

Audited Financial Statements
and Supplemental Schedules

Citizens Union Foundation of the
City of New York

December 31, 2017 and 2016

**.CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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MAIER
MARKEY &
JUSTIC LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Citizens Union Foundation of the City of New York (a New York nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens Union Foundation of the City of New York as of December 31, 2017 and 2016, 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.

Report on Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 15 and 16 are presented for purposes of additional analysis and are 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.

Mauro Kacety & Justice LLP

White Plains, New York
June 18, 2018

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents	\$ 263,221	\$ 425,778
Cash - investments	128,737	33,929
Investments	869,675	550,647
Contributions receivable, less allowance for doubtful accounts of \$-0- and \$18,500	88,271	103,573
Deposits	32,121	31,404
Prepaid expenses and other assets	6,439	17,736
Due from affiliate - other expenses (Note 3)	18	-
Property and equipment - net	22,135	23,353
Total assets	\$ 1,410,617	\$ 1,186,420
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 92,500	\$ 90,021
Straight-line rent liability	-	22,352
Due to affiliate - straight-line rent (Note 3)	-	556
Due to affiliate - other expenses (Note 3)	-	1,795
Total liabilities	92,500	114,724
<u>NET ASSETS</u>		
Unrestricted	298,860	366,408
Unrestricted - Board designated	1,019,257	705,288
Total net assets	1,318,117	1,071,696
Total liabilities and net assets	\$ 1,410,617	\$ 1,186,420

See accompanying notes and auditor's report.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>UNRESTRICTED REVENUES AND GAINS</u>		
Contributions	803,496	310,248
Grant revenue	85,000	160,000
Event income	621,350	632,257
Advertising income	4,077	7,539
Interest income	16,102	10,283
Investment income	48,870	26,073
TOTAL REVENUES	1,578,895	1,146,400
<u>EXPENSES</u>		
Gotham Gazette program	405,474	325,032
Other program activities	464,245	432,039
General and administrative	107,420	116,309
Fundraising	204,306	155,362
Event expense	151,029	128,200
TOTAL EXPENSES	1,332,474	1,156,942
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	246,421	(10,542)
In-kind revenue (Note 10)	501,008	394,762
In-kind expense (Note 10)	(501,008)	(394,762)
INCREASE (DECREASE) IN NET ASSETS	246,421	(10,542)
Net assets at beginning of year	1,071,696	1,082,238
Net assets at end of year	\$ 1,318,117	\$ 1,071,696

See accompanying notes and auditor's report.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 246,421	\$ (10,542)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation and amortization	1,218	1,425
Unrealized (gain)/loss on investments	8,627	(23,675)
(Increase) decrease in:		
Contributions receivable	15,302	17,201
Due from affiliate - straight-line rent	-	6,101
Due from affiliate - other expenses	-	587
Deposits	(717)	(701)
Prepaid expenses and other assets	11,297	152
Due from affiliate - other expenses	(18)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	2,479	14,450
Due to affiliate - straight-line rent	(556)	556
Due to affiliate - other expenses	(1,795)	1,795
Straight-line rent liability	(22,352)	(30,256)
Net cash provided by (used by) operating activities	259,906	(22,907)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(3,311)
Sales of investments	308,348	127,147
Purchase of investments	(636,003)	(140,345)
Net cash used by investing activities	(327,655)	(16,509)
 Net decrease in cash and cash equivalents	(67,749)	(39,416)
Cash and cash equivalents at beginning of year	459,707	499,123
Cash and cash equivalents at end of year	\$ 391,958	\$ 459,707

See accompanying notes and auditor's report.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1 - Summary of significant accounting policies

Organization and exempt status

Founded in 1948, Citizens Union Foundation of the City of New York (“CUF”) is incorporated under the New York Not-For-Profit Corporation Law. CUF is exempt from federal income taxes under section 501(c)(3) of the United States Internal Revenue Code and is classified as a public charity by the Internal Revenue Service.

CUF is a nonprofit research, education and advocacy organization. CUF 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. CUF conducts research and analyzes the impact of proposed public policy and legislation at the city and state level.

Income Taxes

In accordance with Financial Accounting Standards Board Codification Topic 740, *Accounting for Income Taxes*, entities are required to disclose in their financial statements the nature of any uncertainty in their tax position. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax exempt status. CUF’s accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. CUF has not recognized any benefits from uncertain tax positions in 2017 or 2016 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the statement of financial position date.

Basis of presentation

These financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles (“GAAP”).

Cash equivalents

For purposes of the statements of cash flows, CUF considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment is recorded at cost. Contributions of property and equipment are recorded at fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Expenditures for maintenance and repairs are charged to expense, and renewals and betterments are capitalized. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the remaining gain or loss is included in the results of operations.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1 - Summary of significant accounting policies (continued)

Promises to give and revenue recognition

Contributions are recognized when the donor makes a promise to give to CUF that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional allocation of expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs, general and administration and fundraising.

Contributions receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at present value of the amount expected to be collected.

CUF allows for estimated losses on accounts receivable based on prior bad debt experience and subsequent collections. Uncollectible accounts are charged against the allowance account as realized.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimates.

Classification of net assets

The net assets of CUF and changes therein are classified as follows:

Unrestricted net assets – All funds not restricted by a donor or grantor and assets not limited through contractual control or under debt agreements are classified as unrestricted.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by CUF has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as a net asset released from restrictions. Contributions with donor-imposed restrictions that are met in the same year as received are reported as contributions in the accompanying financial statements.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1 - Summary of significant accounting policies (continued)

Permanently restricted net assets – Permanently restricted net assets are those assets, which have a donor-imposed restriction stipulating that resources be maintained permanently. CUF currently has no permanently restricted net assets.

Advertising

CUF expenses advertising costs as incurred. Program related advertising expense amounted to \$798 and \$2,445 for the years ended December 31, 2017 and 2016, respectively.

Note 2 – Investments

In 2013 CUF adopted an investment policy consistent with the standards of prudent management of investment assets set forth in New York Prudent Management of Institutional Funds Act (“NYPMIFA”) enacted by New York State in 2010. CUF maintains a “board designated” unrestricted fund that it treats as an institutional reserve fund. A significant portion of that fund has been invested according to the policy the Board adopted in 2013.

Investments at December 31, 2017 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 35,887	\$ 35,783
Exchange traded funds	821,132	833,892
	<u>\$ 857,019</u>	<u>\$ 869,675</u>

Investments at December 31, 2016 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 55,479	\$ 53,725
Exchange traded funds	473,885	496,922
	<u>\$ 529,364</u>	<u>\$ 550,647</u>

Investment return for the year ended December 31, is summarized as follows:

	<u>2017</u>	<u>2016</u>
Unrealized gain / (loss)	\$ (8,627)	\$ 23,675
Realized gain	57,497	2,398
Total	<u>\$ 48,870</u>	<u>\$ 26,073</u>

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2 – Investments (continued)

The following table summarizes the levels in the fair value hierarchy that the CUF’s investments fall into as of December 31, 2017:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$ 35,783	\$ -	\$ -	\$ 35,783
Exchange traded funds	833,892	-	-	833,892
	<u>\$ 869,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 869,675</u>

The following table summarizes the levels in the fair value hierarchy that the CUF’s investments fall into as of December 31, 2016:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$ 53,725	\$ -	\$ -	\$ 53,725
Exchange traded funds	496,922	-	-	496,922
	<u>\$ 550,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,647</u>

Accounting standards require enhanced disclosures about investments that are measured and reported at fair value. A hierarchical disclosure framework has been established, which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. All of CUF’s investments are classified as Level I, which is as follows:

Level I — Quoted prices (unadjusted) are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities, securities and listed derivatives. CUF does not adjust the quoted price for these investments, even in situations where CUF holds a large position and a sale could reasonably impact the quoted price.

Included in investments is \$128,737 and \$33,929 in cash for the years ended December 31, 2017 and 2016, respectively.

Note 3 – Affiliation with Citizens Union of the City of New York

CUF is affiliated with Citizens Union of the City of New York. (“CU”), a Not-for-Profit organization tax-exempt under Internal Revenue Code Section 501(c)(4). CU was formed as a union of 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.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 3 – Affiliation with Citizens Union of the City of New York (continued)

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 upon employee hours.

Amounts due to CU from CUF totaled \$2,351 at December 31, 2016. Of this amount, \$556 can be attributed, to the accrued rent liability of future years owed by CUF to CU for the year ended December 31, 2016. The owed amount of \$556 is due to annual accruals since the inception of the lease. This balance is a non-cash obligation and has been reduced to zero in 2017. The other amount of \$1,795 for the year ended December 31, 2016, consists of shared operating expenses that were fully reimbursed in early 2017.

The amount due from CU totaled \$18 for the year ended December 31, 2017, consists of operating expenses that were fully reimbursed in early 2018.

Note 4 – Concentration of credit risk

CUF 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. CUF has not experienced any losses to date resulting from this policy.

Note 5 – Concentrations of support

CUF received \$621,350 and \$632,257 in revenue in 2017 and 2016, respectively, as a result of fundraising efforts in relation to the annual dinner and the spring event. Revenue from the annual dinner and the spring event represented approximately 39% and 55% of all revenue for the years ended December 31, 2017 and 2016, respectively. In 2017, Contributions included a one time bequest of \$566,776.

Note 6– Concentrations of contributions and grants receivable

Pledges from two donors represented 74% of contributions receivable as of December 31, 2017. As of December 31, 2016, a pledge from one donor represented 84% of contributions receivable.

Note 7 – Retirement benefits

CUF maintains a simplified employee pension plan (SEP-IRA). Upon one year of service, employees of CUF who earn in excess of \$450 are eligible for contributions to the plan. At the discretion of the Board of Directors, CUF may make a discretionary contribution equal to a percentage of the participants’ salary. CUF contributed 4% of each eligible employee’s salary in 2017 and 2016. Expenses related to retirement contributions were \$17,541 and \$14,720 for the years ended December 31, 2017 and 2016, respectively, and are included in salaries, taxes and benefits.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

Note 8 – Property and equipment – net

Property and equipment – net consists of the following at December 31st:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 41,901	\$ 41,901
Computers	49,772	49,772
Software	17,158	17,158
Website Development	19,309	19,309
Furniture and fixtures	30,057	30,057
Leasehold improvements	<u>4,720</u>	<u>4,720</u>
	162,917	162,917
Less: Accumulated depreciation	<u>(140,782)</u>	<u>(139,564)</u>
Property and equipment - net	<u>\$ 22,135</u>	<u>\$ 23,353</u>

Depreciation amounted to \$1,218 and \$1,425 in 2017 and 2016, respectively.

Note 9 – Board Designated Institutional Reserve Fund

CUF’s institutional reserve fund was designated by the Board of Directors, in an amount originally totaling \$500,000, as a separate organizational fund to be invested in accordance with its investment policy (see Note 2) and used for purposes approved by the Board.

Strategies Employed for Achieving Return Objectives

The investment strategy of CUF 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 FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 10 – In-kind services

Certain entities have provided services to CUF at no charge. These entities value their services at levels which meet the criteria for recognition in the financial statements. These services were recorded at fair value of \$501,008 and \$394,762 for the years ended December 31, 2017 and 2016, respectively.

Note 11 – Commitments

CUF leases office space under the terms of a lease which expires in 2018. Rent expense related to this lease was \$150,221 and \$137,881 for the years ended December 31, 2017 and 2016, respectively. The rental agreement provides for reduced rent in the early years and escalations in the later years. CUF records rent on a straight-line basis. The accrued rent liability balance relates to the rent expense which has been recorded in excess of the amounts paid, and is presented in the statement of financial position as straight-line rent liability. The balance relating to straight-line rent liability was \$-0- and \$22,352 at December 31, 2017 and 2016, respectively.

Minimum future payments under the lease for years ended December 31st are as follows:

2018	<u>\$ 113,936</u>
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CU paid \$43,383 and \$38,890 in rent to CUF in 2017 and 2016, respectively.

Note 12 – Subsequent events

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through June 18, 2018, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Gotham Gazette program	Other program activities	General and administrative	Fundraising	Event expenses	Total
Salaries, taxes and benefits	\$ 309,009	\$ 338,980	\$ 70,679	\$ 88,984	\$ -	\$ 807,652
Programs/Events	-	2,642	-	2,563	151,029	156,234
Rent and related expenses	57,084	63,093	13,520	16,524	-	150,221
Professional fees	12,538	37,203	16,516	81,976	-	148,233
Bad debt	-	-	-	500	-	500
Office expense	6,602	8,221	3,283	7,816	-	25,922
Telephone	4,261	4,562	648	1,519	-	10,990
Depreciation	463	511	110	134	-	1,218
Travel and meetings	4,022	2,463	1,487	1,556	-	9,528
Computer expense	6,313	858	-	232	-	7,403
Printing and mailing	1,650	1,771	233	753	-	4,407
Insurance	3,139	3,469	743	909	-	8,260
Postage	393	472	201	840	-	1,906
	\$ 405,474	\$ 464,245	\$ 107,420	\$ 204,306	\$ 151,029	\$ 1,332,474

See accompanying auditor's report.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Gotham Gazette program	Other program activities	General and administrative	Fundraising	Event expenses	Total
Salaries, taxes and benefits	\$ 248,490	\$ 295,987	\$ 62,540	\$ 99,711	\$ -	\$ 706,728
Programs/Events	3,410	12,486	441	997	128,200	145,534
Rent and related expenses	48,258	57,910	12,409	19,304	-	137,881
Professional fees	4,086	36,751	15,964	17,933	-	74,734
Bad debt	-	-	18,500	-	-	18,500
Office expense	6,153	11,620	2,683	8,833	-	29,289
Telephone	3,421	3,323	643	1,888	-	9,275
Depreciation	499	599	128	199	-	1,425
Travel and meetings	1,390	5,372	1,842	2,649	-	11,253
Computer expense	5,594	1,008	57	558	-	7,217
Printing and mailing	511	2,401	128	1,194	-	4,234
Insurance	2,821	3,385	725	1,128	-	8,059
Postage	399	1,197	249	968	-	2,813
	\$ 325,032	\$ 432,039	\$ 116,309	\$ 155,362	\$ 128,200	\$ 1,156,942

See accompanying auditor's report.