

FINANCIAL STATEMENTS

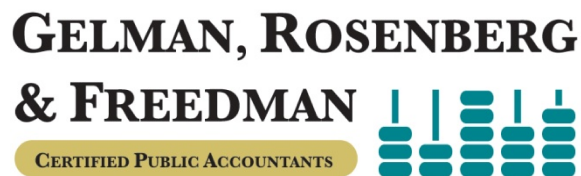


**FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012**

PUBLIC CAMPAIGN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Campaign
Washington, D.C.

We have audited the accompanying financial statements of Public Campaign, which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and change in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Public Campaign as of December 31, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited Public Campaign's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

August 19, 2014

PUBLIC CAMPAIGN
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 698,578	\$ 570,800
Investments (Note 7)	2,567	-
Contributions receivable	2,500	23,005
Grants receivable	175,000	282,000
Due from Public Campaign Action Fund (Note 5)	<u>65,419</u>	<u>72,023</u>
Total current assets	<u>944,064</u>	<u>947,828</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment	20,836	20,836
Less: Accumulated depreciation	<u>(20,836)</u>	<u>(20,836)</u>
Net furniture and equipment	<u>-</u>	<u>-</u>
OTHER ASSETS		
Deposit	<u>3,000</u>	<u>3,000</u>
TOTAL ASSETS	<u>\$ 947,064</u>	<u>\$ 950,828</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>66,313</u>	\$ <u>118,535</u>
NET ASSETS		
Unrestricted	398,366	354,293
Temporarily restricted (Note 2)	<u>482,385</u>	<u>478,000</u>
Total net assets	<u>880,751</u>	<u>832,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 947,064</u>	<u>\$ 950,828</u>

PUBLIC CAMPAIGN

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	\$ 403,000	\$ 729,000	\$ 1,132,000	\$ 1,436,850
Contributions	852,399	-	852,399	733,294
Interest/dividend income	389	-	389	900
Net assets released from donor restrictions (Note 3)	<u>724,615</u>	<u>(724,615)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,980,403</u>	<u>4,385</u>	<u>1,984,788</u>	<u>2,171,044</u>
EXPENSES				
Program Services	1,490,832	-	1,490,832	1,525,873
General and Administrative	246,813	-	246,813	107,742
Fundraising	<u>198,685</u>	<u>-</u>	<u>198,685</u>	<u>163,206</u>
Total expenses	<u>1,936,330</u>	<u>-</u>	<u>1,936,330</u>	<u>1,796,821</u>
Change in net assets	44,073	4,385	48,458	374,223
Net assets at beginning of year	<u>354,293</u>	<u>478,000</u>	<u>832,293</u>	<u>458,070</u>
NET ASSETS AT END OF YEAR	<u>\$ 398,366</u>	<u>\$ 482,385</u>	<u>\$ 880,751</u>	<u>\$ 832,293</u>

PUBLIC CAMPAIGN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013			2012	
	Program Services	Supporting Services		Total Expenses	Total Expenses
		General and Administrative	Fundraising		
Salaries, payroll taxes and fringe benefits (Notes 5 and 6)	\$ 984,596	\$ 155,997	\$ 133,793	\$ 1,274,386	\$ 1,093,257
Mail outreach	17,190	-	42,885	60,075	43,684
Legal fees	5,094	27,282	-	32,376	5,425
Professional fees	-	50,502	-	50,502	44,438
Consultants	65,033	-	500	65,533	61,918
Training program	17,002	-	-	17,002	-
Lobbying expenses	1,661	-	-	1,661	638
Advertising	-	-	-	-	44,000
Office expenses	24,211	4,343	2,612	31,166	38,533
Information technology	55,832	2,646	7,989	66,467	74,874
Occupancy (Note 4)	59,734	3,500	5,206	68,440	74,559
Depreciation	-	-	-	-	2,715
Travel	53,353	885	4,112	58,350	62,599
Conferences and meetings	22,209	670	-	22,879	21,145
Insurance	3,898	205	-	4,103	4,798
Subscriptions and publications	2,470	-	1,235	3,705	6,625
Polling	-	-	-	-	104,472
State support	34,200	-	-	34,200	43,141
National and state grants	143,500	-	-	143,500	70,000
Other	849	783	353	1,985	-
TOTAL	\$ 1,490,832	\$ 246,813	\$ 198,685	\$ 1,936,330	\$ 1,796,821

PUBLIC CAMPAIGN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 48,458	\$ 374,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	2,715
Donated stock	(2,567)	-
(Increase) decrease in:		
Contributions receivable	20,505	69,255
Grants receivable	107,000	(282,000)
Due from Public Campaign Action Fund	6,604	(42,851)
Prepaid expenses	-	13,181
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(52,222)</u>	<u>18,933</u>
Net cash provided by operating activities	<u>127,778</u>	<u>153,456</u>
Net increase in cash and cash equivalents	127,778	153,456
Cash and cash equivalents at beginning of year	<u>570,800</u>	<u>417,344</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 698,578</u>	<u>\$ 570,800</u>

PUBLIC CAMPAIGN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Public Campaign is a non-profit corporation incorporated on November 18, 1996 in the District of Columbia. Its primary purpose is to educate the general public and policy makers in the United States of America regarding the consequences of the current system of campaign finance and the merits of comprehensive reform.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Public Campaign's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Cash and cash equivalents -

Public Campaign considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Public Campaign maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Grants and contributions receivable -

Grants and contributions receivable consist of pledges and contributions expected to be received within one year, and are recorded at their fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Furniture and equipment -

Furniture and equipment costing \$3,500 and above are capitalized and stated at cost in the accompanying financial statements. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five years. The costs of maintenance and repairs and furniture and equipment valued less than \$3,500 are recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2013 was zero.

PUBLIC CAMPAIGN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Income taxes -

Public Campaign is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Public Campaign is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2013, Public Campaign has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Public Campaign.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Public Campaign and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contributed stock -

Contributed stock is recorded at fair market value as of the date of the gift.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

PUBLIC CAMPAIGN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(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 Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

Public Campaign invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

Public Campaign adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Public Campaign accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013:

Time restriction	\$ 432,000
Special projects	<u>50,385</u>
	<u>\$ 482,385</u>

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Passage of time	\$ 672,000
Special projects	<u>52,615</u>
	<u>\$ 724,615</u>

PUBLIC CAMPAIGN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

4. LEASE COMMITMENT

On December 1, 2009, Public Campaign entered into a sublease agreement that was extended, with a termination date of December 14, 2013. Public Campaign is in the process of extending the lease for an additional two years.

Rent expense for the year ended December 31, 2013 totaled \$68,440.

5. MANAGEMENT AGREEMENT

Public Campaign shares its office space and administrative personnel with the Public Campaign Action Fund. Costs are allocated between the two organizations based on actual expenditures and a percentage of salaries. As of December 31, 2013, the Public Campaign Action Fund owed Public Campaign \$65,419.

6. RETIREMENT PLAN

Public Campaign has a 403(b) tax deferred annuity plan. The plan covers all employees who meet certain age and employment requirements. Retirement expense for 2013 totaled \$31,653.

7. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Public Campaign has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Public Campaign has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.

PUBLIC CAMPAIGN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, Public Campaign's investments as of December 31, 2013:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2013</u>
Equities	\$ <u>2,567</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,567</u>

8. SUBSEQUENT EVENTS

In preparing these financial statements, Public Campaign has evaluated events and transactions for potential recognition or disclosure through August 19, 2014, the date the financial statements were issued.