

Audited Financial Statements

Citizens Union of the City of New York

December 31, 2018 and 2017

**CITIZENS UNION OF THE CITY OF NEW YORK
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Citizens Union of the City of New York

We have audited the accompanying financial statements of Citizens Union of the City of New York (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Citizens Union of the City of New York as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maier Maier & Justice LLP

White Plains, New York
October 7, 2019

CITIZENS UNION OF THE CITY OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 58,159	\$ 55,727
Cash - investments	91,463	91,413
Contributions receivable, less allowance for doubtful accounts of \$0 in 2018 and \$22,325 in 2017	675	16,240
Prepaid expenses	2,313	2,287
Property and equipment - net	6,437	6,437
Total assets	<u>\$ 159,047</u>	<u>\$ 172,104</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 12,664	\$ 21,957
Due to related party	813	18
Total liabilities	<u>13,477</u>	<u>21,975</u>
Net Assets		
Without donor restrictions		
Undesignated	145,570	58,716
Designated by the Board for operating reserve	-	91,413
Total net assets	<u>145,570</u>	<u>150,129</u>
Total liabilities and net assets	<u>\$ 159,047</u>	<u>\$ 172,104</u>

See notes to financial statements

CITIZENS UNION OF THE CITY OF NEW YORK
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Event income, net (Note 8)	\$ 173,751	\$ 251,604
Contributions	44,780	50,980
Membership support	11,373	21,897
Investment income, net	99	6,965
Total revenues and support without donor restrictions	<u>230,003</u>	<u>331,446</u>
EXPENSES		
Program	152,741	301,282
Management and general	38,071	34,433
Fundraising	43,750	66,699
Total expenses without donor restrictions	<u>234,562</u>	<u>402,414</u>
In-kind revenue (Note 2)	251,398	267,634
In-kind expense (Note 2)	<u>(251,398)</u>	<u>(267,634)</u>
Changes in net assets without donor restrictions	(4,559)	(70,968)
Net assets, beginning of year	<u>150,129</u>	<u>221,097</u>
Net assets, end of year	<u>\$ 145,570</u>	<u>\$ 150,129</u>

See notes to financial statements

CITIZENS UNION OF THE CITY OF NEW YORK
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, taxes and benefits	\$ 103,635	\$ 12,227	\$ 19,965	\$ 135,827	\$ 146,789	\$ 20,732	\$ 29,049	\$ 196,570
Program/events	1,220	234	-	1,454	1,436	264	-	1,700
Rent and related expenses	22,364	2,634	4,389	29,387	32,165	4,746	6,472	43,383
Professional fees	4,516	6,043	14,641	25,200	73,965	6,686	23,411	104,062
Printing and mailing	8,543	149	-	8,692	12,339	295	582	13,216
Office expense	4,352	3,820	2,392	10,564	21,356	875	2,492	24,723
Postage	1,427	22	715	2,164	2,635	13	1,565	4,213
Bad debt	-	12,275	-	12,275	-	-	1,250	1,250
Computer expense	1,125	209	619	1,953	3,319	-	762	4,081
Insurance	2,310	274	456	3,040	2,312	344	468	3,124
Travel and meetings	1,660	58	243	1,961	3,291	264	108	3,663
Telephone	1,589	126	330	2,045	1,595	202	524	2,321
Depreciation and amortization	-	-	-	-	80	12	16	108
	<u>\$ 152,741</u>	<u>\$ 38,071</u>	<u>\$ 43,750</u>	<u>\$ 234,562</u>	<u>\$ 301,282</u>	<u>\$ 34,433</u>	<u>\$ 66,699</u>	<u>\$ 402,414</u>

See notes to financial statements

CITIZENS UNION OF THE CITY OF NEW YORK
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets without donor restrictions	\$ (4,559)	\$ (70,968)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Unrealized loss on investments	-	3,933
Bad debt	12,275	1,250
(Increase) decrease in:		
Contributions receivable	3,290	(4,586)
Prepaid expenses	(26)	1,110
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,293)	(2,941)
Due to related party	795	2,370
Net cash provided by (used by) operating activities	<u>2,482</u>	<u>(69,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(3,171)
Sales of investments	-	82,807
Net cash provided by investing activities	<u>-</u>	<u>79,636</u>
Net increase in cash and cash equivalents	2,482	9,804
Cash and cash equivalents, beginning of year	<u>147,140</u>	<u>137,336</u>
Cash and cash equivalents, end of year	<u>\$ 149,622</u>	<u>\$ 147,140</u>

See notes to financial statements

CITIZENS UNION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 – Organization and Tax Status

Founded in 1897, Citizens Union of the City of New York (“CU”) is incorporated under the New York Not-For-Profit Corporation Law. CU is exempt from federal income taxes under section 501(c)(4) of the United States Internal Revenue Code.

CU was formed as a union of the citizens of New York City, without regard to political party, for the purpose of securing the honest and efficient government of the City of New York. CU seeks a municipal and state government that is open, transparent, and responsive to the interests of the citizens of New York and undertakes efforts to increase civic participation and knowledge among the citizenry.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Assets Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

CU had no net assets with donor restrictions at December 31, 2018 and 2017.

Cash and Cash Equivalents

CU considers depository accounts and investments purchased with a maturity date of three months or less to be cash and cash equivalents.

CITIZENS UNION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment return, net is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment fees.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, all of which are expected to be collected within one year.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value on the date of donation. Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairment loss incurred for the years ended December 31, 2018 and 2017.

Revenue and support

Membership fees are recognized as income ratably over the membership term. Membership fees are recorded as income in the period for which the fees relate.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Unconditional promises to give are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contributions revenue.

Advertising

Advertising costs are expensed as incurred. Advertising costs was \$-0- and \$16,079 for the years ended December 31, 2018 and 2017, respectively.

CITIZENS UNION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Whenever possible, direct expenses are charged directly to applicable programs.

Income Taxes

CU recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that CU had no uncertain tax positions that would require financial statement recognition or disclosure. CU is no longer subject to examinations by the applicable taxing jurisdictions for years prior to December 31, 2015.

Fair Value Measurements

CU follows U.S. GAAP guidance on fair value measurements of financial instruments which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In-Kind Services

Donated services are recognized as contributions in accordance with GAAP if the services create or enhance non-financial assets, require specialized skills, are performed by peoples with those skills, and would otherwise be purchases by CU, and are measurable. For the years ended December 31, 2018 and 2017, CU received donated professional services of \$251,398 and \$267,634, respectively.

Concentration of Credit Risk

CU maintains its cash and cash equivalents in accounts that are insured by the U.S. Federal Deposit Insurance Corporation ("FDIC"). Throughout the year the bank balances may exceed the limit insured by the FDIC. CU has not experienced any losses to date resulting from this policy.

CITIZENS UNION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassification had no impact on previously reported net assets.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CU has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 – Liquidity and Availability

CU regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. CU has various sources of liquidity at its disposal, including cash and cash equivalents and receivables. For purposes of analyzing resources available to meet general expenditures over a twelve month period, CU considers all expenditures related to its ongoing activities, as well as services undertaken to support those activities to be general expenditures.

As of December 31, 2018, CU's financial assets available for general expenditures, and available to CU over the next twelve months, that is, without donor or other restrictions that limit their use, within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 58,159
Cash – investments	91,463
Contributions receivable	<u>675</u>
	<u>150,297</u>

Note 4 – Investments

CU has adopted an investment policy consistent with the standards of prudent management of investment assets set forth in the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). CU maintains a "Designated by the Board" fund that it treats as an institutional reserve fund. A significant portion of the fund has been invested according to the policy.

CU's investments as of December 31, 2018 and 2017 consist of cash in the amount of \$91,463 and \$91,413, categorized as Level 1 in the fair value hierarchy.

CITIZENS UNION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
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Note 4 – Investments (continued)

The composition of investment return, net as reported in the statements of activities for the year ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 99	\$ 1,451
Realized gains—net	-	9,447
Unrealized loss—net	-	(3,933)
Net investment income	<u>\$ 99</u>	<u>\$ 6,965</u>

Note 5 – Property and Equipment - net

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 1,180	\$ 1,180
Office furniture and equipment	12,239	12,239
Website development	<u>6,436</u>	<u>6,436</u>
	19,855	19,855
Less accumulated depreciation and amortization	<u>(13,418)</u>	<u>(13,418)</u>
	<u>\$ 6,437</u>	<u>\$ 6,437</u>

Depreciation and amortization expense was \$-0- and \$108 for the years ended December 31, 2018 and 2017, respectively.

Note 6 – Board Designated Institutional Reserve Fund

CU's institutional reserve fund was designated by the Board of Directors, in an amount originally totaling \$75,000, as a separate organizational fund to be invested in accordance with its investment policy (see Note 4) and used for purposes approved by the Board.

Strategies Employed for Achieving Return Objectives

The investment strategy of CU is based on a disciplined, consistent and diversified approach utilizing multiple asset classes as appropriate. The intent is to accommodate and consider diverse strategies deemed reasonable and prudent.

Invested assets are managed with the goal of protecting principal while generating income appropriate to an investment strategy generally characterized by investment advisors as "Moderate" or "Moderate Growth".

Spending Policy

Decisions with respect to spending from the Institutional Reserve Fund shall be made by the Board in compliance with prudence standards.

CITIZENS UNION OF THE CITY OF NEW YORK
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Note 7 – Concentration of Revenue and Support

CU receives a substantial portion of its revenue and support from fundraising efforts in relation to its annual dinner and spring events. For the years ended December 31, 2018 and 2017, CU received approximately 42% and 50% of its total revenue and support from its fundraising efforts.

Note 8 – Events

As part of its fundraising efforts, CU holds periodic events. Revenues for events are recognized in the period in which the event is held. Direct expenses associated with special events are netted against such revenue as follows:

	<u>2018</u>	<u>2017</u>
Event revenue	\$ 237,400	\$ 342,900
Event direct expenses	<u>63,649</u>	<u>91,296</u>
Event revenue, net	<u>\$ 173,751</u>	<u>\$ 251,604</u>

Note 9 – Affiliation with Citizens Union Foundation of the City of New York and Related Party Transactions

CU is affiliated with the Citizens Union Foundation of the City of New York (“CUF”), a Not-for-Profit organization tax-exempt under Internal Revenue Code Section 501(c)(3). CUF is the non profit research, education and advocacy organization affiliated with CU. CUF conducts research and analyzes the impact of proposed public policy and legislation at the city and state level.

CU and CUF have entered into an agreement to share common facilities and certain expenses in accordance with conditions and formulas set for the purpose. The staffs of the two organizations maintain records of the time spent on each activity and allocate expenses based on employee hours.

For the years ended December 31, 2018 and 2017, CUF billed CU for shared operating expenses, excluding rent, of \$48,240 and \$51,302, respectively. The balance due to CUF was \$813 and \$18 as of December 31, 2018 and 2017, respectively. These balances due to CUF were paid in full in the subsequent year.

CU has entered into a sub-lease agreement with CUF for the use of office space. Rent expense was \$29,387 and \$43,383 for the years ended December 31, 2018 and 2017, respectively.

The estimated future minimum payments under the sub-lease for the years ended December 31, are as follows:

2019	\$ 37,989
2020	32,405
2021	40,140
2022	41,265

2023
Total

31,595
\$ 183,394

**CITIZENS UNION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
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Note 10 – Retirement Plan

CU maintains a simplified employee pension plan (SEP-IRA). Upon one year of service, employees of CU who earn in excess of \$450 are eligible for contributions to the plan. At the discretion of the Board of Directors, CU may make a discretionary contribution equal to a percentage of the participants' salary. CU contributed 4% of each eligible employee's annual salary in 2018 and 2017. Expenses related to retirement were \$3,223 and \$4,176 for the years ended December 31, 2018 and 2017, respectively, and are included in salaries, taxes and benefits.

Note 11 – Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure in the financial statements and it was determined that there were no subsequent events or transactions which would require disclosure through October 7, 2019, the date these financial statements were available to be issued.