

EISNERAMPER

CITIZENS BUDGET COMMISSION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020



CITIZENS BUDGET COMMISSION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Citizens Budget Commission, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Citizens Budget Commission, Inc. ("CBC"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens Budget Commission, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CBC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CBC's ability to continue as a going concern for one year after the date that the financial statements are issued.



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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CBC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CBC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
September 15, 2022



CITIZENS BUDGET COMMISSION, INC.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 786,423	\$ 375,020
Contributions receivable, net	141,000	41,650
Investments	10,482,795	9,397,726
Prepaid expenses and other current assets	191,763	130,776
Website costs, net	388	26,154
Property and equipment, net	<u>91,015</u>	<u>102,400</u>
	<u>\$ 11,693,384</u>	<u>\$ 10,073,726</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 63,706	\$ 58,860
Deferred rent obligation	<u>141,662</u>	<u>113,328</u>
Total liabilities	<u>205,368</u>	<u>172,188</u>
Commitments and other uncertainty (see Note I)		
Net assets:		
Without donor restrictions:		
Undesignated and available for general activities	9,168,571	7,476,193
Board-designated fund	<u>2,000,000</u>	<u>2,000,000</u>
Total net assets without donor restrictions	<u>11,168,571</u>	<u>9,476,193</u>
With donor restrictions:		
Purpose restrictions	124,445	124,445
Time restricted for future periods	<u>195,000</u>	<u>300,900</u>
Total net assets with donor restrictions	<u>319,445</u>	<u>425,345</u>
Total net assets	<u>11,488,016</u>	<u>9,901,538</u>
	<u>\$ 11,693,384</u>	<u>\$ 10,073,726</u>

See notes to financial statements.

CITIZENS BUDGET COMMISSION, INC.

Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Public support and revenue:						
Contributions and grants	\$ 935,377	\$ 86,000	\$ 1,021,377	\$ 760,669	\$ 106,000	\$ 866,669
Annual trustee dinner (net of direct benefits to donors of \$31,892 and \$236,046 for 2021 and 2020, respectively)	1,424,538	109,000	1,533,538	843,129	194,900	1,038,029
Net investment income, spending policy	371,539	-	371,539	335,085	-	335,085
Miscellaneous income	12,964	-	12,964	-	-	-
Total public support and revenue before net assets released from restrictions	2,744,418	195,000	2,939,418	1,938,883	300,900	2,239,783
Net assets released from restrictions	300,900	(300,900)	-	902,050	(902,050)	-
Total public support and revenue	3,045,318	(105,900)	2,939,418	2,840,933	(601,150)	2,239,783
Expenses:						
Program services	1,695,475	-	1,695,475	2,023,821	-	2,023,821
General and administrative	332,087	-	332,087	248,174	-	248,174
Fund-raising	288,963	-	288,963	202,013	-	202,013
Total expenses	2,316,525	-	2,316,525	2,474,008	-	2,474,008
Change in net assets before non-operating activities	728,793	(105,900)	622,893	366,925	(601,150)	(234,225)
Non-operating activities:						
Net investment income, net of authorized spending rate (see Note C)	963,585	-	963,585	730,834	-	730,834
Change in net assets	1,692,378	(105,900)	1,586,478	1,097,759	(601,150)	496,609
Net assets, beginning of year	9,476,193	425,345	9,901,538	8,378,434	1,026,495	9,404,929
Net assets, end of year	<u>\$ 11,168,571</u>	<u>\$ 319,445</u>	<u>\$ 11,488,016</u>	<u>\$ 9,476,193</u>	<u>\$ 425,345</u>	<u>\$ 9,901,538</u>

See notes to financial statements.

CITIZENS BUDGET COMMISSION, INC.

**Statement of Functional Expenses
Year Ended December 31, 2021**

(with summarized financial information for 2020)

	Program Services			Supporting Services			Totals	
	Research	Public Information	Total	General and Administrative	Fund-Raising	Total	2021	2020
Salary, payroll taxes and employee benefits	\$ 936,067	\$ 282,027	\$ 1,218,094	\$ 174,976	\$ 148,138	\$ 323,114	\$ 1,541,208	\$ 1,714,670
Occupancy	184,168	54,631	238,799	34,175	28,085	62,260	301,059	284,265
Professional fees	-	-	-	40,460	-	40,460	40,460	69,480
Consultants	17,024	67,087	84,111	64,011	96,829	160,840	244,951	228,062
Office supplies and expenses	13,632	4,168	17,800	2,591	2,140	4,731	22,531	4,453
Newspapers and publications	13,370	-	13,370	704	-	704	14,074	13,993
Telephone	1,334	1,006	2,340	625	516	1,141	3,481	9,135
Computer technology and software	30,168	5,399	35,567	3,356	2,772	6,128	41,695	7,576
Printing and reproduction	502	6,532	7,034	1,005	2,010	3,015	10,049	9,965
Travel and entertainment	2,126	650	2,776	404	334	738	3,514	4,978
Postage	91	1,183	1,274	182	364	546	1,820	1,835
Maintenance service contracts	934	286	1,220	178	147	325	1,545	1,928
Dues and conferences	-	1,708	1,708	-	-	-	1,708	2,424
Catering, space rental, and other event related expenses	-	6,301	6,301	-	31,892	31,892	38,193	257,472
Depreciation and amortization	22,477	6,873	29,350	4,272	3,529	7,801	37,151	50,828
Website maintenance	6,545	2,540	9,085	1,269	896	2,165	11,250	17,875
Bad debt expense	-	-	-	-	-	-	-	16,000
Miscellaneous	20,406	6,240	26,646	3,879	3,203	7,082	33,728	15,115
Total expenses	1,248,844	446,631	1,695,475	332,087	320,855	652,942	2,348,417	2,710,054
Less: direct benefits to donors	-	-	-	-	(31,892)	(31,892)	(31,892)	(236,046)
Total expenses per statements of activities	\$ 1,248,844	\$ 446,631	\$ 1,695,475	\$ 332,087	\$ 288,963	\$ 621,050	\$ 2,316,525	\$ 2,474,008

See notes to financial statements.

CITIZENS BUDGET COMMISSION, INC.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services			Supporting Services			Total Expenses
	Research	Public Information	Total	General and Administrative	Fund-Raising	Total	
Salary, payroll taxes and employee benefits	\$ 1,212,019	\$ 349,084	\$ 1,561,103	\$ 88,102	\$ 65,465	\$ 153,567	\$ 1,714,670
Occupancy	182,690	59,139	241,829	18,584	23,852	42,436	284,265
Professional fees	-	-	-	69,480	-	69,480	69,480
Consultants	27,041	60,028	87,069	39,610	101,383	140,993	228,062
Office supplies and expenses	2,840	938	3,778	293	382	675	4,453
Newspapers and publications	13,293	-	13,293	700	-	700	13,993
Telephone	5,943	1,863	7,806	592	737	1,329	9,135
Computer technology and software	4,832	1,595	6,427	498	651	1,149	7,576
Printing and reproduction	498	6,478	6,976	996	1,993	2,989	9,965
Travel and entertainment	3,511	873	4,384	302	292	594	4,978
Postage	92	1,193	1,285	183	367	550	1,835
Maintenance service contracts	1,229	406	1,635	127	166	293	1,928
Dues and conferences	1,546	511	2,057	159	208	367	2,424
Catering, space rental, and other event related expenses	-	21,426	21,426	-	236,046	236,046	257,472
Depreciation and amortization	31,929	10,542	42,471	4,058	4,299	8,357	50,828
Website maintenance	10,397	4,037	14,434	2,017	1,424	3,441	17,875
Miscellaneous	-	-	-	16,000	-	16,000	16,000
	<u>5,900</u>	<u>1,948</u>	<u>7,848</u>	<u>6,473</u>	<u>794</u>	<u>7,267</u>	<u>15,115</u>
Total expenses							
Less: direct benefits to donors	1,503,760	520,061	2,023,821	248,174	438,059	686,233	2,710,054
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(236,046)</u>	<u>(236,046)</u>	<u>(236,046)</u>
Total of expenses per statements of activities							
	<u>\$ 1,503,760</u>	<u>\$ 520,061</u>	<u>\$ 2,023,821</u>	<u>\$ 248,174</u>	<u>\$ 202,013</u>	<u>\$ 450,187</u>	<u>\$ 2,474,008</u>

See notes to financial statements.

CITIZENS BUDGET COMMISSION, INC.**Statements of Cash Flows**

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,586,478	\$ 496,609
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,151	50,828
Bad debt expense	-	16,000
Net realized and unrealized gains on investments	(1,156,191)	(906,862)
Amortization of deferred rent obligation	28,334	113,328
Changes in:		
Contributions receivable	(99,350)	13,850
Prepaid expenses and other current assets	(60,987)	50,567
Accounts payable and accrued expenses	4,846	(33,755)
Net cash provided by (used in) operating activities	<u>340,281</u>	<u>(199,435)</u>
Cash flows from investing activities:		
Purchases of investments	(2,537,991)	(1,304,988)
Proceeds from sales of investments	2,609,113	1,396,000
Purchases of property and equipment	-	(15,248)
Net cash provided by investing activities	<u>71,122</u>	<u>75,764</u>
Change in cash and cash equivalents	411,403	(123,671)
Cash and cash equivalents, beginning of year	<u>375,020</u>	<u>498,691</u>
Cash and cash equivalents, end of year	<u>\$ 786,423</u>	<u>\$ 375,020</u>

See notes to financial statements.

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Citizens Budget Commission, Inc. ("CBC"), incorporated in New York in 1932, is a nonpartisan, not-for-profit civic organization devoted to influencing constructive change in the finances and services of the governments of New York City (the "City") and New York State (the "State").

CBC was founded during a time of great fiscal crisis, when a group of civic leaders formed a research organization that would analyze the City's finances, evaluate the management of City government, report on these matters to its members, and recommend improvements to municipal officials. In 1985, CBC expanded this analysis to include the fiscal affairs of State government.

CBC's pursuit of its mission is embodied in four interrelated roles: watchdog, research organization, monitor of implementation, and disseminator of information. CBC is funded primarily by contributions, special events, and investment income.

CBC is incorporated as a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws.

[2] Basis of accounting:

The financial statements of CBC have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

[4] Cash and cash equivalents:

For financial-reporting purposes, CBC considers all highly liquid instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

[5] Investments:

CBC's investments in mutual funds are reported at their fair values in the statements of financial position based on quoted market prices.

CBC's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless the use of which is restricted through donor restrictions. Realized gains and losses on investments are determined by comparison of the cost to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing each investments' cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

CBC's policy is to sell donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities received, and the proceeds generated from their sale, are included within operating activities. Donated securities are recorded at their estimated fair values on the dates of donation.

CBC has a spending-rate policy for the management of its portfolio, whereby 4% of the average fair value of the portfolio at each December 1st of the previous three most recent years is made available to accomplish CBC's mission.

[6] Property, equipment, and website costs:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation, net of accumulated depreciation and amortization. CBC capitalizes items of property and equipment that have a cost of \$2,500 or more and a useful life greater than one year, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of furniture and equipment is provided using the straight-line method over three to seven years, the estimated useful life of the related assets, respectively. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Website costs related to data consulting services, site configuration and infrastructure, and conceptual design are capitalized. Costs relating to operation and content are expensed as incurred. Capitalized website costs are amortized over a five-year expected life using the straight-line method. At each year-end, capitalized website costs were presented, net of accumulated amortization of \$323,901 and \$298,135, respectively, in the accompanying statements of financial position.

Management evaluates the recoverability of investments in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. There were no triggering events during 2021 or 2020 requiring management to test for impairment adjustments to property and equipment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Deferred rent obligation:

Rent expense is recognized using the straight-line method over the term of the lease. The difference between rent expense incurred and rental amounts actually paid, which is attributed to scheduled rent increases and a rent abatement, is reported as a deferred rent obligation in the statements of financial position.

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Net assets:

The net assets of CBC and the changes therein are classified and reported as follows:

(i) *Net assets without donor restrictions - undesignated and available for general activities:*

CBC's net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are available for current operations.

(ii) *Net assets without donor restrictions - Board-designated:*

The Board of Trustees has designated a portion of net assets without donor restrictions to be known as the Frank P. Smeal Research and Development Fund. Its purpose is to protect the independence of CBC and to expand its activities. The Fund is to be used and distributed as determined from time to time by the Board's Executive Committee.

(iii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or a specific period of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions." It is CBC's policy to report contributions subject to donor restrictions, which are received and expended in satisfaction of the restriction in the same year of donation, as net assets without donor restrictions.

[9] Contributions, grants, and special events:

Contributions and grants to CBC are recognized as revenue upon the receipt of either cash or other assets, or of unconditional pledges. Contributions and grants are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions and grants are recorded when the donor's conditions have been met or necessary events take place, and if received in advance, are recognized in the statements of financial position as funds received in advance. Contributions and grants to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Gross proceeds paid by attendees at special events held as fundraising activities represent contribution revenue, as well as the payment of the direct cost of the benefits received by the attendees at the event. Special-event income is reported net of the direct benefits to donors. Special event revenues, other than the contribution portion, are recognized as revenue in the year the special event takes place.

[10] Functional allocation of expenses:

The costs of providing CBC's various programs and the supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs including salaries, payroll taxes and employee benefits, occupancy, and depreciation have been allocated on the basis of time and effort by employees.

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Measure of operations:

CBC includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses earned in excess of, or less than, CBC's authorized spending rate, is recognized as a part of non-operating activities in the statements of activities.

[12] Income tax uncertainties:

CBC is subject to the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income-tax obligations. Because of CBC's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on CBC's financial statements.

[13] Upcoming accounting pronouncements:

(i) *Contributed nonfinancial assets:*

In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

(ii) *Leases:*

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. The standard is effective annual reporting periods beginning after beginning after December 15, 2021. Upon the adoption of the guidance, operating leases are capitalized on the statements of financial position at the present value of lease payments, using the applicable incremental borrowing rate, or a risk-free rate as an alternative to the incremental borrowing rate, at the date of adoption. Management is in the process of assessing the impact of this ASU on the financial statements. Information about the CBC's leases and the timing of those payments is provided in Note I.

CITIZENS BUDGET COMMISSION, INC.

**Notes to Financial Statements
December 31, 2021 and 2020**

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Subsequent events:

CBC evaluated subsequent events through September 15, 2022, which is the date on which the financial statements were available to be issued.

NOTE B - CONTRIBUTIONS RECEIVABLE

At each year-end, contributions receivable are scheduled to be received within one year. CBC periodically assesses collectability of its contribution receivable using management's judgement of potential defaults, which considers factors such as prior collection history, type of contribution, and the nature of fund-raising activity, and provides allowances for anticipated losses, if any, when necessary. During 2021, CBC applied the previously established allowance to those receivables deemed uncollectible and no further reserve was needed at December 31, 2021. At December 31, 2020 CBC had an allowance for doubtful collections of contributions receivable in the amount \$16,000.

NOTE C - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
Bond funds	\$ 4,947,694	\$ 4,868,274	\$ 4,458,351	\$ 4,314,702
Equity funds	<u>5,535,101</u>	<u>1,926,893</u>	<u>4,939,375</u>	<u>2,537,052</u>
	<u>\$ 10,482,795</u>	<u>\$ 6,795,167</u>	<u>\$ 9,397,726</u>	<u>\$ 6,851,754</u>

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2021	2020
Interest and dividends	\$ 178,933	\$ 159,057
Realized gains on investments	14,535	73,887
Unrealized gains on investments	<u>1,141,656</u>	<u>832,975</u>
	1,335,124	1,065,919
Less: investment income recognized under spending policy	<u>(371,539)</u>	<u>(335,085)</u>
Investment income net of authorized spending rate	<u>\$ 963,585</u>	<u>\$ 730,834</u>

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE C - INVESTMENTS (CONTINUED)

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on: (i) quoted prices for similar investments in active markets; or (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

The availability of market data is monitored by CBC's management to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. CBC's investments in mutual funds are classified entirely within Level 1 for 2021 and 2020, respectively.

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 224,548	\$ 224,548
Leasehold improvements	<u>40,000</u>	<u>40,000</u>
	264,548	264,548
Less: accumulated depreciation and amortization	<u>(173,533)</u>	<u>(162,148)</u>
	<u>\$ 91,015</u>	<u>\$ 102,400</u>

CITIZENS BUDGET COMMISSION, INC.

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NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Program-restricted - fellows program	\$ 124,445	\$ 124,445
Restricted for future periods	<u>195,000</u>	<u>300,900</u>
	<u>\$ 319,445</u>	<u>\$ 425,345</u>

During each year, net assets released from restrictions resulted specifically from satisfying prior years' time restrictions of \$300,900 and \$902,050 for 2021 and 2020, respectively.

NOTE F - EMPLOYEE-BENEFIT PLAN

CBC maintains a defined-contribution, retirement plan, established under Section 403(b) of the Code, which covers substantially all employees, each of whom must meet certain eligibility requirements as to age and length of service. Contributions, which are based upon 7% of participants' salaries, were \$51,317 and \$77,288 for 2021 and 2020, respectively.

NOTE G - CREDIT RISK

Financial instruments that potentially subject CBC to concentrations of credit risk consist principally of cash that is deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Coverage, management believes that CBC does not face a significant risk of loss on these accounts that might result from failures of these financial institutions. See also Note A[5].

NOTE H - RELATED-PARTY TRANSACTIONS AND CONCENTRATION OF REVENUE

[1] Related-party transactions:

In September 2019, as further described in Note I[1], a lease was entered into whereby the office space is owned by a privately held real estate firm, of which the Chairman of that entity is a member of the Board of Trustees.

[2] Concentration of revenue:

During 2021 and 2020, approximately 96% and 87%, respectively, of CBC's public support was provided by members of the Board of Trustees, which, as a group, represents a concentration of revenues that may affect CBC's ability to carry out its programs should that level of funding decrease.

CITIZENS BUDGET COMMISSION, INC.

**Notes to Financial Statements
December 31, 2021 and 2020**

NOTE I - COMMITMENTS AND OTHER UNCERTAINTY

[1] Leases:

In September 2019, CBC signed a lease with an effective date of January 2020. The lease has both escalations and fixed rent credits throughout the term of the lease, which expires on April 30, 2030. As discussed in Note A[7], these escalations and credits have been amortized using the straight-line method, which results in an annual expense of approximately \$269,280 through April of 2030, but which differs from cash rental payments, resulting in a deferred rent obligation. Accordingly, the deferred rent obligation reported in the accompanying statements of financial position as of December 31, 2021 and 2020 was \$141,662 and \$113,328, respectively.

For years subsequent to December 31, 2021, the future minimum rental commitments, exclusive of real estate tax escalation charges, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	248,174
2023	255,619
2024	263,288
2025	284,183
Thereafter	<u>1,334,397</u>
	<u>\$ 2,385,661</u>

[2] Other contracts:

In the normal course of business, CBC enters into various contracts for event spaces and for professional and other services, all of which are typically renewable on a year-to-year basis.

[3] Other uncertainty:

The extent of the impact of the coronavirus (“COVID-19”) outbreak on the operational and financial performance of CBC will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on overall support for CBC’s program services, all of which are highly uncertain and cannot be predicted. If support for CBC’s program services are impacted for an extended period, results of operations may be materially adversely affected.

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects CBC's financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 786,423	\$ 375,020
Contributions receivable, net	141,000	41,650
Investments	<u>10,482,795</u>	<u>9,397,726</u>
 Total financial assets available within one year	 <u>11,410,218</u>	 <u>9,814,396</u>
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with purpose restrictions	(124,445)	(124,445)
 Amounts unavailable to management without Board approval:		
Board-designated fund	<u>(2,000,000)</u>	<u>(2,000,000)</u>
 Total amounts unavailable for general expenditure within one year	 <u>(2,124,445)</u>	 <u>(2,124,445)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 9,285,773</u>	 <u>\$ 7,689,951</u>

Liquidity policy:

CBC's liquidity policy is to ensure that CBC operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs. Liquid funds that are without donor restriction will be used to satisfy the minimum liquidity target. Additionally, CBC has Board-designated net assets without donor restrictions that, although CBC doesn't intend to spend for purposes other than those identified, could be used to help manage unanticipated liquidity needs, if needed.