

Audited Financial Statements
and Supplemental Schedules

Citizens Union of the City of
New York

December 31, 2017 and 2016

**CITIZENS UNION 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 of the City of New York

We have audited the accompanying financial statements of Citizens Union 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 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, 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.

Main Monkey + Justice LLP

White Plains, New York
June 18, 2018

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

	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents	\$ 55,727	\$ 136,438
Cash - investments	91,413	898
Investments	-	83,569
Contributions receivable, less allowance for doubtful accounts of \$-0-and \$4,500	16,240	12,904
Prepaid expenses	2,287	3,397
Due from affiliate - straight-line rent (Note 3)	-	556
Due from affiliate - other expenses (Note 3)	-	1,795
Property and equipment - net	6,437	6,437
Total assets	\$ 172,104	\$ 245,994
 <u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 21,957	\$ 24,897
Due to affiliate - other expenses (Note 3)	18	-
Total liabilities	21,975	24,897
 <u>NET ASSETS</u>		
Unrestricted	58,716	136,630
Unrestricted - Board designated	91,413	84,467
Total net assets	150,129	221,097
Total liabilities and net assets	\$ 172,104	\$ 245,994

See accompanying notes and auditor's report.

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

	<u>2017</u>	<u>2016</u>
<u>UNRESTRICTED REVENUES AND GAINS</u>		
Contributions and membership support	\$ 72,877	\$ 79,041
Event income	342,900	321,495
Interest income	1,451	1,798
Investment income	<u>5,514</u>	<u>3,906</u>
TOTAL REVENUES	<u>422,742</u>	<u>406,240</u>
<u>EXPENSES</u>		
Programs	301,282	229,401
General and administrative	34,433	36,144
Fundraising	66,699	66,584
Event expense	<u>91,296</u>	<u>72,911</u>
TOTAL EXPENSES	<u>493,710</u>	<u>405,040</u>
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS	<u>(70,968)</u>	<u>1,200</u>
In-kind revenue (Note 10)	267,634	175,187
In-kind expense (Note 10)	<u>(267,634)</u>	<u>(175,187)</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>(70,968)</u>	<u>1,200</u>
Net assets at beginning of year	<u>221,097</u>	<u>219,897</u>
Net assets at end of year	<u>\$ 150,129</u>	<u>\$ 221,097</u>

See accompanying notes and auditor's report.

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

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase/(decrease) in net assets	\$ (70,968)	\$ 1,200
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation and amortization	-	28
Unrealized (gain) loss on investments	3,933	(3,408)
(Increase) decrease in:		
Contributions receivable	(3,336)	12,717
Prepaid expenses	1,110	(72)
Due from affiliate - straight-line rent	1,796	(1,796)
Due from affiliate - other expenses	556	(556)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,941)	7,392
Due to affiliate - straight-line rent	-	(6,101)
Due to affiliate - other expenses	18	(587)
Net cash provided by /(used by) operating activities	<u>(69,832)</u>	<u>8,817</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(3,171)	(21,834)
Sales of investments	82,807	19,701
Net cash provided by (used by) investing activities	<u>79,636</u>	<u>(2,133)</u>
Net increase in cash and cash equivalents	9,804	6,684
Cash and cash equivalents at beginning of year	<u>137,336</u>	<u>130,652</u>
Cash and cash equivalents at end of year	<u>\$ 147,140</u>	<u>\$ 137,336</u>

See accompanying notes and auditor's report.

CITIZENS UNION 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 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 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.

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. CU’s accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. CU 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, CU 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 provided for 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 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 CU 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.

CU 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 CU 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.

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

Note 1 – Summary of significant accounting policies (continued)

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by CU 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 support in the accompanying financial statements. CU currently has no temporarily restricted net assets.

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

Advertising

CU expenses advertising costs as incurred. Program related advertising expense was \$16,079 for the year ended December 31, 2017.

Note 2 – Investments

In 2013 CU 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. CU 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, 2016 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 7,810	\$ 7,522
Exchange traded funds	71,826	76,047
	\$ 79,636	\$ 83,569

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

Note 2 – Investments (continued)

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

	<u>2017</u>	<u>2016</u>
Unrealized gain /(loss)	\$ (3,934)	\$ 3,408
Realized gain	9,448	498
Total	\$ 5,514	\$ 3,906

The following table summarizes the levels in the fair value hierarchy that CU’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	\$ 7,522	\$ -	\$ -	\$ 7,522
Exchange traded funds	76,047	-	-	76,047
	\$ 83,569	\$ -	\$ -	\$ 83,569

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 CU’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. CU does not adjust the quoted price for these investments, even in situations where CU holds a large position and a sale could reasonably impact the quoted price.

Included in investments is \$91,413 and \$898 in cash for the years ended December 31, 2017 and 2016, respectively.

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

Note 3 – Affiliation with Citizens Union Foundation, Inc.

CU is affiliated with the Citizens Union Foundation, Inc. (“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. 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. 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 upon employee hours.

This agreement includes rent expense, which is payable under a lease entered into by CUF. The lease expires in 2018. The lease provides for reduced rent in the early years and escalations in the later years. CU 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 included in the amount payable to CUF. CU’s rent expense related to this lease amounted to \$43,383 and \$38,890 in 2017 and 2016, respectively.

Minimum future payments by CU under this agreement for years ended December 31st are as follows:

2018	<u>\$ 28,484</u>
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Amounts due from CUF to CU 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 to CUF totaled \$18 for the year ended December 31, 2017, consists of shared operating expenses that were fully reimbursed in early 2018.

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

Note 4 – Concentrations 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.

Note 5 – Concentrations of support

CU received \$342,900 and \$321,495 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 82% and 83% of all revenue for the years ending December 31, 2017 and 2016, respectively.

Note 6 – Concentrations of contributions and grants receivable

As of December 31, 2017, pledges from one donor represented 62% of contributions receivable. Pledges from four donors represented 77% of contributions receivable as of December 31, 2016.

Note 7 – Retirement benefits

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 2017 and 2016. Expenses related to retirement contributions were \$4,176 and \$3,460 for the years ended December 31, 2017 and 2016, respectively, and are included in salaries, taxes and benefits.

Note 8 – Property and equipment - net

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

	<u>2017</u>	<u>2016</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	<u>(13,418)</u>	<u>(13,418)</u>
	<u>\$ 6,437</u>	<u>\$ 6,437</u>

Depreciation expense amounted to \$-0- and \$28 in 2017 and 2016, respectively.

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

Note 9 – 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 2) 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.

Note 10 – In-kind services

Certain entities have provided services to CU 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 \$267,634 and \$175,187 for the years ended December 31, 2017 and 2016, respectively.

Note 11 – 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 OF THE CITY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	General & Administrative	Fundraising	Event Expenses	Total
Salaries, taxes and benefits	\$ 146,789	\$ 20,732	\$ 29,049	\$ -	\$ 196,570
Programs/Events	1,436	264	-	91,296	92,996
Rent and related expenses	32,165	4,746	6,472	-	43,383
Professional fees	73,965	6,686	23,411	-	104,062
Printing and mailing	12,339	295	582	-	13,216
Office expense	21,356	875	2,492	-	24,723
Postage	2,635	13	1,565	-	4,213
Computer expense	3,319	-	762	-	4,081
Bad debt	-	-	1,250	-	1,250
Insurance	2,312	344	468	-	3,124
Travel and meetings	3,291	264	108	-	3,663
Telephone	1,595	202	524	-	2,321
Depreciation	80	12	16	-	108
	<u>\$ 301,282</u>	<u>\$ 34,433</u>	<u>\$ 66,699</u>	<u>\$ 91,296</u>	<u>\$ 493,710</u>

See accompanying auditor's report.

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

	Program Services	General &			Event Expenses	Total
		Administrative	Fundraising			
Salaries, taxes and benefits	\$ 151,985	\$ 18,900	\$ 42,598	\$ -	\$	213,483
Programs/Events	2,872	1,125	625	72,911		77,533
Rent and related expenses	27,668	3,483	7,739	-		38,890
Professional fees	14,463	6,445	5,017	-		25,925
Printing and mailing	11,479	94	2,973	-		14,546
Office expense	6,830	763	4,250	-		11,843
Postage	3,324	44	1,512	-		4,880
Computer expense	4,013	19	471	-		4,503
Bad debt	-	4,500	-	-		4,500
Insurance	2,329	295	656	-		3,280
Travel and meetings	2,533	282	66	-		2,881
Telephone	1,885	192	671	-		2,748
Depreciation	20	2	6	-		28
	\$ 229,401	\$ 36,144	\$ 66,584	\$ 72,911	\$	405,040

See accompanying auditor's report.