

Audited Financial Statements
and Supplemental Schedules

Citizens Union Foundation of the
City of New York

December 31, 2015 and 2014

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Other Matter

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.

Mair Markey + Justice LLP

White Plains, New York
April 15, 2016

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 465,939	\$ 603,843
Cash - investments	33,184	33,181
Investments	513,774	519,551
Contributions receivable, less allowance for doubtful accounts of \$20,000 and \$20,000	120,774	87,973
Grants receivable	-	45,000
Due from affiliate - straight-line rent (Note 3)	6,101	11,327
Due from affiliate - other expenses (Note 3)	587	828
Deposits	30,703	29,748
Prepaid expenses and other assets	17,888	7,983
Property and equipment - net	21,467	4,504
Total assets	<u>\$ 1,210,417</u>	<u>\$ 1,343,938</u>
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 75,571	\$ 65,829
Straight-line rent liability	52,608	78,740
Deferred revenue	-	51,250
Total liabilities	<u>128,179</u>	<u>195,819</u>
<u>NET ASSETS</u>		
Unrestricted	414,785	472,134
Unrestricted - Board designated	667,453	672,985
Temporarily restricted	-	3,000
Total net assets	<u>1,082,238</u>	<u>1,148,119</u>
Total liabilities and net assets	<u>\$ 1,210,417</u>	<u>\$ 1,343,938</u>

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>UNRESTRICTED REVENUES AND GAINS</u>		
Contributions	278,782	278,786
Grant revenue	126,250	112,500
Event income	713,775	597,772
Advertising income	13,865	20,538
Interest income	10,599	10,236
Investment income/(loss)	(15,705)	4,004
TOTAL REVENUES	<u>1,127,566</u>	<u>1,023,836</u>
 <u>EXPENSES</u>		
Gotham Gazette program	351,676	372,968
Other program activities	368,124	404,498
General and administrative	109,847	86,373
Fundraising	198,768	104,697
Event expense	162,032	141,974
TOTAL EXPENSES	<u>1,190,447</u>	<u>1,110,510</u>
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS	<u>(62,881)</u>	<u>(86,674)</u>
 In-kind revenue	483,063	-
In-kind expense	(483,063)	-
Decrease to temporarily restricted net assets	(3,000)	-
INCREASE/(DECREASE) IN NET ASSETS	<u>(65,881)</u>	<u>(86,674)</u>
Net assets at beginning of year	<u>1,148,119</u>	<u>1,234,793</u>
Net assets at end of year	<u>\$ 1,082,238</u>	<u>\$ 1,148,119</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, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase/(decrease) in net assets	\$ (65,881)	\$ (86,674)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,346	2,470
Unrealized (gain)/loss on investments	15,725	(3,994)
(Increase) decrease in:		
Contributions receivable	(32,801)	13,533
Grants receivable	45,000	17,500
Due from affiliate - straight-line rent	5,226	4,422
Due from affiliate - other expenses	241	(217)
Deposits	(955)	(666)
Prepaid expenses and other assets	(9,905)	152
Increase (decrease) in:		
Accounts payable and accrued expenses	9,742	1,978
Straight-line rent liability	(26,132)	(22,108)
Deferred revenue	(51,250)	(62,500)
Net cash provided/(used) by operating activities	(108,644)	(136,104)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(19,309)	(2,778)
Purchase of investments	(9,948)	(12,388)
Net cash provided/(used) by investing activities	(29,257)	(15,166)
 Net increase/(decrease) in cash and cash equivalents	(137,901)	(151,270)
Cash and cash equivalents at beginning of year	637,024	788,294
Cash and cash equivalents at end of year	\$ 499,123	\$ 637,024

See accompanying notes and auditor's report.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 2015 or 2014 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, 2015 AND 2014

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, 2015 AND 2014

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 with donor-imposed restrictions that are met in the same year as received are reported as contributions 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.

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, 2015 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 53,354	\$ 48,802
Exchange traded funds	462,812	464,972
	<u>\$ 516,166</u>	<u>\$ 513,774</u>

Investments at December 31, 2014 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 51,427	\$ 49,489
Exchange traded funds	454,811	470,062
	<u>\$ 506,238</u>	<u>\$ 519,551</u>

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

	<u>2015</u>	<u>2014</u>
Unrealized gain / (loss)	\$ (15,725)	\$ 3,994

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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, 2015:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$ 48,802	\$ -	\$ -	\$ 48,802
Exchange traded funds	464,972	-	-	464,972
	<u>\$ 513,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,774</u>

The following table summarizes the levels in the fair value hierarchy that the CUF’s investments fall into as of December 31, 2014:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$ 49,489	\$ -	\$ -	\$ 49,489
Exchange traded funds	470,062	-	-	470,062
	<u>\$ 519,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,551</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 \$33,184 and \$33,181 in cash for the years ended December 31, 2015 and 2014, 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, 2015 AND 2014

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 CUF from CU totaled \$6,688 and \$12,155 at December 31, 2015 and 2014, respectively. Of these amounts, \$6,101 and \$11,327 can be attributed, respectively, to the accrued rent liability of future years owed by CU to CUF for the years ended December 31, 2015 and 2014. The owed amounts of \$6,101 and \$11,327 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 \$587 and \$828 for the years ended December 31, 2015 and 2014, respectively, consist of shared operating expenses that were fully reimbursed in early 2016 and 2015, 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.

Note 5 – Property and equipment – net

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

	<u>2015</u>	<u>2014</u>
Equipment	\$ 41,901	\$ 41,901
Computers	46,461	46,461
Software	17,158	17,158
Website Development	19,309	-
Furniture and fixtures	30,057	30,057
Leasehold improvements	<u>4,720</u>	<u>4,720</u>
	159,606	140,297
Less: Accumulated depreciation	<u>(138,139)</u>	<u>(135,793)</u>
Property and equipment - net	<u>\$ 21,467</u>	<u>\$ 4,504</u>

Depreciation amounted to \$2,346 and \$2,470 in 2015 and 2014, respectively.

**CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

Note 6 – Commitments

CUF leases office space under the terms of a lease which expires in 2018. Rent expense related to this lease was \$139,030 and \$135,340 for the years ended December 31, 2015 and 2014, 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 \$52,608 and \$78,740 at December 31, 2015 and 2014, respectively.

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

2016	\$ 145,948
2017	149,330
2018	<u>113,936</u>
	<u>\$ 409,214</u>

CU paid \$34,757 and \$33,835 in rent to CUF in 2015 and 2014, respectively.

Note 7 – Concentrations of support

CUF received \$713,775 and \$597,772 in revenue in 2015 and 2014, 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 63% and 58% of all revenue for the years ended December 31, 2015 and 2014, respectively.

Note 8 – Concentrations of contributions and grants receivable

As of December 31, 2015, pledges from nine donors represented 71% of contributions receivable. Pledges from six donors represented 61% of contributions receivable as of December 31, 2014.

The full balance of grants receivable was from RBC Capital Markets at December 31, 2014.

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 2015 and 2014. Expenses related to retirement contributions were \$15,153 and \$15,009 for the years ended December 31, 2015 and 2014, respectively, and are included in salaries, taxes and benefits.

CITIZENS UNION FOUNDATION OF THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 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.

Note 11 – Donated Services

Certain entities have provided legal services to CUF at no charge. One of these entities valued its services at a level which meets the criteria for recognition in the financial statements and was recorded at fair value of \$483,063 for the year ended December 31, 2015.

Note 12 – Subsequent events

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through April 15, 2016, 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, 2015**

	<u>Gotham Gazette</u>	<u>Other program</u>	<u>General and</u>	<u>Fundraising</u>	<u>Event</u>	<u>Total</u>
	<u>program</u>	<u>activities</u>	<u>administrative</u>		<u>expenses</u>	
Salaries, taxes and benefits	\$ 259,833	\$ 242,583	\$ 53,044	\$ 78,604	\$ -	\$ 634,064
Programs/Events	53	2,912	838	1,569	162,032	167,404
Rent and related expenses	57,002	54,222	11,122	16,684	-	139,030
Professional fees	13,928	47,238	13,054	85,875	-	160,095
Bad debt	-	-	22,825	-	-	22,825
Office expense	5,419	7,339	3,187	9,064	-	25,009
Telephone	4,430	3,398	527	1,164	-	9,519
Depreciation	962	915	188	281	-	2,346
Travel and meetings	1,173	2,638	1,630	2,403	-	7,844
Computer expense	4,500	400	(39)	189	-	5,050
Printing and mailing	(34)	2,029	2,144	1,029	-	5,168
Insurance	3,692	3,512	720	1,081	-	9,005
Postage	718	938	607	825	-	3,088
	<u>\$ 351,676</u>	<u>\$ 368,124</u>	<u>\$ 109,847</u>	<u>\$ 198,768</u>	<u>\$ 162,032</u>	<u>\$ 1,190,447</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, 2014**

	<u>Gotham Gazette</u>	<u>Other program</u>	<u>General and</u>	<u>Fundraising</u>	<u>Event</u>	<u>Total</u>
	<u>program</u>	<u>activities</u>	<u>administrative</u>		<u>expenses</u>	
	\$	\$	\$	\$	\$	\$
Salaries, taxes and benefits	265,082	289,210	54,630	68,062	-	676,984
Programs/Events	7	3,876	206	3,103	141,974	149,166
Rent and related expenses	52,783	58,196	10,827	13,534	-	135,340
Professional fees	30,076	20,971	15,637	1,173	-	67,857
Office expense	6,587	10,496	852	8,759	-	26,694
Telephone	4,788	4,271	506	914	-	10,479
Depreciation	963	1,062	198	247	-	2,470
Travel and meetings	1,332	5,481	1,020	2,900	-	10,733
Computer expense	7,141	3,206	243	759	-	11,349
Printing and mailing	329	2,820	1,293	2,204	-	6,646
Insurance	3,292	3,629	675	844	-	8,440
Postage	588	1,280	286	2,198	-	4,352
	<u>\$ 372,968</u>	<u>\$ 404,498</u>	<u>\$ 86,373</u>	<u>\$ 104,697</u>	<u>\$ 141,974</u>	<u>\$ 1,110,510</u>

See accompanying auditor's report.