

Audited Financial Statements

**Citizens Union Foundation of the
City of New York**

December 31, 2018 and 2017

**CITIZENS UNION FOUNDATION 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 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 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 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, 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.

A handwritten signature in blue ink that reads "Main Marking & Justice LLP". The signature is written in a cursive, flowing style.

White Plains, New York
October 7, 2019

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

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 453,426	\$ 263,221
Cash - investments	272,556	128,737
Investments	214,682	869,675
Contributions receivable, less allowance for doubtful accounts of \$-0- in 2018 and 2017, respectively	40,953	88,271
Prepaid expenses	9,298	6,711
Due from related party	813	18
Security deposits	42,119	31,849
Property and equipment - net	21,087	22,135
Total assets	\$ 1,054,934	\$ 1,410,617
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 70,267	\$ 92,500
Straight-line rent liability	21,142	-
Total liabilities	91,409	92,500
Net Assets		
Without donor restrictions		
Undesignated	572,463	298,860
Designated by the Board for operating reserve	391,062	1,019,257
Total net assets	963,525	1,318,117
Total liabilities and net assets	\$ 1,054,934	\$ 1,410,617

See notes to financial statements

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

	2018	2017
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Event income, net (Note 9)	\$ 540,220	\$ 467,758
Contributions	186,042	803,496
Grant revenue	65,000	85,000
Rental income	29,387	43,383
Investment income, net	8,939	64,972
Advertising income	1,289	4,077
Total revenues, and other support without donor restrictions	830,877	1,468,686
EXPENSES		
Program services		
Gotham Gazette	410,200	421,960
Other activities	450,343	482,466
Management and general	132,316	111,824
Fundraising	192,610	206,015
Total expenses without donor restrictions	1,185,469	1,222,265
In-kind revenue (Note 2)	409,723	501,008
In-kind expense (Note 2)	(409,723)	(501,008)
Changes in net assets without donor restrictions	(354,592)	246,421
Net assets, beginning of year	1,318,117	1,071,696
Net assets, end of year	\$ 963,525	\$ 1,318,117

See notes to financial statements

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Gotham Gazette</u>	<u>Other</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries, taxes and benefits	\$ 286,149	\$ 322,182	\$ 70,133	\$ 90,484	\$ 768,948
Program event	155	838	44	1,500	2,537
Rent and related expenses	72,464	82,257	38,769	23,502	216,992
Professional fees	28,647	20,701	15,258	64,161	128,767
Bad debt	-	-	2,625	-	2,625
Office expense	5,620	11,633	1,483	8,616	27,352
Telephone	4,291	4,893	709	1,346	11,239
Depreciation and amortization	194	796	-	228	1,218
Travel and meetings	1,780	2,024	1,584	1,161	6,549
Computer expense	7,075	938	-	274	8,287
Printing and mailing	-	268	731	-	999
Insurance	3,346	3,798	814	1,085	9,043
Postage	479	15	166	253	913
	<u>\$ 410,200</u>	<u>\$ 450,343</u>	<u>\$ 132,316</u>	<u>\$ 192,610</u>	<u>\$ 1,185,469</u>

See notes to financial statements

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

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Gotham Gazette</u>	<u>Other</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries, taxes and benefits	\$ 309,009	\$ 338,980	\$ 70,679	\$ 88,984	\$ 807,652
Program event	-	2,642	-	-	2,642
Rent and related expenses	73,570	81,314	17,424	21,296	193,604
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 and amortization	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
	<u>\$ 421,960</u>	<u>\$ 482,466</u>	<u>\$ 111,824</u>	<u>\$ 206,015</u>	<u>\$ 1,222,265</u>

See notes to financial statements

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets without donor restrictions	\$ (354,592)	\$ 246,421
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities:		
Depreciation and amortization	1,218	1,218
Unrealized loss on investments	16,787	8,627
Bad debt	2,625	500
Loss on disposal of fixed asset	(171)	-
(Increase) decrease in:		
Contributions receivable	44,693	14,802
Prepaid expenses	(2,587)	11,297
Due from related party	(795)	(18)
Security deposits	(10,270)	(717)
Increase (decrease) in:		
Accounts payable and accrued expenses	(22,232)	2,479
Due to related party - straight-line rent	-	(556)
Due to related party - other expenses	-	(1,795)
Straight-line rent liability	21,142	(22,352)
Net cash (used by) provided by operating activities	(304,182)	259,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(40,455)	(636,003)
Sales of investments	678,661	308,348
Net cash provided by (used by) investing activities	638,206	(327,655)
Net increase (decrease) in cash and cash equivalents	334,024	(67,749)
Cash and cash equivalents, beginning of year	391,958	459,707
Cash and cash equivalents, end of year	\$ 725,982	\$ 391,958

See notes to financial statements

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

Note 1 – Organization and Tax 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

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.

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

Cash and Cash Equivalents

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

CITIZENS UNION FOUNDATION 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.

Straight Line Rent

CUF records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases are recognized on a straight-line basis. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in straight-line rent liability in the accompanying statements of financial position.

Revenue and support

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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs was \$1,045 and \$798 for the years ended December 31, 2018 and 2017, respectively.

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

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

Fair Value Measurements

CUF 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 people with those skills, and would otherwise be purchased by CUF, and are measurable. For the years ended December 31, 2018 and 2017, CUF received donated professional services of \$409,723 and \$501,008, respectively.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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. CUF has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 – Liquidity and Availability

CUF regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. CUF has various sources of liquidity at its disposal, including cash and cash equivalents, investments and receivables. For purposes of analyzing resources available to meet general expenditures over a twelve month period, CUF 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, CUF’s financial assets available for general expenditures, and available to CUF 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	\$453,426
Cash – investments	272,556
Investments	214,682
Contributions receivable	<u>40,953</u>
	981,617
Less: spendable net assets designated by the Board	<u>(391,062)</u>
	<u>590,555</u>

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

Note 4 – Investments

CUF has 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”). CUF maintains a “Designated by the Board” fund that it treats as an institutional reserve fund. A significant portion of that fund has been invested according to the policy.

The following is a summary of investments at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ -	\$ 35,783
Exchange traded funds	<u>214,682</u>	<u>833,892</u>
	<u>\$ 214,682</u>	<u>\$ 869,675</u>

As of December 31, 2018 and 2017 all investments were considered Level 1 in the fair value hierarchy.

Included in investments is \$272,556 and \$128,737 in cash for the years ended December 31, 2018 and 2017, respectively.

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	\$ 13,684	\$ 16,102
Realized gains—net	12,042	57,497
Unrealized loss—net	<u>(16,787)</u>	<u>(8,627)</u>
Net investment income	<u>\$ 8,939</u>	<u>\$ 64,972</u>

Note 5 – Property and Equipment - net

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

	<u>2018</u>	<u>2017</u>
Equipment	\$ 41,901	\$ 41,901
Computers	48,074	49,772
Software	17,158	17,158
Furniture and fixtures	30,057	30,057
Leasehold improvements	4,720	4,720
Website development	<u>19,309</u>	<u>19,309</u>
	161,219	162,917
Less accumulated depreciation and amortization	<u>(140,132)</u>	<u>(140,782)</u>
	<u>\$ 21,087</u>	<u>\$ 22,135</u>

Depreciation and amortization expense was \$1,218 for the years ended December 31, 2018 and 2017, respectively.

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

Note 6 – 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 4) 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.

Note 7 – Concentration of Revenue and Support

CUF received \$707,349 and \$621,350 in event revenue in 2018 and 2017 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 71% and 39% all revenue for the years ended December 31, 2018 and 2017, respectively. In 2017, contributions included a one time bequest of \$566,776.

Note 8 – Affiliation with Citizens Union of the City of New York and Related Party Transactions

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.

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 of each activity and allocate expenses based upon 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 from CU was \$813 and \$18 as of December 31, 2018 and 2017, respectively. The balances due from CU were paid in full in the subsequent year.

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

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

**Note 8 – Affiliation with Citizens Union of the City of New York and Related Party Transactions
(continued)**

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

2019	\$ 37,989
2020	32,405
2021	40,140
2022	41,265
2023	31,595
Total	<u>\$ 183,394</u>

Note 9 – Events

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

	<u>2018</u>	<u>2017</u>
Event revenue	\$ 707,349	\$ 621,350
Event direct expenses	167,129	153,592
Event revenue, net	<u>\$ 540,220</u>	<u>\$ 467,758</u>

Note 10 – Commitments

Facility Lease

On August 2, 2018, CUF entered into a 5 year operating lease for office space beginning on October 1, 2018 and ending on September 30, 2023. The lease provides for rent escalations and CUF is responsible for electricity and real estate taxes.

The future minimum payments under the lease for the years ended December 31 is as follows:

2019	\$ 253,262
2020	216,033
2021	267,603
2022	275,098
2023	210,633
Total	<u>\$1,222,629</u>

CUF recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments will be recorded as straight-line rent in the accompanying statement of financial position. Rent expense was \$216,992 and \$193,604 for the years ended December 31, 2018 and 2017, respectively.

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

Note 10 – Commitments

Office Equipment Lease

CUF leases office equipment under non-cancelable lease agreements expiring on various dates through February 2024.

The future minimum lease payments are as follows for the years ending December 31:

2019	\$ 5,833
2020	5,792
2021	5,792
2022	5,792
2023	5,241
Thereafter	598
Total	<u>\$ 29,048</u>

Equipment rental expense was \$6,403 and \$6,247 for the years ended December 31, 2018 and 2017, respectively.

Note 11 – Retirement Plan

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 annual salary in 2018 and 2017. Expenses related to retirement contributions were \$16,912 and \$17,541 for the years ended December 31, 2018 and 2017, respectively, and are included in salaries, taxes and benefits.

Note 12 – 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.