

**CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.**

Audited Financial Statements

March 31, 2018

## **Independent Auditor's Report**

To the Board of Directors of  
Citizens' Committee for Children of New York, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Citizens' Committee for Children of New York, Inc. (the "Organization"), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 organization'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 organization'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' Committee for Children of New York, Inc. as of March 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Schall & Ashenfarb*

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Schall & Ashenfarb  
Certified Public Accountants, LLC

September 17, 2018

**CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT MARCH 31, 2018**

**Assets**

Cash and cash equivalents	\$1,337,693
Investments (Note 3)	2,003,138
Contributions receivable	161,115
Prepaid expenses and other assets	169,334
Cash held for security deposit	164,338
Fixed assets, net (Note 4)	<u>259,125</u>
 Total assets	 <u><u>\$4,094,743</u></u>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable and accrued expenses	127,730
Conditional contributions (Note 5)	709,585
Deferred rent	197,575
Other liabilities	<u>28,584</u>
Total liabilities	<u>1,063,474</u>
Net assets:	
Unrestricted	3,009,304
Temporarily restricted (Note 6)	<u>21,965</u>
Total net assets	<u>3,031,269</u>
 Total liabilities and net assets	 <u><u>\$4,094,743</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$1,396,594	\$245,000	\$1,641,594
Special event income (net of expenses with a direct benefit to donors (Note 7))	1,431,647		1,431,647
In-kind contributions	90,000		90,000
Investment income (Note 3)	189,812		189,812
Other income	37,090		37,090
Net assets released from restriction	351,665	(351,665)	0
Total public support and revenue	<u>3,496,808</u>	<u>(106,665)</u>	<u>3,390,143</u>
Expenses:			
Program services:			
Policy and advocacy	1,117,295		1,117,295
Information and education	1,655,107		1,655,107
Total program services	<u>2,772,402</u>	<u>0</u>	<u>2,772,402</u>
Supporting services:			
Management and general	308,048		308,048
Fundraising	361,271		361,271
Total supporting services	<u>669,319</u>	<u>0</u>	<u>669,319</u>
Total expenses	<u>3,441,721</u>	<u>0</u>	<u>3,441,721</u>
Change in net assets	55,087	(106,665)	(51,578)
Net assets - beginning of year	<u>2,954,217</u>	<u>128,630</u>	<u>3,082,847</u>
Net assets - end of year	<u><u>\$3,009,304</u></u>	<u><u>\$21,965</u></u>	<u><u>\$3,031,269</u></u>

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**CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Program Services			Supporting Services			Total Expenses
	Policy and Advocacy	Information and Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$467,841	\$815,276	\$1,283,117	\$43,734	\$159,019	\$202,753	\$1,485,870
Payroll taxes and benefits	107,390	293,745	401,135	13,980	36,125	50,105	451,240
Professional fees and consultants including in-kind)	254,609	171,353	425,962	157,323	46,868	204,191	630,153
Occupancy	164,674	96,046	260,720	6,395	7,341	13,736	274,456
Travel and meetings	14,314	32,033	46,347	2,193	1,012	3,205	49,552
Supplies and office expenses	20,099	51,763	71,862	3,148	7,930	11,078	82,940
Equipment maintenance and repairs	34,796	60,460	95,256	1,157	1,735	2,892	98,148
IT and telecommunication	7,299	4,257	11,556	3,395	367	3,762	15,318
Indirect fundraising event expenses (Including in-kind)			0		81,469	81,469	81,469
Insurance	6,441	3,757	10,198	215	322	537	10,735
Dues and subscriptions	11,847	18,470	30,317	716	7,436	8,152	38,469
Bank processing and investment fees			0	43,217		43,217	43,217
Other expenses	6,522	17,179	23,701	9,548	10,577	20,125	43,826
Bad debt expenses			0	19,450		19,450	19,450
Depreciation and amortization	21,463	90,768	112,231	3,577	1,070	4,647	116,878
<b>Total expenses</b>	<b>\$1,117,295</b>	<b>\$1,655,107</b>	<b>\$2,772,402</b>	<b>\$308,048</b>	<b>\$361,271</b>	<b>\$669,319</b>	<b>\$3,441,721</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

Cash flows from operating activities:	
Change in net assets	(\$51,578)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	116,878
Realized and unrealized gain on investments	(152,085)
Changes in assets and liabilities:	
Contributions receivable	56,329
Prepaid expenses and other assets	(34,203)
Cash held for security deposit	(66)
Accounts payable and accrued expenses	(56,184)
Conditional contributions	485,676
Deferred rent	13,430
Other liabilities	<u>(15,845)</u>
Net cash flows provided by operating activities	<u>362,352</u>
Cash flows from investing activities:	
Transfers to cash account	50,000
Purchases of investments (including reinvested income)	<u>(41,573)</u>
Net cash flows provided by investing activities	<u>8,427</u>
Net increase in cash and cash equivalents	370,779
Cash and cash equivalents - beginning of year	<u>966,914</u>
Cash and cash equivalents - end of year	<u><u>\$1,337,693</u></u>
Supplemental information:	
Interest and taxes paid	<u><u>\$0</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**Note 1 - Nature of the Organization**

Citizens' Committee for Children of New York, Inc. (the "Organization") is a nonpartisan child advocacy organization that educates and mobilizes New Yorkers to make the city a better place for children. The Organization's advocacy combines public policy research and data analysis with citizen action. The Organization casts light on the issues, educates the public, engages allies, and identifies and promotes practical solutions to ensure that every New York City child is healthy, housed, educated and safe.

The Organization has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which, is the process of recording revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

The Organization reports information regarding their financial position and activities in the following classes of net assets:

- *Unrestricted* – relates to all activity without donor imposed restrictions. The board has designated \$2,167,476 of unrestricted net assets as an internal source of funds to secure the long-term stability of the Organization.
- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to a program nature or by passage of time.
- *Permanently restricted* – relates to contributions of cash and other assets whereby the assets must remain intact due to restrictions placed by the donor. There was no permanently restricted activity or net assets at March 31, 2018.

c. Revenue Recognition

Contributions are recorded as revenue at the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the temporarily restricted class of net assets. All other contributions are recorded as unrestricted. When restricted contributions are satisfied in the same year the donation was received, they are recorded as unrestricted.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discount rate. Conditional contributions are recognized as income when the conditions have been substantially met.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes.

e. Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist of cash accounts and investments, which have been placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of the Organization. At times, balances may exceed federally insured limits. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the Organization has not experienced any losses due to bank failure.

f. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

g. Allowance for Doubtful Accounts

At March 31, 2018, all receivables are expected to be collected within one year. Based on a review of specific accounts and analyzing historical trends, management has deemed that no allowance for doubtful accounts is necessary. Write-offs, if any, will be recorded as expenses in the year they are deemed to be uncollectible.

h. Fixed Assets

Fixed assets, consisting of furniture, office equipment and leasehold improvements, are capitalized in the year acquired and are carried at cost, if purchased, or fair value, if donated. Depreciation and amortization is computed over the estimated useful lives of the assets or life of the lease using the straight-line method. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expense as incurred.

i. Deferred Rent

The Organization recognizes rent expense evenly over the life of the lease using the straight-line method and records deferred rent for the cumulative amount that expenses exceed actual payments. In the latter stages of the lease, deferred rent will be reduced as the amount of payments exceeds the expense recorded.

j. In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not

provided in-kind. During the year ended March 31, 2018, the Organization received \$80,000 of in-kind professional fees and \$10,000 of in-kind event expenses.

The Organization pays for most services requiring specific expertise. Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria of in-kind services and have not been recorded in the financial statements.

k. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but to provide for the overall support and direction of the Organization.

m. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending March 31, 2015 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through September 17 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

o. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the March 31, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the March 31, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the March 31, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

**Note 3 - Investments**

Accounting standards establish a fair value hierarchy giving the highest priority to quoted market prices and the lowest priority to unobservable data. All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets. The following summarizes the composition of investments at March 31, 2018:

Money market funds and other cash	\$5,499
Mutual funds – fixed income	748,705
Mutual funds – fixed income	459,659
Equity securities	<u>789,275</u>
	<u>\$2,003,138</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

The following summarizes investment income for the year:

Unrealized gain	\$82,120
Realized gain	69,965
Interest and dividends	<u>37,727</u>
Total investment gain	<u>\$189,812</u>

**Note 4 - Fixed Assets**

Fixed assets at March 31, 2018 consist of:

	<u>Total</u>	<u>Useful Life</u>
Computers, equipment, and website	\$354,161	3 – 5 years
Furniture and fixtures	86,905	7 years
Leasehold improvements	<u>56,331</u>	Life of lease
	497,397	
Less: accumulated depreciation and amortization	<u>(238,272)</u>	
Total fixed assets	<u>\$259,125</u>	

**Note 5 - Conditional Contributions**

Conditional contributions at March 31, 2018 consist of receipts that are conditional on the April 2018 fundraising event.

**Note 6 - Temporarily Restricted Net Assets**

The following summarizes the activity of temporarily restricted net assets:

	<u>March 31, 2018</u>			
	Balance <u>4/1/17</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>3/31/18</u>
Child Welfare/Juvenile Justice	\$103,630	\$245,000	(\$326,665)	\$21,965
Time restricted	<u>25,000</u>	<u>0</u>	<u>(25,000)</u>	<u>0</u>
Total	<u>\$128,630</u>	<u>\$245,000</u>	<u>(\$351,665)</u>	<u>\$21,965</u>

**Note 7 - Special Events**

A summary of the special events proceeds is as follows:

	<u>March 31, 2018</u>		
	<u>Spring</u>	<u>Fall</u>	<u>Total</u>
Gross revenue	\$1,017,443	\$613,114	\$1,630,557
Less: expenses with a direct benefit to donor	<u>(126,330)</u>	<u>(72,580)</u>	<u>(198,910)</u>
	891,113	540,534	1,431,647
Less: other event expenses	<u>(47,208)</u>	<u>(34,261)</u>	<u>(81,469)</u>
Total	<u>\$843,905</u>	<u>\$506,273</u>	<u>\$1,350,178</u>

**Note 8. Commitments**

In July 2014, the Organization entered into a non-cancellable operating lease agreement for office space that expires in February 2025. The Organization received an irrevocable standby letter of credit for \$164,082 from a bank in connection with the security deposit required on this lease. A savings account was opened with the bank for this purpose. The letter has an expiration date of July 15, 2018 with an automatic extension (without written amendment) for one year on an annual basis. The final expiration date of the automatic extension is November 30, 2024. As no drawdowns have been made on this letter of credit during the year, the full amount is outstanding at year end.

Minimum lease commitments are summarized as follows:

Year ending:	March 31, 2019	\$265,600
	March 31, 2020	273,174
	March 31, 2021	290,286
	March 31, 2022	297,543
	March 31, 2023	304,982
	Thereafter	<u>605,716</u>
Total		<u>\$2,037,307</u>

Rent expense charged to operations was \$258,000 for the year ended March 31, 2017.

**Note 9 - Retirement Plan**

The Organization offers a defined contribution retirement benefit plan for all employees who are over 21 years of age and have been in the employment of the Organization for at least 1 year. Under the plan, participating employees contribute 2% of their compensation and the Organization contributes 5% of the eligible employees' compensation. Contributions by the Organization to the plan are fully vested and totaled \$65,000 for the year ended March 31, 2018.

The Organization also offers a supplemental retirement annuity plan for all employees. Under this plan, employee contributions are discretionary with no contributions made by the employer.