

City Report, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

City Report, Inc.
December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of City Report, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flow for the years then ended, and the related notes to the financial statements.

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

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City Report, Inc. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 City Report, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities 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 auditor's 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 City Report, Inc.'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 City Report, Inc.'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.

FORVIS,LLP

New York, New York
August 23, 2022

City Report, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 3,812,098	\$ 2,805,070
Contributions receivable	2,719,589	1,501,558
Prepaid expenses	4,807	16,592
Total assets	\$ 6,536,494	\$ 4,323,220
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 51,064	\$ 100,118
Accrued expenses	48,441	166,016
Deferred grant revenue	-	457,500
Total liabilities	99,505	723,634
 Net Assets		
Without donor restrictions	3,951,576	2,598,029
With donor restrictions	2,485,413	1,001,557
Total net assets	6,436,989	3,599,586
Total liabilities and net assets	\$ 6,536,494	\$ 4,323,220

City Report, Inc.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 5,092,722	\$ 2,138,856	\$ 7,231,578
In-kind contributions	30,236	-	30,236
Other revenue	1,076	-	1,076
Net assets released from restriction	655,000	(655,000)	-
	<u>5,779,034</u>	<u>1,483,856</u>	<u>7,262,890</u>
Expenses			
Program services			
Editorial program	3,254,898	-	3,254,898
Supporting services			
Management and general	686,888	-	686,888
Fundraising	483,701	-	483,701
	<u>1,170,589</u>	<u>-</u>	<u>1,170,589</u>
	<u>4,425,487</u>	<u>-</u>	<u>4,425,487</u>
Change in Net Assets	1,353,547	1,483,856	2,837,403
Net Assets, Beginning of Year	<u>2,598,029</u>	<u>1,001,557</u>	<u>3,599,586</u>
Net Assets, End of Year	<u>\$ 3,951,576</u>	<u>\$ 2,485,413</u>	<u>\$ 6,436,989</u>

City Report, Inc.
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 4,923,707	\$ 405,000	\$ 5,328,707
In-kind contributions	13,858	-	13,858
Net assets released from restriction	1,978,553	(1,978,553)	-
Total revenues and other support	6,916,118	(1,573,553)	5,342,565
Expenses			
Program services			
Editorial program	3,259,670	-	3,259,670
Supporting services			
Management and general	808,676	-	808,676
Fundraising	351,910	-	351,910
Total support services	1,160,586	-	1,160,586
Total expenses	4,420,256	-	4,420,256
Change in Net Assets	2,495,862	(1,573,553)	922,309
Net Assets, Beginning of Year	102,167	2,575,110	2,677,277
Net Assets, End of Year	\$ 2,598,029	\$ 1,001,557	\$ 3,599,586

City Report, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Supporting Services			Total
	Editorial Program	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,145,855	\$ 258,930	\$ 310,855	\$ 569,785	\$ 2,715,640
Payroll taxes and benefits	646,313	73,147	86,783	159,930	806,243
Rent	61,581	4,602	5,917	10,519	72,100
Professional services	162,025	259,644	33,864	293,508	455,533
Professional services - in-kind	-	30,236	-	30,236	30,236
Travel	9,296	107	1,096	1,203	10,499
Utilities	27,352	2,388	3,141	5,529	32,881
Conferences, conventions and meetings	7,667	3,573	7,064	10,637	18,304
Dues and subscriptions	931	695	607	1,302	2,233
Office expense	23,046	20,904	1,340	22,244	45,290
Information technology	170,832	12,914	16,204	29,118	199,950
Promotional goods	-	-	16,830	16,830	16,830
Insurance	-	19,748	-	19,748	19,748
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,254,898</u>	<u>\$ 686,888</u>	<u>\$ 483,701</u>	<u>\$ 1,170,589</u>	<u>\$ 4,425,487</u>

City Report, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>Editorial Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 2,308,022	\$ 345,248	\$ 218,745	\$ 563,993	\$ 2,872,015
Payroll taxes and benefits	540,825	71,600	46,163	117,763	658,588
Rent	82,025	6,165	5,630	11,795	93,820
Professional services	87,403	299,663	30,953	330,616	418,019
Professional services - in-kind	-	13,858	-	13,858	13,858
Travel	4,398	-	-	-	4,398
Utilities	25,624	2,474	2,267	4,741	30,365
Conferences, conventions and meetings	409	934	218	1,152	1,561
Dues and subscriptions	432	1,165	-	1,165	1,597
Office expense	25,420	17,369	883	18,252	43,672
Information technology	185,112	28,851	7,349	36,200	221,312
Promotional goods	-	-	39,702	39,702	39,702
Insurance	-	21,349	-	21,349	21,349
	<u>\$ 3,259,670</u>	<u>\$ 808,676</u>	<u>\$ 351,910</u>	<u>\$ 1,160,586</u>	<u>\$ 4,420,256</u>
Total expenses					

City Report, Inc.
Statements of Cash Flow
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 2,837,403	\$ 922,309
Changes in		
Contributions receivable	(1,218,031)	788,279
Prepaid expenses	11,785	(5,337)
Accounts payable	(49,054)	60,204
Accrued expenses	(117,575)	(33,768)
Deferred grant revenue	(457,500)	457,500
Net cash provided by operating activities	1,007,028	2,189,187
Change in Cash	1,007,028	2,189,187
Cash, Beginning of Year	2,805,070	615,883
Cash, End of Year	\$ 3,812,098	\$ 2,805,070

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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 nonprofit, nonpartisan, digital news platform dedicated to hard-hitting reporting that serves the people of New York, The City produces consistent accountable reporting. The City's work is free to all and does not require a subscription. Instead of charging for access, The City relies 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.

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. Sustained year-on-year growth in audience and impact has allowed The City to emerge as a “go-to” essential source of reporting and critical information for New Yorkers.

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

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

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021, The City’s cash account exceeded federally insured limits by approximately \$3,562,000.

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, 2021 and 2020.

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.

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

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Nature of the Gift	Value Recognized
<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 statement 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.

In-Kind Contributions

In addition to receiving cash contributions, The City received in-kind contributions of donated legal services. 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 years ended December 31, 2021 and 2020, \$30,236 and \$13,858, respectively, 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.

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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 statement of activities. The statement of functional expenses presents 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, 2021 and 2020 consisted of the following:

	2021	2020
Due within one year	\$ 1,734,175	\$ 1,155,000
Due within one to five years	1,000,000	350,000
	2,734,175	1,505,000
Less unamortized discount	(14,586)	(3,442)
	\$ 2,719,589	\$ 1,501,558

Discounts on contributions receivable ranged from .14% to 1.52% at December 31, 2021 and 2020.

Note 3: Deferred Grant Revenue

The City received a Paycheck Protection Program (PPP) loan established by the *Coronavirus Aid, Relief, and Economic Security Act* and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements, and incurring eligible expenditures. On April 20, 2020, The City received a loan in the amount of \$457,500. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

The City received forgiveness of the \$457,500 in 2021 and the amount was recognized as revenue.

On March 14, 2021, The City receive a second loan in the amount of \$529,800. The City used all of the proceeds to make eligible payments and received forgiveness of the \$529,800. The amount was recognized as revenue.

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 4: 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 \$74,129 and \$74,865 for the years ended December 31, 2021 and 2020, respectively.

Note 5: Operating Lease

The City has a noncancelable operating lease for office space expiring January 2022. Subsequent to the expiration of the lease, The City continued the lease on a month-to-month basis.

Future minimum lease payments at December 31, 2021 were:

2022	<u>\$ 6,000</u>
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Note 6: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose		
2021 election coverage	\$ -	\$ 100,000
Subject to the passage of time		
Promises receivable that are not restricted by donors but which are not available for expenditure until due	2,485,413	901,557
	\$ 2,485,413	\$ 1,001,557

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
2021 election coverage	\$ 100,000	\$ -
Expiration of time restrictions	<u>555,000</u>	<u>1,978,553</u>
	<u>\$ 655,000</u>	<u>\$ 1,978,553</u>

Note 7: 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash	\$ 3,812,098	\$ 2,805,070
Contributions receivable	<u>2,719,589</u>	<u>1,501,558</u>
Total financial assets at year-end	<u>6,531,687</u>	<u>4,306,628</u>
Less amounts not available to be used within one year		
Contributions receivable due in one to five years net of discount	<u>(985,414)</u>	<u>(346,558)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,546,273</u>	<u>\$ 3,960,070</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 the years ended December 31, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 8: 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

For the year ended December 31, 2021, approximately 45% of contributions were received from two donors. For the year ended December 31, 2020, approximately 75% of contributions were received from one donor.

Related Party

At December 31, 2021 and 2020, \$200,000 and \$400,000, respectively, of contributions receivable are due from an organization affiliated with a member of the Board of Directors.

Note 9: COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. The shutdown of New York and the persistence of social distancing rules prevented the creation of a sponsored events and associated revenues. Fundraising from foundations and individuals was constrained by the challenges around building new relationships remotely, limiting the effective development of a new donor pipeline and the ongoing cultivation of existing donors. This was partially offset by growth in The City's online contributions during the height of the pandemic in 2020 as The City covered news for the New York City area. In addition, The City secured a reduction in rent payments from its landlord which is effective through 2022. The City also increased its paid time off benefits for its staff during this time. The City established itself as a New York news outlet in part due to its coverage and data tools during the pandemic.

Note 10: Subsequent Events

Subsequent events have been evaluated through August 23, 2022, which is the date the financial statements were available to be issued.

City Report, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 11: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board (FASB) 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 statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement 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, 2023. 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.

Contributed Nonfinancial Assets

On September 17, 2020, FASB issued Accounting Standards Update 2020-07, Topic 958: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The City is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the detail of disclosures in the notes to the financial statements.