

CENTER FOR EFFECTIVE GOVERNMENT

AUDITED FINANCIAL STATEMENTS

June 30, 2013

**CENTER FOR EFFECTIVE GOVERNMENT
AUDITED FINANCIAL STATEMENTS
June 30, 2013**

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Board of Directors
Center for Effective Government
Washington, DC

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Center for Effective Government (the Organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities 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 of 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 the Organization as of June 30, 2013, and the changes 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 30, 2013. In our opinion, the summarized comparative information presented herein as and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Drolet + Associates, P.A.C.

Washington, DC
February 6, 2014

CENTER FOR EFFECTIVE GOVERNMENT
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With Summarized Financial Information for June 30, 2012)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,450	\$ 246,811
Accounts receivable	6,661	5,473
Grants and contributions receivable	340,000	540,000
Prepaid expenses	-0-	18,161
TOTAL CURRENT ASSETS	358,111	810,445
PROPERTY AND EQUIPMENT, net	33,835	29,849
GRANTS AND CONTRIBUTIONS RECEIVABLE, less current portion	-0-	40,000
CERTIFICATES OF DEPOSIT	-0-	452,323
INVESTMENTS	1,219,664	1,175,861
TOTAL ASSETS	\$ 1,611,610	\$ 2,508,478
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,918	\$ 19,119
Accrued expenses	35,579	30,481
TOTAL CURRENT LIABILITIES	53,497	49,600
NET ASSETS		
Unrestricted	1,112,647	1,878,878
Temporarily restricted	445,466	580,000
TOTAL NET ASSETS	1,558,113	2,458,878
TOTAL LIABILITIES AND NET ASSETS	\$ 1,611,610	\$ 2,508,478

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

**CENTER FOR EFFECTIVE GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)**

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
REVENUES				
Grants and contributions	\$ 319,387	\$ 820,000	\$ 1,139,387	\$ 2,321,265
Donated services, equipment and facilities	13,895		13,895	28,217
Professional fees	10,344		10,344	106,888
Reimbursements	77,214		77,214	79,351
Publications	1,015		1,015	2,548
Investment income (loss)	73,742		73,742	(12,190)
Net assets released from restrictions	954,534	(954,534)	-0-	-0-
TOTAL REVENUES	1,450,131	(134,534)	1,315,597	2,526,079
EXPENSES				
Program expenses:				
Revenue & Spending Policy	436,892		436,892	377,601
Citizen Health & Safety	585,675		585,675	476,594
Open, Accountable Government	511,136		511,136	569,189
Nonprofit Speech Rights	367,160		367,160	319,465
Total program expenses	1,900,863	-0-	1,900,863	1,742,849
Supporting services:				
Grant development	186,100		186,100	261,284
Management and general	129,399		129,399	167,423
Total supporting services	315,499	-0-	315,499	428,707
TOTAL EXPENSES	2,216,362	-0-	2,216,362	2,171,556
CHANGE IN NET ASSETS	(766,231)	(134,534)	(900,765)	354,523
NET ASSETS, BEGINNING OF YEAR	1,878,878	580,000	2,458,878	2,104,355
NET ASSETS, END OF YEAR	\$ 1,112,647	\$ 445,466	\$ 1,558,113	\$ 2,458,878

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

CENTER FOR EFFECTIVE GOVERNMENT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ (900,765)	\$ 354,523
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	11,783	12,085
(Gain) loss on investments	(44,229)	41,415
(Increase) decrease in accounts receivable	(1,188)	28,777
Decrease (increase) in grants and contributions receivable	240,000	(267,500)
Decrease in prepaid expenses	18,161	63,428
(Decrease) increase in accounts payable	(1,201)	7,247
Increase (decrease) in accrued expenses	5,098	(5,916)
Decrease in deferred revenue	-0-	(37,500)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(672,341)	196,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(15,769)	(13,802)
Proceeds from sales of investments and certificates of deposit	452,749	279,655
Purchases of investments and certificates of deposit	-0-	(330,023)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	436,980	(64,170)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(235,361)	132,389
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	246,811	114,422
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,450	\$ 246,811

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

CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Center for Effective Government (the Organization), is a non-profit organization incorporated in July 1983 in the District of Columbia under the name The Focus Project, Inc. The Focus Project, Inc. operated under the name of OMB Watch. In January 2013, the Organization was renamed the Center for Effective Government.

The Organization's purpose is to improve access to governmental decision makers and energize citizen participation in order to lead to a more equitable and accountable government which will ultimately strengthen our civil society. The Organization receives a majority of its support from grants and contributions.

The major programs of the Organization are as follows:

Revenue & Spending Policy – An effective government invests in its people, advances opportunities for shared prosperity, and raises the revenues needed to support the public structures that support inclusive economic growth. The Organization advocates for responsible revenue-raising options, more transparency in and oversight of federal spending, and long-term investments in public infrastructure and services.

Citizen Health & Safety – At its most basic, effective government protects the health, safety, and prosperity of its populace. The Organization advocates for commonsense standards and safeguards, revised to conform to the most up-to-date scientific evidence, adopted in a timely manner, and broadly and effectively enforced – to ensure the quality of our air and water and the safety of food, drugs, consumer products, and workers.

Open, Accountable Government – In a democracy, citizens have a right to know what their government does, how decisions are made, and how to make their voices heard. The Organization advocates for proactive government disclosure of timely, useful information that empowers citizen action and helps individuals and organizations effect positive change in their communities.

Nonprofit Speech Rights – The Organization promotes free speech rights and encourages policy involvement by domestic and international nonprofit organizations.

**Basis of
Presentation**

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Tax Status	The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation within the meaning of Section 509(a) of the Code. However, the Organization is subject to tax on net income received from activities unrelated to its exempt purpose.
Cash and Cash Equivalents	The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents, excluding amounts held as investments or certificates of deposit.
Accounts Receivable	Accounts receivable is comprised of amounts due for professional fees and services. Accounts receivable are charged to bad debt expense as they are deemed uncollectible. As of June 30, 2013, management believes all accounts receivable are collectible. Therefore, no reserve for bad debt expense has been recorded.
Investments	Investments are recorded at fair market value. The valuation of marketable securities is based upon quotations obtained from national securities exchanges.
Certificates of Deposit	Certificates of deposit are issued by banks and are stated at cost plus accrued interest, which approximates market value.
Property and Equipment	Acquisitions of property and equipment equal to or in excess of \$500 and with a useful life of more than one year are capitalized. Furniture, equipment and leasehold improvements are recorded at cost, if purchased, or at fair market value at date of donation, if contributed. Depreciation of furniture and equipment is provided on the straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or useful life of the asset.
Grants and Contributions	Grants and contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor 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.

CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

**Grants and
Contributions
Receivable**

Management believes all grants receivable are fully collectible and no reserve for bad debt expense has been recorded.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

**Accounting for
Uncertain Tax
Positions**

The Organization requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Allocation of
Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain 2012 amounts have been reclassified for comparative purposes.

**Prior Year
Information**

The financial statements include certain prior year summarized comparative totals as of and for the year ended June 30, 2012. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2012, from which the summarized information was derived.

CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE B - PENSION PLAN

The Organization has a tax deferred annuity plan (the Plan) that is qualified under the Internal Revenue Code Section 403(b). Substantially all full-time employees are eligible to participate once they have met length of service requirements. The Organization contributes a percentage of each participant's salary directly to the Plan. Contributions are made on a graduated scale based on length of service. For the year ended June 30, 2013, employer contributions to the Plan totaled approximately \$50,200. Participants may make elective deferrals.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2013 consisted of the following:

Description	Amount
Furniture and equipment	\$ 123,212
Leasehold improvements	17,780
Total property and equipment	140,992
Less accumulated depreciation and amortization	(107,157)
Property and equipment, net	\$ 33,835

NOTE D - FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities).

**CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013**

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The following presents investments carried at fair value as of June 30, 2013:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 167,225			\$ 167,225
Equity mutual funds	704,984			704,984
Fixed income mutual funds	347,455			347,455
Total	\$ 1,219,664	\$ -0-	\$ -0-	\$ 1,219,664

NOTE E - INVESTMENTS

The Organization invests in professionally managed portfolios that contain money market and equity and fixed income mutual funds. All of the Organization's investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investment income for the year ended June 30, 2013 is comprised of the following:

Description	Amount
Interest income	\$ 286
Dividend income	29,227
Gain on investments	44,229
Total investment income	\$ 73,742

NOTE F - CONCENTRATIONS

The Organization maintains cash balances at several financial institutions in the Washington, DC metropolitan area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Organization's cash balances exceeded the FDIC insurance limits. Management believes the risk in these situations to be minimal.

For the year ended June 30, 2013, three contributors comprised 68% of grants and contributions revenue. As of June 30, 2013, 88% of grants and contributions receivable was due from one donor.

NOTE G- BOARD DESIGNATED NET ASSETS

The Board of Directors has designated net assets of \$1,112,647 as a reserve fund.

**CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013**

NOTE H - DONATED SERVICES

The fair value of donated services, equipment and facilities included as contributions in the financial statements and included in the program expenses for Open, Accountable Government for the year ended June 30, 2013, are as follows:

Description	Amount
Technical assistance	\$ 12,500
Conference & meetings	1,395
Total	\$ 13,895

NOTE I – OPERATING LEASE

The Organization leases its main office space under a three-year extension of a lease. The current extension expires August 31, 2016. The Organization subleases portions of its main office space.

Future minimum lease payments under the lease as of June 30, 2013 are as follows:

<i>For the year ended June 30,</i>	Amount
2014	\$ 209,254
2015	197,589
2016	199,994
2017	33,442
Total future minimum lease payments	\$ 640,279

Rent expense for the year ended June 30, 2013 was approximately \$203,600, not including sublease income of approximately \$65,500.

NOTE J - COMMITMENTS

The Organization has an employment agreement with its Executive Director with a term from July 1, 2011 to June 30, 2014. The agreement can be renewed thereafter for successive one - year terms upon the mutual consent of the parties. In the event the agreement is terminated without cause by the Organization, the Organization will pay five months of severance to the Executive Director at the base salary rate in effect at the time of termination.

The Organization has licensed software under an agreement which ends July 31, 2016 for a total commitment of approximately \$105,000.

**CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013**

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2013, the Organization's temporarily restricted net assets consisted of the following:

Description	Amount
Nonprofit Speech Rights	\$ 80,466
Revenue & Spending Policy	25,000
Subsequent year's activities	340,000
Total temporarily restricted net assets	\$ 445,466

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the year ended June 30, 2013 as follows:

Description	Amount
Citizen Health & Safety	\$ 100,000
Revenue & Spending Policy	175,000
Open, Accountable Government	55,000
Nonprofit Speech Rights	184,534
Timing - subsequent year's activities	440,000
Net assets released from restrictions	\$ 954,534

NOTE L - RELATED PARTY TRANSACTIONS

During 2012, the Organization entered into an agreement with a nonprofit organization (the Nonprofit) whose president is a member of the Organization's Board of Directors. Under the agreement, the Organization acted as fiscal administrator for grants from foundations for the Nonprofit's activities. During the year ended June 30, 2013, the Organization received \$225,000 from donors and remitted \$221,250 to the Nonprofit. Pursuant to the agreement, the Organization recorded \$3,750 as an administrative fee.

The Organization receives contributions and grants from members of its Board of Directors as well as various organizations with which members of its Board of Directors are affiliated. These contributions and grants totaled approximately \$14,700 for the year ended June 30, 2013.

During the year ended June 30, 2013, the Organization contracted for services with various entities with which certain members of its Board of Directors are affiliated totaling approximately \$11,700.

**CENTER FOR EFFECTIVE GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013**

NOTE M - SUBSEQUENT EVENTS

Subsequent events were evaluated through February 6, 2014, which is the date the financial statements were available to be issued.



Board of Directors
Center for Effective Government
Washington, DC

Independent Auditor's Report on
Supplementary Information

We have audited the financial statements of the Center for Effective Government as of and for the year ended June 30, 2013, and have issued our report thereon dated February 6, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Drolet + Associates, PLLC

Washington, DC
February 6, 2014

**CENTER FOR EFFECTIVE GOVERNMENT
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013**

(With Summarized Financial Information for the Year Ended June 30, 2012)

	Revenue & Spending Policy	Citizen Health & Safety	Open, Accountable Government	Nonprofit Speech Rights	Total Programs	Grant Development	Management and General	2013 Total	2012 Total
Salaries	\$ 253,161	\$ 354,892	\$ 287,996	\$ 235,144	\$ 1,131,193	\$ 109,613	\$ 61,496	\$ 1,302,302	\$ 1,202,651
Employee benefits	27,517	38,571	30,901	18,772	115,761	14,850	8,331	138,942	164,773
Consultants	42,600	28,991	51,389	11,729	134,709	9,423	5,286	149,418	119,243
Accounting, audit, and investment fees	8,523	11,665	9,613	6,007	35,808	4,074	16,316	56,198	54,257
Depreciation and amortization	1,480	2,038	1,652	995	6,165	3,598	2,019	11,782	12,085
Dues				387	387	50		437	3,889
Grants					-0-			-0-	1,000
Insurance	1,965	2,689	2,116	1,247	8,017	2,618	1,469	12,104	8,670
Internet	13,828	19,076	14,942	6,428	54,274	5,318	2,983	62,575	56,445
Legal	51	68	1,075	41	1,235	63	1,351	2,649	3,118
Media	593	878	593	398	2,462	103	58	2,623	5,987
Membership conferences	2,053	9,092	2,265	4,466	17,876	1,033	2,708	21,617	27,282
Miscellaneous	522	732	576	756	2,586	249	233	3,068	10,263
Payroll taxes	19,281	26,528	21,537	17,472	84,818	8,049	4,516	97,383	94,960
Retirement contributions	10,328	14,183	11,501	6,873	42,885	4,118	3,210	50,213	55,520
Technology	881	1,075	13,423	590	15,969	170	247	16,386	34,126
Postage	396	532	447	721	2,096	524	601	3,221	2,604
Printing	1,289	1,765	1,361	1,107	5,522	489	275	6,286	10,266
Rent	41,004	56,230	45,784	33,849	176,867	17,112	9,601	203,580	199,561
Repairs and maintenance	2,181	2,893	2,316	835	8,225	858	481	9,564	5,181
Research					-0-			-0-	26,249
Supplies	1,014	1,458	1,214	1,339	5,025	430	544	5,999	10,766
Telephone	1,324	2,981	1,485	989	6,779	525	295	7,599	7,256
Travel	1,924	2,283	3,605	13,510	21,322	530	6,252	28,104	24,494
Publications and training	4,977	7,055	5,345	3,505	20,882	2,303	1,127	24,312	29,299
Bad debt expense					-0-			-0-	1,611
TOTAL EXPENSES	\$ 436,892	\$ 585,675	\$ 511,136	\$ 367,160	\$ 1,900,863	\$ 186,100	\$ 129,399	\$ 2,216,362	\$ 2,171,556