

**FINANCIAL STATEMENTS**

**PUBLIC CAMPAIGN**

**FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2007**

## PUBLIC CAMPAIGN

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Public Campaign as of December 31, 2008, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Public Campaign's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Public Campaign's 2007 financial statements and, in our report dated June 17, 2008, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

December 8, 2009

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**PUBLIC CAMPAIGN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2008**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

**ASSETS**

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 446,043	\$ 832,549
Accounts receivable	14,075	-
Grants receivable	150,000	215,000
Due from Public Campaign Action Fund (Note 5)	43,733	31,540
Prepaid expenses	<u>4,559</u>	<u>-</u>
Total current assets	<u>658,410</u>	<u>1,079,089</u>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	38,183	48,055
Less: Accumulated depreciation	<u>(22,504)</u>	<u>(43,428)</u>
Net furniture and equipment	<u>15,679</u>	<u>4,627</u>
<b>OTHER ASSETS</b>		
Grants receivable, net of current portion	<u>25,000</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 699,089</u></b>	<b><u>\$ 1,083,716</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses (Note 7)	\$ 79,197	\$ -
Grants payable	52,500	-
Accrued vacation	<u>48,300</u>	<u>45,614</u>
Total current liabilities	<u>179,997</u>	<u>45,614</u>
<b>NET ASSETS</b>		
Unrestricted	56,092	329,352
Temporarily restricted (Note 2)	<u>463,000</u>	<u>708,750</u>
Total net assets	<u>519,092</u>	<u>1,038,102</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 699,089</u></b>	<b><u>\$ 1,083,716</u></b>

See accompanying notes to financial statements.

## PUBLIC CAMPAIGN

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	<u>2008</u>			<u>2007</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Foundation grants	\$ 210,000	\$ 692,500	\$ 902,500	\$ 918,820
Contributions	489,012	-	489,012	465,519
Program services revenue	102,000	-	102,000	-
Management fees (Note 5)	82,960	-	82,960	142,923
Interest/dividend income	13,293	-	13,293	20,717
Conference	-	-	-	1,000
Mass Voters for Fair Elections	-	-	-	97
Miscellaneous income	17,774	-	17,774	5,010
Net assets released from donor restrictions (Note 3)	<u>938,250</u>	<u>(938,250)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,853,289</u>	<u>(245,750)</u>	<u>1,607,539</u>	<u>1,554,086</u>
<b>EXPENSES</b>				
Program Services	1,554,256	-	1,554,256	1,312,125
General and Administrative	278,281	-	278,281	331,948
Fundraising	<u>294,012</u>	<u>-</u>	<u>294,012</u>	<u>166,800</u>
Total expenses	<u>2,126,549</u>	<u>-</u>	<u>2,126,549</u>	<u>1,810,873</u>
Change in net assets	(273,260)	(245,750)	(519,010)	(256,787)
Net assets at beginning of year	<u>329,352</u>	<u>708,750</u>	<u>1,038,102</u>	<u>1,294,889</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 56,092</u></b>	<b><u>\$ 463,000</u></b>	<b><u>\$ 519,092</u></b>	<b><u>\$ 1,038,102</u></b>

See accompanying notes to financial statements.

## PUBLIC CAMPAIGN

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	2008			2007	
	Program Services	Supporting Services		Total Expenses	Total Expenses
		General and Administrative	Fundraising		
Salaries	\$ 590,932	\$ 201,423	\$ 155,246	\$ 947,601	\$ 970,388
Payroll taxes and employee benefits (Notes 6 and 7)	93,127	28,283	23,782	145,192	121,124
Consultants	14,026	-	15,000	29,026	71,151
Professional fees	7,524	18,732	-	26,256	17,911
Conferences	30,422	-	-	30,422	24,583
Miscellaneous	2,389	-	-	2,389	4,416
Travel	45,503	-	524	46,027	98,991
Printing and publications	711	216	182	1,109	307
Rent (Note 4)	44,684	13,572	11,414	69,670	64,144
Depreciation	2,907	882	743	4,532	1,962
Repairs and maintenance	13,829	4,200	3,532	21,561	23,441
Telephone	14,826	4,503	3,786	23,115	30,531
Direct mail	-	-	70,725	70,725	56,813
Office supplies	8,511	2,585	2,174	13,270	8,046
Postage and shipping	6,028	1,831	1,540	9,399	9,589
Overhead expenses	-	-	-	-	8,587
Bank fees	-	-	3,638	3,638	4,084
Insurance	5,068	1,539	1,294	7,901	5,686
State grants	109,075	-	-	109,075	33,616
Subscriptions	15,640	-	-	15,640	28,704
Internet/email	85,154	515	432	86,101	83,927
National grants	455,900	-	-	455,900	142,872
Polling	8,000	-	-	8,000	-
<b>TOTAL</b>	<b>\$ 1,554,256</b>	<b>\$ 278,281</b>	<b>\$ 294,012</b>	<b>\$ 2,126,549</b>	<b>\$ 1,810,873</b>

See accompanying notes to financial statements.

**PUBLIC CAMPAIGN**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (519,010)	\$ (256,787)
Adjustments to reconcile change in net assets to net cash provided (used) operating activities:		
Depreciation	4,532	1,962
(Increase) decrease in:		
Accounts receivable	(14,075)	-
Pledges receivable	-	50,000
Grants receivable	40,000	391,480
Due from Public Campaign Action Fund	(12,193)	(31,540)
Prepaid expenses	(4,559)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	79,197	(20,000)
Grants payable	52,500	-
Accrued vacation	<u>2,686</u>	<u>(14,582)</u>
Net cash provided (used) by operating activities	<u>(370,922)</u>	<u>120,533</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>(15,584)</u>	<u>-</u>
Net cash used by investing activities	<u>(15,584)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(386,506)	120,533
Cash and cash equivalents at beginning of year	<u>832,549</u>	<u>712,016</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 446,043</u></b>	<b><u>\$ 832,549</u></b>

See accompanying notes to financial statements.

**PUBLIC CAMPAIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Public Campaign is a non-profit corporation that educates the general public and policy makers 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 Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

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, 2007, 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.

At times during the year, Public Campaign maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Accounts receivable -

Accounts receivable are stated at their net realizable 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 \$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 cost of maintenance and repairs and furniture and equipment costing less than \$500 are recorded as expenses are incurred.

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.

## PUBLIC CAMPAIGN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

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

##### Uncertain tax positions -

In June 2006, the FASB released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As defined by the guidance in FSP FIN 48-3, Public Campaign is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, Public Campaign has not implemented those provisions in the 2008 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, Public Campaign continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, Public Campaign has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

##### 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 and include both internally designated and undesignated resources.
- **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.

##### Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants 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. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

## PUBLIC CAMPAIGN

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

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

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

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.

Joint costs -

Public Campaign incurred joint costs of \$70,725 for the year ended December 31, 2008. These costs have been allocated to fundraising in the accompanying Statement of Functional Expenses.

#### 2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2008:

Seize the Moment Coalition	\$ 198,000
Time Restriction	<u>265,000</u>
	<b><u>\$ 463,000</u></b>

#### 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:

Seize the Moment Coalition	\$ 197,357
Time Restriction	<u>740,893</u>
	<b><u>\$ 938,250</u></b>

#### 4. LEASE COMMITMENT

Public Campaign has an operating lease for office space which expires on December 31, 2009. On December 1, 2009, Public Campaign entered into a two-year sublease agreement expiring on December 14, 2011.

**PUBLIC CAMPAIGN**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**4. LEASE COMMITMENT (Continued)**

The future minimum rental payments are as follows:

2009	\$ 69,220
2010	36,000
2011	<u>39,600</u>
	<u>\$ 144,820</u>

Rent expense for the year ended December 31, 2008 was \$69,670.

**5. RELATED PARTY**

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 or a percentage of salaries. As of December 31, 2008, the Public Campaign Action Fund owed Public Campaign \$43,733. During the year ended December 31, 2008, Public Campaign was reimbursed \$79,007 by the Public Campaign Action Fund for the shared costs.

**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 2008 was \$40,929.

**7. SABBATICAL LEAVE**

Effective January 1, 2002, all full-time employees, or employees who work part-time for a minimum of 20 hours per week, who have completed five years of consecutive employment, are eligible for a 30 consecutive days sabbatical leave of absence at full salary. Employees must take their sabbatical leave within 18 months of earning it. The conditions for sabbatical leave include employees' commitment to remain in employment with Public Campaign for a period of one calendar year beginning the first day of their return from leave. For the year ended December 31, 2008, sabbatical leave payable of \$13,217 is included in the accompanying Statement of Financial Position.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, Public Campaign has evaluated events and transactions for potential recognition or disclosure through December 8, 2009, the date the financial statements were issued.