

**Audited Financial Statements
and Supplemental Schedules**

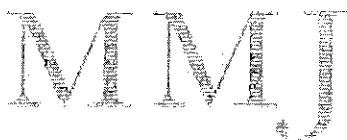
**Citizens Union Foundation of the
City of New York**

December 31, 2013 and 2012

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2
 <u>Financial statements:</u>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7
 <u>Supplementary information:</u>	
2013 Statement of Functional Expenses	15
2012 Statement of Functional Expenses	16



MAIER
MARKEY
JUSTICE 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, 2013 and 2012, 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 Foundation of the City of New York as of December 31, 2013 and 2012, 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.

Maurer Markey + Justice LLP

White Plains, New York
June 18, 2014

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
Cash and cash equivalents	\$ 752,379	\$ 1,257,052
Cash - investments (Note 4)	35,915	-
Investments	503,169	-
Contributions receivable, less allowance for doubtful accounts of \$20,000	101,506	79,267
Grants receivable	62,500	30,000
Due from affiliate - straight-line rent (Note 3)	15,749	17,518
Due from affiliate - other expenses (Note 3)	611	1,537
Deposits	29,082	26,264
Prepaid expenses and other assets	8,135	8,107
Property and equipment - net	4,196	10,558
Total assets	\$ 1,513,242	\$ 1,430,303
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 63,851	\$ 69,818
Straight-line rent liability	100,848	109,272
Deferred revenue	113,750	50,000
Total liabilities	278,449	229,090
<u>NET ASSETS</u>		
Unrestricted	572,697	498,589
Unrestricted - Board designated	659,096	646,624
Temporarily restricted	3,000	56,000
Total net assets	1,234,793	1,201,213
Total liabilities and net assets	\$ 1,513,242	\$ 1,430,303

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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS:		
<u>Unrestricted revenues and gains</u>		
Contributions	\$ 285,566	\$ 236,552
Grant revenue	171,250	217,917
Event income	801,036	749,298
Advertising income	21,195	22,489
Interest income	4,159	2,610
Investment income	9,582	-
TOTAL UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT	<u>1,292,788</u>	<u>1,228,866</u>
 <u>EXPENSES</u>		
Gotham Gazette program	390,734	338,582
Other program activities	397,699	432,175
General and administrative	87,343	98,782
Fundraising	142,596	140,813
Event expense	187,836	127,047
TOTAL EXPENSES	<u>1,206,208</u>	<u>1,137,399</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>86,580</u>	<u>91,467</u>
 TEMPORARILY RESTRICTED NET ASSETS:		
Increase (decrease) to temporarily restricted net assets	<u>(53,000)</u>	<u>56,000</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(53,000)</u>	<u>56,000</u>
INCREASE IN NET ASSETS	<u>33,580</u>	<u>147,467</u>
Net assets at beginning of year	<u>1,201,213</u>	<u>1,053,746</u>
Net assets at end of year	<u>\$ 1,234,793</u>	<u>\$ 1,201,213</u>

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, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 33,580	\$ 147,467
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,364	8,273
Unrealized (gain) loss on investments	(9,582)	-
(Increase) decrease in:		
Contributions receivable	(22,239)	(16,670)
Grants receivable	(32,500)	-
Due from affiliate - straight-line rent	1,769	332
Due from affiliate - other expenses	925	1,769
Deposits	(2,819)	(582)
Prepaid expenses and other assets	(28)	(3,780)
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,967)	2,968
Straight-line rent liability	(8,424)	(1,581)
Deferred revenue	63,750	(64,417)
Net cash provided by operating activities	24,829	73,779
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(2,533)
Purchase of investments	(493,587)	-
Net cash used by investing activities	(493,587)	(2,533)
 Net increase (decrease) in cash and cash equivalents	(468,758)	71,246
Cash and cash equivalents at beginning of year	1,257,052	1,185,806
Cash and cash equivalents at end of year	\$ 788,294	\$ 1,257,052

See accompanying notes and auditor's report.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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 2013 or 2012 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.

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, 2013 AND 2012

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

Deferred revenue

Deferred revenue has been recorded as a result of CUF receiving funding for future programs that is conditional upon the programs taking place.

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.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Note 1 - Summary of significant accounting policies (continued)

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, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as support in the accompanying financial statements.

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.

Net Asset Classifications

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.

Note 2 – Investments

Investments at December 31, 2013 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 50,050	\$ 49,850
Exchange traded funds	443,800	453,319
	\$ 493,850	\$ 503,169

Investment return for the year ended December 31, 2013 is summarized as follows:

Unrealized gain (loss) \$ 9,582

The following table summarizes the levels in the fair value hierarchy that the CUF’s investments fall into as of December 31, 2013:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$ 49,850	\$ -	\$ -	\$ 49,850
Exchange traded funds	453,319	-	-	453,319
	\$ 503,169	\$ -	\$ -	\$ 503,169

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 2 – Investments (continued)

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 \$35,915 in cash.

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.

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 CUF from CU totaled \$16,360 and \$19,055 at December 31, 2013 and 2012, respectively. Of these amounts, \$15,749 and \$17,518 can be attributed, respectively, to the accrued rent liability of future years owed by CU to CUF for the years ended December 31, 2013 and 2012. The owed amounts of \$15,749 and \$17,518 are due to annual accruals since the inception of the lease. These balances are non-cash obligations and will be reduced to zero by the end of the lease in 2018 (see Note 6).

The other amounts of \$611 and \$1,537 for the years ended December 31, 2013 and 2012, respectively, consist of shared operating expenses that were fully reimbursed in early 2014 and 2013, respectively.

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.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Note 5 – Property and equipment – net

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

	<u>2013</u>	<u>2012</u>
Equipment	\$ 41,901	\$ 41,901
Computers	43,683	43,681
Software	17,158	17,158
Furniture and fixtures	30,057	30,057
Leasehold improvements	<u>4,720</u>	<u>4,720</u>
	137,519	137,517
Less: Accumulated depreciation	<u>(133,323)</u>	<u>(126,959)</u>
Property and equipment - net	<u>\$ 4,196</u>	<u>\$ 10,558</u>

Depreciation amounted to \$6,364 and \$8,273 in 2013 and 2012, respectively.

Note 6 – Commitments

CUF leases office space under the terms of a lease which expires in 2018. Rent expense related to this lease was \$130,566 and \$128,259 for the years ended December 31, 2013 and 2012, 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 other liabilities. The balance relating to accrued rent liability was \$100,848 and \$109,272 at December 31, 2013 and 2012, respectively.

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

2014	\$ 137,687
2015	140,866
2016	144,124
2017	147,464
2018	<u>112,511</u>
	<u>\$ 682,652</u>

CU paid \$36,477 and \$34,094 in rent to CUF in 2013 and 2012, respectively.

Note 7 – Concentrations of support

CUF received \$801,036 and \$749,298 in revenue in 2013 and 2012, 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 62% and 61% of all revenue for the years ended December 31, 2013 and 2012, respectively.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 8 – Concentrations of contributions and grants receivable

As of December 31, 2013, pledges from three donors represented 64% of contributions receivable. Pledges from two donors represented 82% of contributions receivable as of December 31, 2012.

The full balance of grants receivable at December 31, 2013 and 2012 were from the same one grantor.

Note 9 – 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 2013 and 2012. Expenses related to retirement contributions were \$18,633 and \$18,434 for the year ended December 31, 2013 and 2012, respectively, and are included in salaries, taxes and benefits.

Note 10 – 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 1) 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.

The asset allocation of the board designated Institutional Reserve Fund is not in compliance with the Board's investment policy, since the cash and money market portion of the portfolio is 2% at December 31, 2013, while the policy limits its maximum to 1%. The Board intends to increase this maximum cash allocation to 4% in 2014.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Note 11 – Subsequent events

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through June 18, 2014, 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, 2013

	Gotham Gazette program	Other program activities	General and administrative	Fundraising	Event expenses	Total
Salaries, taxes and benefits	\$ 278,866	\$ 310,063	\$ 56,806	\$ 88,503	\$ -	\$ 734,238
Rent and related expenses	49,615	54,838	10,445	15,668	-	130,566
Programs/Events	-	2,410	-	2,257	187,836	192,503
Professional fees	36,270	5,098	15,361	16,784	-	73,513
Office expense	7,151	8,358	1,656	9,110	-	26,275
Telephone	3,857	3,621	420	1,173	-	9,071
Depreciation	2,420	2,672	509	763	-	6,364
Travel and meetings	1,558	3,070	799	3,554	-	8,981
Computer expense	6,187	2,101	301	641	-	9,230
Printing and mailing	1,508	1,660	269	1,468	-	4,905
Insurance	2,813	3,109	592	888	-	7,402
Postage	489	699	185	1,787	-	3,160
	<u>\$ 390,734</u>	<u>\$ 397,699</u>	<u>\$ 87,343</u>	<u>\$ 142,596</u>	<u>\$ 187,836</u>	<u>\$ 1,206,208</u>

See accompanying auditor's report.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Gotham Gazette program	Other program activities	General and administrative	Fundraising	Event expenses	Total
Salaries, taxes and benefits	\$ 223,903	\$ 316,487	\$ 65,682	\$ 98,363	\$ -	\$ 704,435
Rent and related expenses	41,668	57,716	11,543	17,956	-	128,883
Programs/Events	200	2,901	-	2,652	127,047	132,800
Professional fees	48,993	6,878	15,169	3,649	-	74,689
Office expense	6,077	12,225	1,766	11,198	-	31,266
Telephone	3,592	3,515	489	2,276	-	9,872
Depreciation	2,647	3,723	745	1,158	-	8,273
Travel and meetings	2,907	3,196	1,738	1,607	-	9,448
Computer expense	6,184	722	27	202	-	7,135
Printing and mailing	180	1,779	1,093	210	-	3,262
Insurance	1,349	1,977	379	590	-	4,295
Postage	882	1,056	151	952	-	3,041
Contribution receivable allowance	-	20,000	-	-	-	20,000
	<u>\$ 338,582</u>	<u>\$ 432,175</u>	<u>\$ 98,782</u>	<u>\$ 140,813</u>	<u>\$ 127,047</u>	<u>\$ 1,137,399</u>

See accompanying auditor's report.