671
Strategic plan									
Direct program expenses									
Investigative	--	255,283	--	--	255,283	--	173	173	255,456
Watchdog training unit	--	--	3,195	60,160	63,355	--	--	--	63,355
Policy and government affairs	46,634	--	--	--	46,634	--	--	--	46,634
Marketing and communications	51	143	418,863	5	419,062	29	1,571	1,600	420,662
Event expenses	349	987	266	27	1,629	231	240,136	240,367	241,996
Website expenses	14,037	23,008	13,155	9,513	59,713	3,245	10,407	13,652	73,365
Fundraising	--	--	--	--	--	--	6,947	6,947	6,947
<b>Total Functional Expenses</b>	<b>\$ 476,600</b>	<b>\$ 1,540,423</b>	<b>\$ 770,573</b>	<b>\$ 118,315</b>	<b>\$ 2,905,911</b>	<b>\$ 268,782</b>	<b>\$ 531,023</b>	<b>\$ 799,805</b>	<b>\$ 3,705,716</b>

*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, 2017 AND 2016

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 111,669	\$ 458,044
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	48,749	49,671
Loss on disposal of property	7,449	--
Realized (gains) losses on investments	(49,881)	(29,217)
Unrealized (gains) losses on investments	(236,487)	(50,258)
Interest & dividends on investments	(38,751)	(38,579)
Deferred rent	(66,908)	33,828
Changes in operating assets and liabilities:		
Accounts receivable	(7,615)	1,200
Pledges and other receivable	(207,685)	212,063
Prepaid expenses	26,142	23,571
Accounts payable	(61,219)	65,885
Accrued expenses	4,009	9,741
Total Adjustments	(582,197)	277,905
<b>Net Cash (Used in) Provided by Operating Activities</b>	(470,528)	735,949
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(31,046)	(18,696)
Payments for website and software	--	(22,650)
Purchase of investments	(455,150)	(528,576)
Proceeds from sale of investments	436,197	413,796
<b>Net Cash Used in Investing Activities</b>	(49,999)	(156,126)
<b>Net Increase (Decrease) in Cash</b>	(520,527)	579,823
<b>Cash - Beginning</b>	777,462	197,639
<b>Cash - Ending</b>	\$ 256,935	\$ 777,462

*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, 2017 AND 2016**

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### **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 temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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 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 Notes 5 and 10 for a summary of in-kind contribution services that met the criteria for recognition.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### 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.

##### *Unrestricted Net Assets*

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.

##### *Temporarily Restricted Net Assets*

Consists of donor-restricted contributions received with specific time or purpose restrictions. Upon satisfaction of time or purpose restrictions, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets consist of the following contributions and programs:

	2017	2016
Support for operational costs	\$ 835,075	\$1,223,871
Support for events	104,072	10,000
Support for investigations	<u>99,073</u>	<u>--</u>
<b>Total</b>	<b><u>\$1,038,220</u></b>	<b><u>\$1,233,871</u></b>

During the years ended December 31, 2017 and 2016, the following items were released from temporarily restricted net assets by the Organization satisfying the restricted purpose for the donation:

	2017	2016
Support for operational costs	\$403,336	\$428,864
Support for events	60,000	
Support for investigations	<u>50,000</u>	<u>--</u>
<b>Total</b>	<b><u>\$513,336</u></b>	<b><u>\$428,864</u></b>

##### *Permanently Restricted Net Assets*

Consists of donations subject to the restrictions of the gift instruments requiring that the principal be invested in perpetuity, and that income only be utilized in the operations of the Organization. The Organization had no permanently restricted net assets at December 31, 2017 and 2016.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

#### *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 have been allocated among the programs and supporting services benefitted.

#### *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.

#### *ACCOUNTS 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 customer balances is made based upon expected actual write-offs. Factors used to establish an allowance include the credit quality of the customer and whether the balance is significant. There was no allowance for doubtful accounts recorded at December 31, 2017 and 2016.

#### *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 lower of their estimated useful lives or the related lease term. Depreciation on purchased and donated assets is provided using the straight-line method.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

#### *PROPERTY AND EQUIPMENT (CONTINUED)*

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

	2017	2016	Life in Years
Furniture and fixtures	\$ 52,420	\$ 35,734	5-10
Computers	107,412	99,366	3-10
Office equipment	38,773	38,773	3-10
Office furniture	20,964	20,964	10
Leasehold improvements	<u>6,314</u>	<u>16,202</u>	3-7
<b>Subtotal</b>	225,883	211,039	
Less: Accumulated depreciation	<u>(160,159)</u>	<u>(150,875)</u>	
<b>Property and Equipment, Net</b>	<u>\$ 65,724</u>	<u>\$ 60,164</u>	

Depreciation expense was \$18,038 and \$18,255 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016.

#### *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.

#### *CASH FLOWS*

The Organization considers all highly liquid debt investments with a maturity of three months or less when purchased to be cash equivalents.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

#### *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. Amounts exceeding FDIC insured limits totaled approximately \$0 and \$496,000 at December 31, 2017 and 2016, respectively. The Organization has not experienced any losses attributed to cash balances in banks or investment companies.

As of December 31, 2017, 99% of pledges receivable were from three donors and as of December 31, 2016, 99% of total 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 taxes. 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.

#### *RECLASSIFICATIONS*

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



# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

##### *DATE OF MANAGEMENT'S REVIEW*

The Organization evaluated all significant events or transactions that occurred through September 8, 2018, the date that the financial statements were available to be issued. Subsequent to year end, the Organization and its employees finalized a collective bargaining agreement. No other events requiring recognition or disclosure in the financial statements have been identified.

#### 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;
- 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.

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

##### *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, 2017 and 2016.

Exchange traded funds and mutual funds are valued at the daily closing price at December 31, 2017 and 2016, as reported by a national stock exchange. Corporate bonds and notes as of December 31, 2017 and 2016 are based on yields currently available on comparable securities of issuers with similar credit ratings

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.

Description	Fair Value as of December 31, 2017	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>Cash</b>	<u>\$ 128,156</u>	<u>\$ 128,156</u>	<u>\$ --</u>	<u>\$ --</u>
<b>Fixed Income</b>				--
Certificates of deposit	460,645	--	460,645	--
Corporate bonds	30,108	--	30,108	--
Mutual funds	<u>675,316</u>	<u>675,316</u>	<u>--</u>	<u>--</u>
<b>Total Fixed Income</b>	<u>1,166,069</u>	<u>675,316</u>	<u>490,753</u>	<u>--</u>
<b>Equities</b>				
Exchange traded funds	315,940	315,940	--	--
Mutual funds	<u>1,472,686</u>	<u>1,472,686</u>	<u>--</u>	<u>--</u>
<b>Total Equities</b>	<u>1,788,626</u>	<u>1,788,626</u>	<u>--</u>	<u>--</u>
<b>Total Investments</b>	<u>\$3,082,851</u>	<u>\$2,592,098</u>	<u>\$490,753</u>	<u>\$ --</u>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Description	Fair Value as of December 31, 2016	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>Cash</b>	<u>\$ 159,297</u>	<u>\$ 159,297</u>	<u>\$ --</u>	<u>\$ --</u>
<b>Fixed Income</b>				--
Certificates of deposit	467,131	--	467,131	--
Corporate bonds	30,588	--	30,588	--
Mutual funds	<u>468,165</u>	<u>468,165</u>	<u>--</u>	<u>--</u>
<b>Total Fixed Income</b>	<u>965,884</u>	<u>468,165</u>	<u>497,719</u>	<u>--</u>
<b>Equities</b>				--
Exchange traded funds	288,989	288,989	--	--
Mutual funds	<u>1,324,611</u>	<u>1,324,611</u>	<u>--</u>	<u>--</u>
<b>Total Equities</b>	<u>1,613,600</u>	<u>1,613,600</u>	<u>--</u>	<u>--</u>
<b>Total Investments</b>	<u>\$2,738,781</u>	<u>\$2,241,062</u>	<u>\$497,719</u>	<u>\$ --</u>

#### NOTE 4 - CONTRIBUTIONS IN-KIND

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

In-Kind Support	Year-End December 31,	
	2017	2016
Advertising support	\$412,864	\$304,532
Legal services	--	79,947
Rent and occupancy	<u>50,000</u>	<u>--</u>
<b>Total</b>	<u>\$462,864</u>	<u>\$384,479</u>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### 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 \$30,711 and \$31,416 for years ending December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, website and software consists of the following:

	2017	2016
Software	\$ 30,492	\$ 30,492
Website	<u>253,605</u>	<u>253,605</u>
<b>Subtotal</b>	284,097	284,097
Less: Accumulated amortization	<u>(220,218)</u>	<u>(189,508)</u>
<b>Website and Software, Net</b>	<u>\$ 63,879</u>	<u>\$ 94,589</u>

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

For the Years Ending December 31,	Amount
2018	\$23,823
2019	22,247
2020	16,610
2021	<u>1,199</u>
<b>Total</b>	<u>\$63,879</u>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### NOTE 6 - PLEDGES RECEIVABLE

The Organization has received pledges to contribute to the Organization. These amounts are classified as temporarily restricted until received. Pledges receivables were \$1,058,220 and \$850,535 as of December 31, 2017 and 2016, respectively.

Pledges due in more than one year are discounted at 2.6% for the year ended December 31, 2017. The discount amortization is reflected in contributions on the statement of activities. Net pledges receivable as of December 31, 2017 were as follows:

	Amount
Receivable in less than one year	\$ 405,000
Receivable in one to five years	600,000
Receivable in more than five years	<u>100,000</u>
<b>Subtotal</b>	1,105,000
Less: Discounts to net present value	<u>(46,780)</u>
<b>Net Pledges Receivable</b>	<u><b>\$1,058,220</b></u>

#### NOTE 7 - OPERATING LEASE COMMITMENTS

In June 2017, the Organization amended its existing lease to extend the lease term to July 31, 2024, and relocate the office within the building. Additionally, in December 2015, the Organization entered into a 60 month lease for copier equipment. These leases are being accounted for as operating leases. Rent expense, exclusive of the copier lease and other operating expenses, was \$13,988 and \$72,828 for the years ended December 31, 2017 and 2016, respectively.

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

For the Years Ending December 31,	Amount
2018	\$112,147
2019	114,555
2020	116,772
2021	116,538
2022	119,113
Thereafter	<u>194,246</u>
<b>Total</b>	<u><b>\$773,371</b></u>

# BETTER GOVERNMENT ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Additionally, the office lease has escalating rental payments over the lease's term. The Organization is recognizing rent expense on a straight-line basis over the term of the lease in accordance with GAAP. The difference between the straight-line rent expense and actual rental payments is recorded as deferred rent. Deferred rent was \$2,210 and \$69,118 as of December 31, 2017 and 2016, respectively.

#### NOTE 8 - LITIGATION

The Organization is, in the normal course of business, the defendant 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 include an annual luncheon, spring luncheon, and a young professional events. 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, 2017 and 2016 are as follows:

Event	2017			2016		
	Revenues	Expenses	Net	Revenues	Expenses	Net
Annual Luncheon	\$1,707,218	\$160,953	\$1,546,265	\$1,463,246	\$165,813	\$1,297,433
Spring Luncheon	64,824	60,894	3,930	82,460	61,315	21,145
Young Professionals	29,262	19,512	9,750	7,000	175	6,825
Other small events	<u>2,500</u>	<u>--</u>	<u>2,500</u>	<u>20,210</u>	<u>14,693</u>	<u>5,517</u>
<b>Total</b>	<u>\$1,803,804</u>	<u>\$241,359</u>	<u>\$1,562,445</u>	<u>\$1,572,916</u>	<u>\$241,996</u>	<u>\$1,330,920</u>

# **BETTER GOVERNMENT ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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#### **NOTE 10 - RELATED PARTY TRANSACTIONS**

Various members of the Board of Directors are affiliated with local law firms that provide pro bono legal services. The Organization recognizes services received as contributions in-kind. Contributions in-kind relating to these services totaled \$0 and \$79,947 for the years ended December 31, 2017 and 2016, respectively.

Additionally, 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 \$711,350 and \$862,574 for the years ended December 31, 2017 and 2016, respectively.

#### **NOTE 11 - 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 \$35,083 and \$25,410 for the years ended December 31, 2017 and 2016, respectively, and is included in benefits.