

# **The Brady Campaign to Prevent Gun Violence and Affiliates**

Consolidated Financial Report  
(Compiled)  
December 31, 2016

## Contents

---

Independent accountant's compilation report	1
---	---

---

Financial statements	
Consolidated balance sheets	2
Consolidated statements of activities	3
Consolidated statements of functional expenses	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6-17

---

Independent accountant's report on supplementary information	18
Consolidating balance sheet	19
Consolidating statement of activities	20

---



RSM US LLP

## Independent Accountant's Compilation Report

Finance Committee  
The Brady Campaign to Prevent Gun Violence

Management is responsible for the accompanying consolidated financial statements of The Brady Campaign to Prevent Gun Violence and Affiliates (Brady), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements) in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The accompanying 2015 financial statements were previously audited by us and we concluded that we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America in our report dated June 27, 2016. We have not performed any procedures in connection with that audit engagement since that date.

*RSM US LLP*

Washington, D.C.  
December 4, 2017

The Brady Campaign to Prevent Gun Violence and Affiliates

Consolidated Balance Sheets  
December 31, 2016 and 2015

	2016 (Compiled)	2015 (Audited)
<b>Assets</b>		
Cash and cash equivalents	\$ 3,396,357	\$ 2,744,409
Accounts receivable, net	167,501	5,592
Promises to give, net	470,767	178,247
Prepaid expenses	195,461	132,196
Investments	1,165,922	1,197,661
Property and equipment, net	1,044,762	1,293,041
	<u>1,044,762</u>	<u>1,293,041</u>
<b>Total assets</b>	<b>\$ 6,440,770</b>	<b>\$ 5,551,146</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 422,251	\$ 500,890
Deferred revenue	137,226	8,632
Deferred rent	1,596,503	1,679,383
Loan payable	598,871	592,829
	<u>598,871</u>	<u>592,829</u>
<b>Total liabilities</b>	<b>2,754,851</b>	<b>2,781,734</b>
Commitments (Note 9)		
Net assets:		
Without donor restrictions:		
Undesignated	1,685,386	1,316,309
Board designated	101,074	101,074
	<u>1,786,460</u>	<u>1,417,383</u>
With donor restrictions	1,899,459	1,352,029
	<u>1,899,459</u>	<u>1,352,029</u>
<b>Total net assets</b>	<b>3,685,919</b>	<b>2,769,412</b>
	<u>3,685,919</u>	<u>2,769,412</u>
<b>Total liabilities and net assets</b>	<b>\$ 6,440,770</b>	<b>\$ 5,551,146</b>
	<u>\$ 6,440,770</u>	<u>\$ 5,551,146</u>

See notes to consolidated financial statements.

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Consolidated Statements of Activities Years Ended December 31, 2016 and 2015

	2016 (Compiled)			2015 (Audited)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions	\$ 7,534,677	\$ 672,534	\$ 8,207,211	\$ 7,456,929	\$ 197,492	\$ 7,654,421
Donated services	8,735,209	-	8,735,209	2,251,062	-	2,251,062
Events	1,155,177	-	1,155,177	1,097,613	-	1,097,613
Investment income	549	11,341	11,890	620	42,482	43,102
Other	172,872	-	172,872	13,097	-	13,097
Net assets released from restriction	136,445	(136,445)	-	72,441	(72,441)	-
<b>Total support and revenue</b>	<b>17,734,929</b>	<b>547,430</b>	<b>18,282,359</b>	<b>10,891,762</b>	<b>167,533</b>	<b>11,059,295</b>
Expenses:						
Program services:						
Public education	1,574,052	-	1,574,052	1,905,250	-	1,905,250
Legal action	9,378,722	-	9,378,722	3,135,925	-	3,135,925
Legislation	1,861,532	-	1,861,532	1,407,919	-	1,407,919
<b>Total program services</b>	<b>12,814,306</b>	<b>-</b>	<b>12,814,306</b>	<b>6,449,094</b>	<b>-</b>	<b>6,449,094</b>
Supporting services:						
Fundraising	2,751,173	-	2,751,173	2,962,011	-	2,962,011
Management and general	1,800,373	-	1,800,373	2,188,248	-	2,188,248
<b>Total supporting services</b>	<b>4,551,546</b>	<b>-</b>	<b>4,551,546</b>	<b>5,150,259</b>	<b>-</b>	<b>5,150,259</b>
<b>Total expenses</b>	<b>17,365,852</b>	<b>-</b>	<b>17,365,852</b>	<b>11,599,353</b>	<b>-</b>	<b>11,599,353</b>
<b>Change in net assets</b>	<b>369,077</b>	<b>547,430</b>	<b>916,507</b>	<b>(707,591)</b>	<b>167,533</b>	<b>(540,058)</b>
Net assets:						
Beginning	1,417,383	1,352,029	2,769,412	2,124,974	1,184,496	3,309,470
Ending	\$ 1,786,460	\$ 1,899,459	\$ 3,685,919	\$ 1,417,383	\$ 1,352,029	\$ 2,769,412

See notes to consolidated financial statements.

The Brady Campaign to Prevent Gun Violence and Affiliates

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)

	Program Services			Total Program	Supporting Services		Total 2016 (Compiled)	Total 2015 (Audited)
	Public Education	Legal Action	Legislation		Fund Raising	Management and General		
Donated services	\$ -	\$ 8,305,809	\$ 420,500	\$ 8,726,309	\$ 5,000	\$ 3,900	\$ 8,735,209	\$ 2,251,062
Salaries and benefits	208,105	775,079	791,812	1,774,996	734,098	489,967	2,999,061	3,722,927
Professional fees	289,646	139,187	386,628	815,461	565,941	155,283	1,536,685	1,040,040
Printing and publications	582,443	2,517	46,967	631,927	442,663	30,491	1,105,081	1,409,943
Occupancy	67,316	51,477	50,698	169,491	95,035	387,418	651,944	654,106
Technology and communications	46,288	-	5,282	51,570	295,500	115,498	462,568	464,589
Postage and shipping	227,904	153	4,382	232,439	162,050	4,051	398,540	504,629
Meetings and conferences	98	3,409	30,163	33,670	192,536	28,792	254,998	392,166
Travel	1,590	38,076	56,520	96,186	48,990	84,259	229,435	222,798
Depreciation	30,868	20,034	20,997	71,899	36,986	155,838	264,723	245,774
Licenses and fees	-	3,503	2,132	5,635	927	159,242	165,804	149,017
Insurance	10,552	8,069	8,222	26,843	14,897	60,465	102,205	92,424
Subscriptions and dues	3,777	17,136	11,450	32,363	8,166	33,892	74,421	79,986
Advertising	34,896	6,069	9,499	50,464	15,713	6,034	72,211	102,436
Grant expense	70,300	-	-	70,300	-	-	70,300	-
List rental	-	-	-	-	68,394	-	68,394	88,652
Equipment repairs	-	281	485	766	45,153	4,781	50,700	49,606
Telephone	251	3,376	7,731	11,358	3,735	26,781	41,874	49,036
Supplies	18	247	2,216	2,481	7,389	20,110	29,980	39,604
Taxes	-	-	948	948	-	21,356	22,304	21,283
Other	-	-	-	-	-	12,215	12,215	5,271
Contributions	-	4,300	4,900	9,200	-	-	9,200	-
Bad debt	-	-	-	-	8,000	-	8,000	14,004
<b>Total expenses</b>	<b>\$ 1,574,052</b>	<b>\$ 9,378,722</b>	<b>\$ 1,861,532</b>	<b>\$ 12,814,306</b>	<b>\$ 2,751,173</b>	<b>\$ 1,800,373</b>	<b>\$ 17,365,852</b>	<b>\$ 11,599,353</b>

See notes to consolidated financial statements.

**The Brady Campaign to Prevent Gun Violence and Affiliates**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	2015
	<b>(Compiled)</b>	(Audited)
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 916,507	\$ (540,058)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	264,723	245,774
Loss on disposal of property and equipment	3,542	-
Unrealized and realized gain on investments	(5,281)	(21,695)
(Decrease) increase in discount on promises to give	(4,959)	2,508
Bad debt expense	8,000	14,004
Deferred rent	(82,880)	79,772
Decrease (increase) in:		
Accounts receivable	(161,909)	136,899
Promises to give	(295,561)	7,582
Prepaid expenses	(63,265)	2,607
Deposits	-	38,931
(Decrease) increase in:		
Accounts payable and accrued expenses	(78,639)	99
Deferred revenue	128,594	(111,494)
<b>Net cash provided by (used in) operating activities</b>	<b>628,872</b>	<b>(145,071)</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(107,977)	(99,910)
Proceeds from sales of investments	144,997	726,144
Purchase of property and equipment	(19,986)	(126,228)
<b>Net cash provided by investing activities</b>	<b>17,034</b>	<b>500,006</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loan payable, net	6,042	592,829
<b>Net cash provided by financing activities</b>	<b>6,042</b>	<b>592,829</b>
<b>Net increase in cash and cash equivalents</b>	<b>651,948</b>	<b>947,764</b>
<b>Cash and cash equivalents:</b>		
Beginning	2,744,409	1,796,645
Ending	\$ 3,396,357	\$ 2,744,409
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 12,042	\$ 4,102

See notes to consolidated financial statements.

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The Brady Campaign to Prevent Gun Violence and Affiliates is comprised of three entities: The Brady Campaign to Prevent Gun Violence (the Campaign), the Brady Center to Prevent Gun Violence (the Center) and the Brady Voter Education Fund (the Voter Education Fund) (collectively, Brady). Brady is a nonprofit organization incorporated on January 9, 1974, in Washington, D.C. The general purpose of Brady is to work for a reduction of gun violence in our society.

Subsequent to year end, Brady changed its reporting year end from December 31 to June 30.

The general purpose of The Brady Campaign and Center to Prevent Gun Violence is to work on campaigns that are changing gun laws, changing the gun industry and changing culture across America to help save lives and end gun violence. The Brady Campaign to Prevent Gun Violence is a tax exempt organization as defined in Sec. 501(c)(4) of the Internal Revenue Code (IRC). The Brady Center to Prevent Gun Violence is a tax exempt organization as defined in Sec. 501(c)(3) of the IRC.

The Brady Voter Education Fund is a separate segregated fund as defined by the IRC in Sec. 527(f)(3) and is exempt from federal income tax except on its earnings from investments. No income tax expense was recorded by the Brady Voter Education Fund for the years ended December 31, 2016 and 2015.

Brady is affiliated with chapters located across the continental United States, which are formed when a group of local advocates desires to raise funds and conduct its mission in accordance with gun violence prevention programming. During the years ended December 31, 2016 and 2015, Brady has entered into formal affiliation agreements with 57 of the chapters. The financial activities of those chapters are consolidated with Brady. Assets and revenues of those chapters totaled less than \$83,000 and \$15,000 for the years ended December 31, 2016 and 2015, respectively.

A summary of Brady's significant accounting policies follows:

**Basis of accounting:** The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby, unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

**Adoption of recent accounting standard:** In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Brady has elected to early adopt this standard in the consolidated financial statements as of and for the year ended December 31, 2016.

**Principles of consolidation:** The consolidated financial statements of Brady are prepared in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations and include the accounts of the Campaign, the Center and the Voter Education Fund. All material intercompany accounts and transactions have been eliminated in consolidation.



## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Basis of presentation:** Brady follows the accounting and reporting practices set forth in the Not-For-Profit Topic of the Accounting Standards Codification (ASC) and ASU No. 2016-14. As such, Brady is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

**Net assets without donor restriction:** Net assets without donor restrictions include unrestricted undesignated, board designated and amount not available to support general operations.

**Undesignated net assets:** Net assets without donor restrictions represent funds that are available for the support of Brady's operations that are not donor restricted.

**Board designated net assets:** The Board may designate net assets without donor restrictions at its discretion. At December 31, 2016 and 2015, the Board has designated net assets of \$101,074 for management pre-approved projects and expenses.

**Net assets with donor restriction:** Net assets with donor restrictions include time and purpose restricted net assets and assets perpetual in nature.

**Time and purpose restricted net assets:** Contributions that are restricted by the donor are reported as increases in donor restricted net assets. When a restriction expires, the donor restricted net assets are reclassified to unrestricted net assets. If the donor imposed restriction expires during the year the contribution is recognized, it may be classified as an increase in unrestricted net assets.

**Perpetual restricted net assets:** Perpetual restricted net assets consist of endowment funds established to support Brady's program services and general operations. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by Brady indefinitely and income from the investments to be used for specified purposes.

**Cash and cash equivalents:** Brady considers all highly liquid investments with maturities of three months or less to be cash and cash equivalents. Brady considers all cash and cash equivalents held in investment accounts to be investments.

**Financial risk:** Brady maintains its cash in bank deposits, which at times may exceed federally insured limits. Brady has not experienced any losses in such accounts. Brady believes it is not exposed to any significant financial risk on cash.

Brady invests in a professionally managed portfolio that contains various securities that are exposed to various risks, such as market, interest 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 could materially affect investment balances and the amounts reported in the consolidated financial statements.

**Investments:** Investments are reflected at fair value, which is based on quoted market rates. To adjust the carrying value of investments, the change in fair market value is charged or credited to current operations.

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Receivables:** Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At December 31, 2016 and 2015, management considered all receivables collectible and determined there was no allowance for doubtful accounts necessary.

**Promises to give:** Unconditional promises to give are recognized as support in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance for doubtful promises to give by regularly evaluating individual promises to give and considering prior history of donors and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received.

**Property and equipment:** Brady capitalizes all property and equipment purchased with a cost of \$1,000 or more. Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

**Valuation of long-lived assets:** Brady requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Brady had no impairments of long-lived assets during the years ended December 31, 2016 and 2015.

**Deferred rent:** Brady has a lease agreement for rental space in Washington, D.C. Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the consolidated balance sheet. In addition, rent abatement was provided, as well as a landlord improvements allowance for leasehold improvements. These benefits are being recognized on a straight-line basis over the life of the lease agreement.

**Support and revenue:** All unconditional donor contributions are reported as an increase in net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of the donor restriction. When a 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 consolidated statements of activities as net assets released from restriction.

Brady receives contributions of services from businesses and other organizations toward the fulfillment of program objectives and general operations. Those services, which are objectively measureable, have been included in both revenue and the related functional expense categories and are recorded as contributions at the fair value at the date of donation.

Events are recognized as revenue in the period in which the events occur. Grants are recognized as revenue in the period that expenses are incurred. Amounts received in advance are recorded as deferred revenue.

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Functional allocation of expenses:** The costs of providing the various programs and other activities of Brady have been summarized in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct costs associated with specific programs are recorded as program expenses. Fringe benefits are pooled and allocated based on salaries. Management and general expenses are unallocated in the consolidated statements of activities.

**Advertising:** Costs are expensed as incurred. Total advertising expenses for the years December 31, 2016 and 2015, were \$72,211 and \$102,436, respectively.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 revenue and expense during a reporting period. Actual results could differ from those estimates.

**Income taxes:** Brady is generally exempt from federal income taxes under Sections 501(c)(4), 501(c)(3) and 527(f)(3) of the U.S. IRC. In addition, the Brady Center to Prevent Gun Violence qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to the exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Brady had no net unrelated business income for the years ended December 31, 2016 and 2015.

Management evaluated Brady's tax position and concluded that Brady has taken no uncertain tax positions that require adjustment to the consolidated financial statements. Generally, Brady is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2013.

**Liquidity considerations:** Brady manages its liquid resources available to meet cash needs for general expenditures within the following three investment tiers outlined in the investment policy and approved by the Finance Committee.

**TIER 1 – Working Capital:** The purpose of this tier is to ensure adequate cash for operations over any given three-month period. On a three-month (quarterly) basis, Management will evaluate the working capital needs based on cash flow, timing of receivables, and expectations of expenses to determine the amount in Tier 1 and report to the Finance Committee. Total working capital at December 31, 2016, was projected to be approximately \$2,684,000, which represents approximately 3.5 months of operating expenses. Total working capital at December 31, 2015, was projected to be approximately \$2,070,000, which represents approximately 2.6 months of operating expenses.

**TIER 2 – Strategic Reserves:** The purpose of this tier is to be available for operations and to provide a higher yield on excess funds. When investing Strategic Reserves, the Finance Committee will emphasize safety (capital preservation), yield and liquidity in that order. The Strategic Reserves annual target will be set by the Board of Trustees and revisited no less than once per year (coinciding with the annual budget approval process). There are no strategic reserves as of and during the years ended December 31, 2016 and 2015.

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**TIER 3 Board Restricted Reserves:** The purpose of this tier is to supplement Tier 2 to be available for operations and to provide a higher yield on excess funds. Tier 2 plus the Cash Equivalents and Fixed Income Securities in Tier 3 should represent from 3 to 6 months of operating expenses (the "Designated Reserve"). Once the Designated Reserve has been met, excess funds can be invested on the direction of the Finance Committee. The Board Restricted Reserve will also include any funds that have a permanent Board or donor restriction. Total Tier 3 reserves at December 31, 2016 and 2015, were approximately \$1,279,000.

**Recent accounting pronouncements:** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Brady has not yet selected a transition method and is currently evaluating the effect that the standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Brady is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

**Subsequent events:** Brady evaluated subsequent events through December 4, 2017, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Promises to Give

Promises to give at their net present value, based on discount rates of 3.5%, consist of the following at December 31, 2016 and 2015:

	2016 (Compiled)	2015 (Audited)
Due in less than one year	\$ 430,275	\$ 60,714
Due in one to five years	50,000	125,000
	480,275	185,714
Less allowance for doubtful accounts	7,000	-
Less present value discount	2,508	7,467
	<u>\$ 470,767</u>	<u>\$ 178,247</u>

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 3. Investments

Investments at December 31, 2016 and 2015, consist of the following:

	2016 (Compiled)	2015 (Audited)
Fixed income	\$ 960,158	\$ 954,878
Cash equivalents	1,097	20,727
Certificates of deposit	204,667	222,056
	<u>\$ 1,165,922</u>	<u>\$ 1,197,661</u>

Investment income for the years ended December 31, 2016 and 2015, consist of the following:

	2016 (Compiled)	2015 (Audited)
Interest and dividends	\$ 6,609	\$ 21,407
Unrealized and realized gain on investments, net	5,281	21,695
	<u>\$ 11,890</u>	<u>\$ 43,102</u>

#### Note 4. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC defines fair values 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 and sets out a 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). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities

**Level 2:** Observable inputs or unobservable inputs that are corroborated by market data

**Level 3:** Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, Brady performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by Brady at December 31, 2016 and 2015. There were no liabilities incurred by Brady subject to fair value measurement at December 31, 2016 and 2015.

Brady recognizes transfers between levels at the end of each year for both transfers in and out of level classification. As of January 1, 2015, the certificates of deposit were not included on the schedule; however, due to a reassessment of liquidity, the certificates of deposit have been changed to Level 2 on the schedules below. These certificates of deposit totaled \$233,403 at January 1, 2015.

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

#### Note 4. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2016 and 2015:

	2016 (Compiled)			
	Level 1	Level 2	Level 3	Total
Fixed income funds:				
Government bonds	\$ -	\$ 954,878	\$ -	\$ 954,878
Certificates of deposit	-	204,667	-	204,667
	<u>\$ -</u>	<u>\$ 1,159,545</u>	<u>\$ -</u>	<u>\$ 1,159,545</u>
	2015 (Audited)			
	Level 1	Level 2	Level 3	Total
Fixed income funds:				
Government bonds	\$ -	\$ 954,878	\$ -	\$ 954,878
Certificates of deposit	-	222,056	-	222,056
	<u>\$ -</u>	<u>\$ 1,176,934</u>	<u>\$ -</u>	<u>\$ 1,176,934</u>

Brady's government bonds and certificates of deposit are priced based on their stated interest rates and quality ratings, which are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.

#### Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2016 and 2015, and depreciation expense for the years then ended, are as follows:

Asset Category	Estimated Useful Lives (in Years)	2016 (Compiled)			
		Cost	Accumulated Depreciation	Net	Depreciation and Amortization
Furniture and fixtures	5-7	\$ 423,815	\$ 210,049	\$ 213,766	\$ 68,085
Leasehold improvements	12	860,751	211,469	649,282	71,728
Website	3	419,248	237,534	181,714	124,910
		<u>\$ 1,703,814</u>	<u>\$ 659,052</u>	<u>\$ 1,044,762</u>	<u>\$ 264,723</u>
Asset Category	Estimated Useful Lives (in Years)	2015 (Audited)			
		Cost	Accumulated Depreciation	Net	Depreciation and Amortization
Furniture and fixtures	5-7	\$ 429,575	\$ 146,628	\$ 282,947	\$ 77,567
Leasehold improvements	12	860,751	139,741	721,010	71,659
Website	3	346,708	112,624	234,084	96,548
		<u>1,637,034</u>	<u>398,993</u>	<u>1,238,041</u>	<u>245,774</u>
Website in progress	N/A	55,000	-	55,000	-
		<u>\$ 1,692,034</u>	<u>\$ 398,993</u>	<u>\$ 1,293,041</u>	<u>\$ 245,774</u>

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

#### Note 6. Loan Payable

During the year ended December 31, 2015, Brady entered into a margin loan arrangement with its investment brokerage firm. The loan is collateralized by Brady's investment portfolio held by Goldman Sachs in the amount of \$960,158 and \$954,878 at December 31, 2016 and 2015, respectively. Draws can be made at any time and are limited to the market value of the securities adjusted by broker's maintenance margins. If the equity in Brady's investment account falls below the maintenance margins, the broker reserves the right to sell securities in the account to cover the deficiency. The interest rate on the loan varies based on the daily London Interbank Offered Rate (LIBOR) plus 100 basis points (1.688% and 1.366% at December 31, 2016 and 2015, respectively). Interest expense totaled \$12,042 and \$4,102 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the loan payable balance was \$598,871 and \$592,829, respectively. There are no specified repayment terms. Subsequent to year end, Goldman Sachs sold investments in the portfolio to repay the margin loan.

#### Note 7. Net Assets with Donor Restrictions

Changes in time and purpose restricted net assets during the year ended December 31, 2016, are as follows:

	December 31, 2015 (Audited)				December 31, 2016 (Compiled)
	Additions	Transferred	Released		
Purpose restricted:					
Pete Shields	\$ 11,281	\$ -	\$ (11,281)	\$ 1,047,766	
California Fund	6,480	-	(4,550)	6,230	
Public Health	-	15,000	-	15,000	
ASK Campaign	-	275,000	(45,554)	229,446	
Matthew Blek	-	60	(60)	-	
	<u>1,054,246</u>	<u>30,641</u>	<u>275,000</u>	<u>1,298,442</u>	
Time restricted	167,533	(275,000)	(75,000)	470,767	
	<u>\$ 1,221,779</u>	<u>\$ 683,875</u>	<u>\$ -</u>	<u>\$ 1,769,209</u>	

Changes in time and purpose restricted net assets during the year ended December 31, 2015, are as follows:

	December 31, 2014 (Audited)				December 31, 2015 (Audited)
	Additions	Transferred	Released		
Purpose restricted:					
Pete Shields	\$ 42,364	\$ -	\$ (42,364)	\$ 1,047,766	
California Fund	6,480	-	-	6,480	
Matthew Blek	-	118	(118)	-	
	<u>1,054,246</u>	<u>42,482</u>	<u>(42,482)</u>	<u>1,054,246</u>	
Time restricted	-	197,492	(29,959)	167,533	
	<u>\$ 1,054,246</u>	<u>\$ 239,974</u>	<u>\$ -</u>	<u>\$ 1,221,779</u>	

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### **Note 7. Net Assets with Donor Restrictions (Continued)**

The Pete Shields Fund was established during 1992. Monies contributed to this fund are temporarily restricted and considered a term endowment. Related income from this fund is to be used for the purpose of reducing handgun violence. The balance in the Pete Shields Fund was \$1,047,766 at December 31, 2016 and 2015. The purpose of the fund is to provide a reserve for use during possible low income periods. No portion of this fund shall be appropriated for expenditure without an affirmative vote of over 75% of Brady's Board of Directors.

Transfers represent cash receipts from outstanding pledge balances.

#### **Note 8. Endowments**

Restricted net assets of \$30,000 were donated from the Caswell J. Caplan Charitable Income Trust during 1990 and 1991 to be held in perpetuity. Related income shall be used for the purpose of reducing handgun violence.

The Matthew Blek Endowment Fund was established during 2006. Monies contributed to this fund are donor restricted. Related income from this fund is to be used for grassroots activists to attend Brady Center training and presentations.

The donor-restricted endowment funds are invested in certificates of deposit and fixed income funds pursuant to Brady's investment and spending objectives of subjecting the fund to low investment risk and providing its programs and operations with current income. Brady's restricted endowment funds are described below:

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Brady considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Brady and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Brady
- The investment policies of Brady

Brady has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets.

All earnings for the endowment are reflected as purpose restricted net assets until appropriated for expenditure by Brady.



## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 8. Endowments (Continued)

The changes in the endowment net assets for the year ended December 31, 2016, are as follows:

	Temporarily Restricted	Permanently Restricted	Total (Compiled)
Endowment net assets, beginning of year	\$ 1,047,766	\$ 130,250	\$ 1,178,016
Investment income	11,341	-	11,341
Amounts appropriated for expenditure	(11,341)	-	(11,341)
Endowment net assets, end of year	<u>\$ 1,047,766</u>	<u>\$ 130,250</u>	<u>\$ 1,178,016</u>

The changes in the endowment net assets for the year ended December 31, 2015, are as follows:

	Temporarily Restricted	Permanently Restricted	Total (Audited)
Endowment net assets, beginning of year	\$ 1,047,766	\$ 130,250	\$ 1,178,016
Investment income	42,482	-	42,482
Amounts appropriated for expenditure	(42,482)	-	(42,482)
Endowment net assets, end of year	<u>\$ 1,047,766</u>	<u>\$ 130,250</u>	<u>\$ 1,178,016</u>

#### Note 9. Leases

Brady has a lease agreement for headquarters office space in Washington, D.C. The 12-year lease commenced on January 1, 2014, and includes a provision for annual rent increases and adjustments for a share in operating costs.

As part of the lease agreement, the landlord provided a 12-month rent abatement for year one of the lease. In addition to the rent abatement, the landlord also agreed to a build-out allowance totaling \$1,062,240 provided that at least 75% of the build-out allowance is used towards hard costs of constructing physical improvements to the space. A letter of credit in the amount of \$102,711 was also established pursuant to the lease. There was no balance outstanding on the letter of credit at December 31, 2016 and 2015.

Commencing on September 1, 2013, Brady entered into a two-year lease for New York office space, and on January 21, 2015, the lease was extended through August 31, 2018, with monthly payments of \$7,043. In April 2016, Brady entered into a sublease agreement for the New York space which expires August 31, 2018, with monthly payments totaling \$6,290 with a 2.75% escalation clause.

Rent expense for the years ended December 31, 2016 and 2015, was \$651,944 and \$654,106, respectively.

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

#### Note 9. Leases (Continued)

Future minimum rental payments, net of sublease payments, under the agreements are as follows:

	Washington, D.C.	New York	New York Sublease	Total
Years ending December 31:				
2017	\$ 663,578	\$ 84,512	\$ (76,870)	\$ 671,220
2018	680,144	56,341	(51,708)	684,777
2019	706,650	-	-	706,650
2020	724,276	-	-	724,276
2021	742,433	-	-	742,433
Thereafter	3,160,178	-	-	3,160,178
	<u>\$ 6,677,259</u>	<u>\$ 140,853</u>	<u>\$ (128,578)</u>	<u>\$ 6,689,534</u>

During the year ended December 31, 2016, because of strategic planning, Brady vacated leased office space located in New York. The lease for the New York office was not terminated, and Brady is still obligated to pay rent through the end of the lease term, which is through August 31, 2018. Brady subleased the New York office space as disclosed above; however, the rental receipts to be collected from the subtenant do not fully cover the rental payments Brady is required to pay.

In accordance with ASC Topic 840-10 Leases, Brady recorded the entire loss (primary obligation less sublease payments), net of present value discount, on the original sublease of \$53,565. The liability on the balance sheet is comprised of the loss as well as the balance of the deferred rent liability at the time the loss was recorded. The remaining balances net of the discount were \$18,876 at December 31, 2016, and included in accounts payable and accrued expenses on the consolidated balance sheets.

The liability will be reduced over the life of the lease as the payments are made to the landlord and are received from the subtenant and as the present value discount is amortized. Brady is considering the accelerated loss to be a non-operating item for the year ended December 31, 2016, as it generally has no material cash flow or working capital impact for the current fiscal year. The cash flow and working capital impact for Brady will be spread over the remaining lease terms as payments are made and received.

#### Note 10. Allocation of Joint Costs

During the years ended December 31, 2016 and 2015, Brady incurred joint costs of \$1,333,880 and \$1,345,295, respectively, for informational materials and activities that included fund raising appeals. These costs were allocated as follows:

	2016 (Compiled)	2015 (Audited)
Public education	\$ 800,328	\$ 807,177
Fundraising	533,552	538,118
	<u>\$ 1,333,880</u>	<u>\$ 1,345,295</u>

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 11. Retirement Plans

**403(b) plan:** Brady has a 403(b) pension plan (the Pension Plan) option for all eligible employees who have met the one year service requirement and have attained the age of 21 years. Employees can make voluntary contributions not to exceed the maximum allowable by the Internal Revenue Service regulations. Brady has the option to match the employees' contribution up to 2% of their compensation for the period, and may also make an additional 2% employer contribution. There were employer contributions totaling \$11,011 during the year ended December 31, 2016. There were no employer contributions during the year ended December 31, 2015.

**401(k) plan:** Brady has a 401(k) profit sharing plan (the PSP) covering all employees with the exception of interns and contract employees. Employees may participate in the PSP after completing one full year and 1,000 hours of service and the employee must be 21 years of age. The PSP provides for discretionary profit sharing and matching contributions up to 2% of compensation. PSP participants vest, for purposes of employer contributions, after five years of service. There were no employer contributions made to the PSP for the years ended December 31, 2016 and 2015.



RSM US LLP

### **Independent Accountant's Report on Supplementary Information**

Finance Committee  
The Brady Campaign to Prevent Gun Violence

We have compiled the consolidated financial statements of The Brady Campaign to Prevent Gun Violence and Affiliates (Brady) as of and for the years ended December 31, 2016, and have issued our report thereon. See Page 1.

The accompanying consolidating information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The information was subject to our compilation engagement. We have not audited or reviewed the information and do not express an opinion, a conclusion, nor provide any assurance on such information.

*RSM US LLP*

Washington, D.C.  
December 4, 2017

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Consolidating Balance Sheet December 31, 2016

	The Brady Campaign to Prevent Gun Violence	The Brady Center to Prevent Gun Violence	The Brady Voter Education Fund	Eliminating Entries	Consolidated Total (Compiled)
<b>Assets</b>					
Cash and cash equivalents	\$ 696,302	\$ 2,698,987	\$ 1,068	\$ -	\$ 3,396,357
Accounts receivable, net	59,911	107,590	-	-	167,501
Promises to give, net	-	470,767	-	-	470,767
Prepaid expenses	149,204	46,257	-	-	195,461
Due from related party	4,490	-	-	(4,490)	-
Investments	439,472	726,450	-	-	1,165,922
Property and equipment, net	821,870	222,892	-	-	1,044,762
<b>Total assets</b>	<b>\$ 2,171,249</b>	<b>\$ 4,272,943</b>	<b>\$ 1,068</b>	<b>\$ (4,490)</b>	<b>\$ 6,440,770</b>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 163,380	\$ 258,871	\$ -	\$ -	\$ 422,251
Due to related party	-	1,240	3,250	(4,490)	-
Deferred revenue	-	137,226	-	-	137,226
Deferred rent	1,596,503	-	-	-	1,596,503
Loan payable	136,274	462,597	-	-	598,871
<b>Total liabilities</b>	<b>1,896,157</b>	<b>859,934</b>	<b>3,250</b>	<b>(4,490)</b>	<b>2,754,851</b>
Net assets (deficit):					
Without donor restrictions:					
Undesignated	268,862	1,418,706	(2,182)	-	1,685,386
Board designated	-	101,074	-	-	101,074
	268,862	1,519,780	(2,182)	-	1,786,460
With donor restrictions	6,230	1,893,229	-	-	1,899,459
<b>Total net assets</b>	<b>275,092</b>	<b>3,413,009</b>	<b>(2,182)</b>	<b>-</b>	<b>3,685,919</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,171,249</b>	<b>\$ 4,272,943</b>	<b>\$ 1,068</b>	<b>\$ (4,490)</b>	<b>\$ 6,440,770</b>

## The Brady Campaign to Prevent Gun Violence and Affiliates

### Consolidating Statement of Activities Year Ended December 31, 2016

	The Brady Campaign to Prevent Gun Violence	The Brady Center to Prevent Gun Violence	The Brady Voter Education Fund	Eliminating Entries	Consolidated Total (Compiled)
Support and revenue:					
Contributions	\$ 2,874,190	\$ 5,333,021	\$ -	\$ -	\$ 8,207,211
Donated services	420,500	8,314,709	-	-	8,735,209
Events	-	1,155,177	-	-	1,155,177
Investment income	4,488	7,402	-	-	11,890
Other	49,389	123,483	-	-	172,872
<b>Total support and revenue</b>	<b>3,348,567</b>	<b>14,933,792</b>	<b>-</b>	<b>-</b>	<b>18,282,359</b>
Expenses:					
Program services:					
Public education	828,822	745,230	-	-	1,574,052
Legal action	59,131	9,319,591	-	-	9,378,722
Legislation	1,427,308	434,224	-	-	1,861,532
<b>Total program services</b>	<b>2,315,261</b>	<b>10,499,045</b>	<b>-</b>	<b>-</b>	<b>12,814,306</b>
Supporting services:					
Fundraising	1,163,641	1,587,532	-	-	2,751,173
Management and general	740,893	1,059,276	204	-	1,800,373
<b>Total supporting services</b>	<b>1,904,534</b>	<b>2,646,808</b>	<b>204</b>	<b>-</b>	<b>4,551,546</b>
<b>Total expenses</b>	<b>4,219,795</b>	<b>13,145,853</b>	<b>204</b>	<b>-</b>	<b>17,365,852</b>
<b>Change in net assets</b>	<b>(871,228)</b>	<b>1,787,939</b>	<b>(204)</b>	<b>-</b>	<b>916,507</b>
Net assets:					
Beginning	1,146,320	1,625,070	(1,978)	-	2,769,412
Ending	\$ 275,092	\$ 3,413,009	\$ (2,182)	\$ -	\$ 3,685,919