

City Report, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2019



City Report, Inc.
December 31, 2019

Contents

Independent Auditor's Report.....	1
 Financial Statements	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

Board of Directors
City Report, Inc.
New York, New York

We have audited the accompanying financial statements of City Report, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the period of April 1, 2019 through December 31, 2019, 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 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.

Board of Directors
City Report, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Report, Inc.'s as of December 31, 2019, and the changes in its net assets and its cash flows for the period of April 1, 2019 through December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

New York, New York
November 11, 2020

City Report, Inc.
Statement of Financial Position
December 31, 2019

Assets

Cash	\$ 615,883
Contributions receivable, net	2,289,837
Prepaid expenses	<u>11,255</u>
Total assets	<u><u>\$ 2,916,975</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 39,914
Accrued expenses	<u>199,784</u>
Total liabilities	<u>239,698</u>

Net Assets

Without donor restrictions	102,167
With donor restrictions	<u>2,575,110</u>
Total net assets	<u>2,677,277</u>
Total liabilities and net assets	<u><u>\$ 2,916,975</u></u>

City Report, Inc.
Statement of Activities
Nine Months Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 2,660,709	\$ 2,575,110	\$ 5,235,819
In-kind contributions	45,831	-	45,831
	<u>2,706,540</u>	<u>2,575,110</u>	<u>5,281,650</u>
Total revenues and other support			
Expenses			
Program services	1,883,777	-	1,883,777
Management and general	570,691	-	570,691
Fundraising	149,905	-	149,905
	<u>720,596</u>	<u>-</u>	<u>720,596</u>
Total support services			
Total expenses	<u>2,604,373</u>	<u>-</u>	<u>2,604,373</u>
Change in Net Assets	102,167	2,575,110	2,677,277
Net Assets, Beginning of Period	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of Period	<u>\$ 102,167</u>	<u>\$ 2,575,110</u>	<u>\$ 2,677,277</u>

City Report, Inc.
Statement of Functional Expense
Nine Months Ended December 31, 2019

	Program Services	Support Services			Total
	Editorial Program	Management and General	Fundraising	Total Support Services	
Salaries	\$ 1,348,456	\$ 237,562	\$ 71,356	\$ 308,918	\$ 1,657,374
Payroll taxes and benefits	298,454	54,552	15,007	69,559	368,013
Rent	91,100	6,833	3,037	9,869	100,969
Professional services	21,815	194,815	22,114	216,962	238,777
Professional services - in-kind	-	17,586	-	17,586	17,586
Travel	3,848	5,560	1,179	6,739	10,587
Utilities	15,990	2,300	236	2,536	18,526
Conferences, conventions and meetings	1,141	9,710	3,656	13,366	14,507
Dues and subscriptions	-	1,764	-	1,764	1,764
Office expense	35,433	31,120	1,067	32,156	67,589
Information technology	67,540	7,295	4,580	11,874	79,414
Promotional goods	-	-	27,673	27,673	27,673
Insurance	-	1,594	-	1,594	1,594
Total expenses	\$ 1,883,777	\$ 570,691	\$ 149,905	\$ 720,596	\$ 2,604,373

City Report, Inc.
Statement of Cash Flow
Nine Months Ended December 31, 2019

Operating Activities	
Change in net assets	\$ 2,677,277
Changes in	
Contributions receivable, net	(2,289,837)
Prepaid expenses	(11,255)
Accounts payable	39,914
Accrued expenses	199,784
	<hr/>
Net cash provided by operating activities	615,883
	<hr/>
Change in cash	615,883
	<hr/>
Cash, Beginning of Period	-
	<hr/>
Cash, End of Period	<u><u>\$ 615,883</u></u>

City Report, Inc.

Note to Financial Statements

December 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

City Report, Inc. (The City) was founded in February 2018 as a project of Lenfest as further discussed in *Note 8*. As a nonprofit, nonpartisan, digital news platform dedicated to hard-hitting reporting that serves the people of New York, The City produces consistent, high-quality and high-impact accountability reporting. Our work is free to all and does not require a subscription. Instead of charging for access, we rely on the support of members, donors and sponsors.

The City's diverse team of 20 journalists are in all five boroughs, City Hall and Albany producing essential reporting and information — engaging with the city's communities and holding the city's leaders and institutions to account where they are failing to deliver.

These financial statements represent the operations of The City for the period of April 1, 2019 through December 31, 2019.

The City's team:

- Reports across a wide range of topics including education, economy, transportation, health care, housing, justice, elections, environment and climate, public safety, and work.
- Utilizes data to support and drive rigorous journalism.
- Engages with New York's diverse and underserved communities both virtually and face-to-face through initiatives such as the innovative Open Newsroom partnership with the Brooklyn Public Library.
- Produces a morning newsletter that's become a daily must-read for more than 100,000 New Yorkers.

The City is also a resource and partner to other news organizations, collaborating to produce high-quality accountability reporting, and encouraging republication and reuse of our stories throughout the broader nonprofit and for-profit news media ecosystem.

The City measures success through both audience and engagement metrics — and the specific, tangible impact of its reporting. Rapid growth of impact and audience has allowed The City to quickly emerge as a “go-to” essential source of reporting and critical information for New Yorkers.

The City receives extraordinary support from lead founding donors the Charles H. Revson Foundation, Leon Levy Foundation and Craig Newmark Philanthropies and our distinguished Board of Directors. We have raised additional funds from a stellar list of individual and corporate donors. The City also benefits from the valuable advice offered by our Editors' Council.

The City's editorial team is supported by a first-rate team of business and organization-focused colleagues who have established a world-class, technology-enabled media company foundation that propels and amplifies the impact of The City's work.

City Report, Inc.
Note to Financial Statements
December 31, 2019

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At December 31, 2019, The City's cash account exceeded federally insured limits by approximately \$366,000.

Allowance for Doubtful Accounts

The City determines whether an allowance for doubtful collections should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. The City has determined that no allowance for uncollectable accounts for contributions receivable is necessary at December 31, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

City Report, Inc.
Note to Financial Statements
December 31, 2019

Contributions

Contributions are provided to the City either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on The City overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

City Report, Inc.
Note to Financial Statements
December 31, 2019

In-Kind Contributions

In addition to receiving cash contributions, the City received in-kind contributions of donated legal services and office supplies. It is the policy of the City to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year ended December 31, 2019, \$45,831 was received as in-kind contributions.

Income Taxes

The City is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and a similar provision of state law. However, The City is subject to federal income tax on any unrelated business taxable income.

The City files tax returns in the U.S. federal jurisdiction.

Rental Expense

Operating leases are recorded on the straight-line basis over the term of the lease. Deferred rent is recorded where there are differences between the fixed payment and the rent expense.

Functional Allocation of Expenses

The costs of supporting the program has been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time spent by personnel and other methods.

Note 2: Contributions Receivable

Contributions receivable at December 31, 2019 consisted of the following:

Due within one year	\$ 1,700,000
Due within one to five years	<u>600,000</u>
	2,300,000
Less unamortized discount	<u>10,163</u>
	<u><u>\$ 2,289,837</u></u>

Discounts on contributions receivable ranged from 2.29 percent to 2.41 percent at December 31, 2019.

City Report, Inc.
Note to Financial Statements
December 31, 2019

Note 3: Pension and Other Postretirement Benefit Plans

Defined Contribution Plan

The City has a defined contribution pension plan covering substantially all employees. The Board of Directors annually determines the amount on a discretionary basis, if any, of the City's contributions to the plan. Pension expense was \$77,875 for the nine months ended December 31, 2019.

Note 4: Operating Lease

The City has a noncancelable operating lease for office space expiring April 2020. Subsequent to year end, this lease was extended for an additional fourteen-month period to expire June 2021.

Future minimum lease payments at December 31, 2019, including the lease extension, were:

2020	\$	80,620
2021		36,000
		\$ 116,620

Note 5: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 are restricted for the following purposes or periods:

Restricted for spending in future periods	\$	285,273
Promises receivable that are not restricted by donors but which are not available for expenditure until due		2,289,837
		\$ 2,575,110

City Report, Inc.
Note to Financial Statements
December 31, 2019

Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

Financial assets at year-end	
Cash	\$ 615,883
Contributions receivable, net	<u>2,300,000</u>
Total financial assets at year-end	<u>2,915,883</u>
Less amounts not available to be used within one year	
Contributions receivable due in one to five years net of discount	<u>(589,837)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,326,046</u>

The City manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the City forecasts its future cash flows and monitors its liquidity weekly, and monitors its reserves annually. During nine months ended December 31, 2019, the level of liquidity and reserves was managed within the policy requirements.

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 57 percent of all contributions were received from one donor in 2019.

Note 8: Fiscal Sponsorship Activity

TPF Special Assets Fund dba The Lenfest Institute for Journalism (Lenfest) acted as the fiscal sponsor for The City for the period from inception to May 14, 2020 (Sponsor Period). During the Sponsor Period, Lenfest, as a 501(c)(3) exempt entity, received pledges and grants and made payments related to activity of The City, and held the resulting net assets pending The City's designation as a 501(c)(3). The cash and receivables associated with these assets are included in the audited financial statements of Lenfest and are not included in The City's audited financial statements for the Sponsor Period.

City Report, Inc.
Note to Financial Statements
December 31, 2019

As of December 31, 2018, March 31, 2019, and December 31, 2019, cash held by Lenfest related to activity of The City totaled \$4,281,128, \$2,694,089 and \$3,875,057, respectively. Additionally, as of December 31, 2018, March 31, 2019, and December 31, 2019, amounts receivable under grant and pledge agreements received by Lenfest related to activity of The City totaled \$3,100,000, \$3,700,000 and \$110,000, respectively.

Subsequent to year-end, The City received a settlement from Lenfest of the net assets held as fiscal sponsor. The amount of the settlement was \$3,014,798.

Note 9: Subsequent Events

Subsequent events have been evaluated through November 11, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this this.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act. On April 20, 2020, The City received a loan in the amount of \$457,500 pursuant to the Paycheck Protection Program. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

Note 10: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The City is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.