

CITY BUREAU NFP

Report on Audited Financial Statements

December 31, 2019

**MANNING SILVERMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
(847) 459-8850**

**CITY BUREAU NFP
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City Bureau NFP
Chicago, Illinois

We have audited the accompanying financial statements of City Bureau NFP (an Illinois not-for-profit corporation), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities and changes in net assets, 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. These 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 City Bureau NFP as of December 31, 2019 and the results of its activities and changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Manning Silverman & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Manning Silverman & Company
Certified Public Accountants
Lincolnshire, Illinois

November 10, 2020

**CITY BUREAU NFP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

Current Assets:	
Cash	\$ 498,708
Receivables:	
Accounts Receivable	750
Grants Receivable	504,166
Prepaid Expenses and Other	<u>7,021</u>
Total Current Assets	<u>1,010,645</u>
Property and Equipment	
Equipment	3,396
Accumulated Depreciation	<u>(679)</u>
Total Property and Equipment	<u>2,717</u>
Total Assets	<u><u>\$ 1,013,362</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 7,578
Accrued Expenses	<u>19,296</u>
Total Current Liabilities	<u>26,874</u>
Net Assets:	
Without Donor Restrictions	630,932
With Donor Restrictions	<u>355,556</u>
Total Net Assets	<u>986,488</u>
Total Liabilities and Net Assets	<u><u>\$ 1,013,362</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

CITY BUREAU NFP
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support			
Contributions	\$ 48,566	\$ -	\$ 48,566
Grants	<u>613,564</u>	<u>-</u>	<u>613,564</u>
Total Support	<u>662,130</u>	<u>-</u>	<u>662,130</u>
Other Revenue			
Special Events, Net of Direct Expenses of \$17,031	7,744	-	7,744
Program Revenue	92,190	-	92,190
Other Revenue	10,717	-	10,717
Net Assets Released from Restrictions	<u>530,199</u>	<u>(530,199)</u>	<u>-</u>
Total Other Revenue	<u>640,850</u>	<u>(530,199)</u>	<u>110,651</u>
Total Support and Other Revenue	<u>1,302,980</u>	<u>(530,199)</u>	<u>772,781</u>
Expenses			
Program Services	723,235	-	723,235
Supporting Services:			
Management and General	147,843	-	147,843
Fundraising	<u>86,707</u>	<u>-</u>	<u>86,707</u>
Total Supporting Services	<u>234,550</u>	<u>-</u>	<u>234,550</u>
Total Expenses	<u>957,785</u>	<u>-</u>	<u>957,785</u>
Increase (Decrease) in Net Assets	345,195	(530,199)	(185,004)
Net Assets, Beginning of Year	<u>285,737</u>	<u>885,755</u>	<u>1,171,492</u>
Net Assets, End of Year	<u>\$ 630,932</u>	<u>\$ 355,556</u>	<u>\$ 986,488</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**CITY BUREAU NFP
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 394,670	\$ 90,729	\$ 58,974	\$ 149,703	\$ 544,373
Payroll Taxes	31,614	7,268	4,724	11,992	43,606
Employee Benefits	48,419	11,131	7,235	18,366	66,785
Total Salaries and Related Expenses	474,703	109,128	70,933	180,061	654,764
Contract Services	25,571	5,878	3,821	9,699	35,270
Advertising and Promotion	2,447	563	366	929	3,376
Office Expenses	7,712	1,773	1,152	2,925	10,637
Information Technology	8,384	1,927	1,254	3,181	11,565
Dues and Subscriptions	1,729	398	258	656	2,385
Royalties and License Fees	36	8	5	13	49
Occupancy	8,030	1,846	1,200	3,046	11,076
Transportation	15,449	3,551	2,308	5,859	21,308
Travel	22,857	5,255	3,415	8,670	31,527
Conferences and Meetings	6,397	1,471	955	2,426	8,823
Insurance	5,041	1,159	752	1,911	6,952
Bad Debts	1,432	329	214	543	1,975
Journalist Payments	142,955	-	-	-	142,955
Professional Fees	-	14,444	-	14,444	14,444
Depreciation	492	113	74	187	679
Total Expenses	\$ 723,235	\$ 147,843	\$ 86,707	\$ 234,550	\$ 957,785

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**CITY BUREAU NFP
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities	
(Decrease) in Net Assets	\$ (185,004)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	679
Decrease (Increase) in Assets	
Accounts Receivable	3,659
Grants Receivable	103,334
Prepaid Expenses and Other	(5,987)
Increase in Liabilities	
Accounts Payable	1,117
Accrued Expenses	<u>13,464</u>
Net Cash (Used in) Operating Activities	<u>(68,738)</u>
Cash Flows from Investing Activities:	
Purchase of Property and Equipment	<u>(3,396)</u>
Net Cash (Used in) Investing Activities	<u>(3,396)</u>
Net (Decrease) in Cash and Cash Equivalents	(72,134)
Cash and Cash Equivalents, Beginning of Year	<u>570,842</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 498,708</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**CITY BUREAU NFP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 1 – Organization and Nature of Activities

City Bureau NFP (the “Organization”) is an Illinois not-for-profit corporation organized on January 7, 2016 which is focused on producing and distributing quality information about issues affecting the South and West Sides of Chicago, facilitating educational opportunities for journalists of diverse backgrounds, and developing and testing new models of civic journalism.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accounts of the Organization are maintained on the accrual basis. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Property and Equipment

Property and equipment is recorded at historical cost. The Organization capitalizes fixed asset additions over \$2,500. Depreciation is computed using the straight-line method for all property and equipment. The estimated useful lives in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Office Equipment and Furniture	5 - 7

Maintenance and repairs, which neither materially add to the value of property nor appreciably prolong the lives, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statement of activities and changes in net assets.

Depreciation expense was \$679 for the year ended December 31, 2019.

CITY BUREAU NFP
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

Revenue Recognition: Contributions, Grants and Contracts

Contracts and grants are recognized as revenue in the periods in which the contracts or grants are received, at the face amounts stated therein; however, they may be subject to adjustment in subsequent periods. All revenues from contracts or grants are considered to be available for unrestricted use unless specifically restricted as to time or purpose by the respective grantors or contracting agencies. Amounts received that are designated for future periods or are restricted for specific purposes are reported as net assets with donor restrictions that increase those net asset classes. Contract and grant revenues for which time or purpose restrictions expire in the period received are considered to be net assets without donor restrictions.

A restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of grants, pledges and other. The Organization expects all grants, pledges and other receivables to be paid in full by the organizations, governmental and private, from which they are due. Management has evaluated the receivables for the year ended December 31, 2019 and believes that no allowance is necessary. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method has not been materially different from the results that would have been obtained under the allowance method.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Expenses that are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. Certain costs have been allocated among the programs and supporting services benefited based on time devoted to the functional areas and other appropriate methods.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from those estimates.

CITY BUREAU NFP
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements positions taken or expected to be taken in a tax return on a “more likely than not” threshold. The Organization does not believe its financial statements include any uncertain tax positions. The Organization’s income tax filings for the years 2016 and thereafter remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. During 2019 the FASB extended the implementation deadline and the new standard is effective beginning 2020.

Note 3 – Liquidity and Availability of Resources

The Organization has \$646,918 of financial assets available within one year of the statement of financial position date. Net assets of \$355,556 have a time restriction as of December 31, 2019 and are expected to be collected and expended within one year. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization’s financial assets at December 31, 2019, which are available for general expenditure within one year of the statement of financial position and are without donor or other restrictions limiting their use:

Cash	\$ 498,708
Accounts Receivable	750
Grants Receivable	503,016
Less: Time Restriction	<u>(355,556)</u>
Total Available for General Expenditures	<u>\$ 646,918</u>

Note 4 – Conditional Promises to Give

The American Journalism Project made a conditional promise to give of \$983,330 during the year ended December 31, 2019. The promise to give was not recorded in the financial statements at December 31, 2019 because it is conditional subject to the successful completion of milestones set in the success plan of the agreement.

CITY BUREAU NFP
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

Note 5 – Rent

The Organization rented an office facility located at 6100 S. Blackstone Ave, Chicago, Illinois. The lease expired on June 14, 2019. The lease provides for a monthly base rent of \$500 plus an additional \$37.50 for the cost of internet.

In April 2020 the Organization entered into a lease agreement for office space located at 3619 South State Street, Chicago, Illinois. The lease commencement date is August 1, 2020 with a term of 3 years and 2 options to renew for 3 years afterwards. The lease provides for a monthly base rent of \$6,609 plus an additional \$1,851 of common area maintenance payments for a total monthly payment of \$8,460, with a 10% increase for each option to renew if the Organization extends its lease.

The minimum annual rents for leases in effect at December 31, 2019 are as follows:

<u>Year Ended December 31,</u>		
2020	\$	42,300
2021		101,520
2022		101,520
2023		<u>59,220</u>
Total	\$	<u>304,560</u>

Rent expense, including charges for internet, were \$11,076 during 2019.

Note 6 – Net Assets with Restrictions

Net assets with restrictions at December 31, 2019 consist of grants for periods subsequent to the dates of the respective year’s financial statements and grants with time restrictions. Net assets with restrictions at December 31, 2019 are as follows:

Grantor	Beginning Balance	Amount	Expended	Ending Balance
MacArthur Foundation	\$ 600,000	\$ -	\$ 300,000	\$ 300,000
Democracy Fund	188,889		133,333	55,556
Joyce Foundation	96,866		96,866	-
	<u>\$ 885,755</u>	<u>\$ -</u>	<u>\$ 530,199</u>	<u>\$ 355,556</u>

CITY BUREAU NFP
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

Note 7 – Subsequent Events

As of March 2020, a pandemic coronavirus outbreak has hit both the United States and the world at large. A federal emergency has been declared. The effects of the coronavirus pandemic on future revenue flows and operations cannot be determined and is not reflected as part of these financial statements.

During 2020 the Organization received a loan from the Payroll Protection Program for \$125,002 that it expects will be forgiven according to the program's guidelines.

Subsequent events have been evaluated through November 10, 2020 which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition and/or disclosure in the financial statements.