
The Civic Federation

Financial Report
September 30, 2024

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Independent Auditor's Report

To the Board of Directors
The Civic Federation

Opinion

We have audited the financial statements of The Civic Federation (the "Federation"), which comprise the statement of financial position as of September 30, 2024 and 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 the Federation as of September 30, 2024 and 2023 and the changes in its net assets, functional expenses, and 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Federation and to meet our 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 the Federation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits 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 audits 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.

To the Board of Directors
The Civic Federation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Federation'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 Federation'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

January 21, 2025

Statement of Financial Position

September 30, 2024 and 2023

	2024	2023
Assets		
Cash	\$ 635,754	\$ 831,749
Investments	4,079,104	3,486,435
Accounts receivable	177,065	75,415
Prepaid expenses and other assets	53,326	54,195
Right-of-use operating lease assets	195,055	291,799
Leasehold improvements and equipment - Net	107,787	163,508
	<u>\$ 5,248,091</u>	<u>\$ 4,903,101</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 12,640	\$ 15,453
Deferred revenue	61,000	-
Accrued wages	422	3,297
Accrued vacation	35,419	18,761
Lease liabilities - Operating	305,551	458,788
	<u>415,032</u>	<u>496,299</u>
Net Assets		
Without donor restrictions:		
Undesignated	753,955	860,367
Board designated	4,079,104	3,486,435
With donor restrictions	-	60,000
	<u>4,833,059</u>	<u>4,406,802</u>
	<u>\$ 5,248,091</u>	<u>\$ 4,903,101</u>

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Membership dues	\$ 364,046	\$ -	\$ 364,046	\$ 481,331	\$ -	\$ 481,331
Contributions	93,861	-	93,861	50,350	-	50,350
In-kind donations	-	-	-	5,286	-	5,286
Grants	21,250	-	21,250	125,000	60,000	185,000
Miscellaneous income	1,713	-	1,713	1,807	-	1,807
Special events	1,168,436	-	1,168,436	1,214,835	-	1,214,835
Net assets released from restrictions	60,000	(60,000)	-	75,000	(75,000)	-
Total revenue	1,709,306	(60,000)	1,649,306	1,953,609	(15,000)	1,938,609
Expenses						
Program services	924,445	-	924,445	872,828	-	872,828
Support services:						
Management and general	584,175	-	584,175	853,028	-	853,028
Fundraising	478,464	-	478,464	448,798	-	448,798
Total expenses	1,987,084	-	1,987,084	2,174,654	-	2,174,654
Decrease in Net Assets - Before other items	(277,778)	(60,000)	(337,778)	(221,045)	(15,000)	(236,045)
Other Items						
Realized gain on investments	291,576	-	291,576	13,245	-	13,245
Dividend and interest income	103,924	-	103,924	68,042	-	68,042
Change in unrealized gain on investments	368,535	-	368,535	370,595	-	370,595
Total other items	764,035	-	764,035	451,882	-	451,882
Increase (Decrease) in Net Assets	486,257	(60,000)	426,257	230,837	(15,000)	215,837
Net Assets - Beginning of year	4,346,802	60,000	4,406,802	4,115,965	75,000	4,190,965
Net Assets - End of year	\$ 4,833,059	\$ -	\$ 4,833,059	\$ 4,346,802	\$ 60,000	\$ 4,406,802

Statement of Functional Expenses

Year Ended September 30, 2024

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and wages	\$ 604,156	\$ 177,205	\$ 273,409	\$ 1,054,770
Employee insurance benefits	58,701	14,924	35,817	109,442
Retirement plan contribution	19,190	3,867	8,356	31,413
Payroll taxes	39,348	11,310	18,187	68,845
Payroll services	-	-	7,705	7,705
Total salaries and related expenses	721,395	207,306	343,474	1,272,175
Management fee	-	75,000	-	75,000
Audiovisual	-	83,331	-	83,331
Award expense	-	3,979	1,621	5,600
Photography	-	2,047	728	2,775
Postage and shipping	17	18	139	174
Printing and publications	91	117	160	368
Travel and transportation	4,411	968	360	5,739
Supplies	-	6,931	1,594	8,525
Miscellaneous	-	424	874	1,298
Bank fees	-	-	9,524	9,524
Depreciation	32,941	4,565	18,215	55,721
Dues and subscriptions	13,588	603	2,404	16,595
Equipment	4,652	1,158	5,212	11,022
Consulting fees	10,944	-	66,381	77,325
Accounting fees	-	-	40,548	40,548
Insurance	-	-	10,708	10,708
Occupational licenses and fees	2,471	-	2,208	4,679
Meals	78	59,615	4,476	64,169
Meetings	2,161	5,401	1,528	9,090
Occupancy	93,017	23,254	49,840	166,111
Provisional labor	-	-	14,657	14,657
Information technology	32,470	2,240	5,544	40,254
Utilities	6,209	1,507	3,980	11,696
Total special event and operating expenses	203,050	271,158	240,701	714,909
Total functional expenses	\$ 924,445	\$ 478,464	\$ 584,175	\$ 1,987,084

Statement of Functional Expenses

Year Ended September 30, 2023

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and wages	\$ 560,754	\$ 130,322	\$ 441,020	\$ 1,132,096
Employee insurance benefits	53,125	9,134	50,675	112,934
Retirement plan contribution	21,336	5,764	20,518	47,618
Payroll taxes	39,762	9,284	31,246	80,292
Payroll services	-	-	7,850	7,850
Total salaries and related expenses	674,977	154,504	551,309	1,380,790
Management fee	-	75,000	-	75,000
Audiovisual	-	89,148	-	89,148
Award expense	-	4,605	967	5,572
Photography	115	2,024	-	2,139
Postage and shipping	-	156	565	721
Printing and publications	-	3,384	4,273	7,657
Travel and transportation	4,877	576	411	5,864
Supplies	40	6,266	4,772	11,078
Miscellaneous	-	995	2,410	3,405
Bad debt expense	-	850	343	1,193
Bank fees	-	-	9,615	9,615
Depreciation	21,222	3,636	14,344	39,202
Dues and subscriptions	10,451	844	3,863	15,158
Equipment	4,048	1,020	4,120	9,188
Consulting fees	35,898	-	11,314	47,212
Accounting fees	-	-	34,643	34,643
Insurance	-	-	8,502	8,502
Occupational licenses and fees	7,416	58	924	8,398
Meals	307	77,046	9,581	86,934
Meetings	318	97	7,230	7,645
Occupancy	77,477	16,080	52,626	146,183
Provisional labor	-	4,730	116,044	120,774
Information technology	24,676	3,042	7,876	35,594
Utilities	11,006	4,737	7,296	23,039
Total special event and operating expenses	197,851	294,294	301,719	793,864
Total functional expenses	\$ 872,828	\$ 448,798	\$ 853,028	\$ 2,174,654

Statement of Cash Flows

Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	\$ 426,257	\$ 215,837
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	55,721	39,202
Bad debt expense	-	1,193
Net change in realized and unrealized investment gains	(660,111)	(383,840)
Change in operating lease	(56,493)	73,338
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(101,650)	76,913
Prepaid expenses and other assets	869	10,343
Accrued and other liabilities	10,970	(73,474)
Deferred revenue	61,000	-
Deferred rent	-	(127,013)
Net cash used in operating activities	(263,437)	(167,501)
Cash Flows from Investing Activities		
Purchases of investments	(4,008,966)	(3,098,814)
Proceeds from sales of investments	4,076,408	3,300,125
Purchase of leasehold improvements and equipment	-	(70,592)
Net cash provided by investing activities	67,442	130,719
Net Change in Cash	(195,995)	(36,782)
Cash - Beginning of year	831,749	868,531
Cash - End of year	\$ 635,754	\$ 831,749

September 30, 2024 and 2023

Note 1 - Nature of Business

The Civic Federation (the "Federation") was founded in 1894 with a mission to provide a citizen agency for promoting efficiency and economy in the organization and management of public business, guarding against wasteful expenditure of public funds and excessive taxes, and furnishing the public with accurate information concerning governmental revenue and expenditures.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Federation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Concentration of Credit Risk

The Federation maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Federation believes it has not experienced any losses in such accounts.

Investments

Investments are recorded at fair value. Interest and dividends and unrealized and realized gains and losses are included in the statement of activities and changes in net assets as increases or decreases in net assets. Gains and losses resulting from the sale of investments are reported in the statement of activities and changes in net assets as of the trade date. Interest and dividend income are recorded on the accrual basis.

Investment securities are classified based on the Federation's intent with respect to holding securities.

Accounts Receivable

The Federation's receivables are primarily contribution receivables related to dues and special events and collected within one year and are stated at net amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible; therefore, an allowance for doubtful accounts has not been recorded.

Grants Receivable

The Federation's grants receivable are composed of grants for use in the Federation's activities. Grants receivable are expected to be collected within three years. Grants receivable as of September 30, 2024 and 2023 were \$0 and \$750, respectively. Management considers all grants receivable collectible; therefore, an allowance for doubtful accounts has not been recorded.

Trustee Pledges Receivable

Unconditional promises to give in the future are reported as revenue and measured at fair value. These contributions are reported as an increase in net assets with donor restrictions. There are no trustee pledges receivable as of September 30, 2024 and 2023.

Investments

The Federation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and materially affect the amounts reported in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Leases

The Federation has an operating lease for office space. The Federation recognizes expense for operating leases on a straight-line basis over the lease term. The Federation made a policy election not to separate lease and nonlease components for office space. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Federation elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for office space.

Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost. Donated assets are recorded at their fair values as of the dates of the gifts. The Federation's policy is to capitalize all fixed assets with a cost greater than \$1,500 and to depreciate the cost over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the terms of the leases or their useful lives, if shorter. Expenditures for maintenance and repairs are generally charged to operating expenses.

When leasehold improvements and equipment are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in the statement of activities and changes in net assets.

Classification of Net Assets

Net assets of the Federation are classified based on the presence or absence of donor-imposed restrictions limiting the Federation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions: Net assets that are not restricted by donors or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Federation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Federation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board primarily for particular functions or activities. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Revenue

The Federation raises revenue through fundraising events, members' dues, grants, contributions, and investment income. Members' dues, grants, and special event revenue are recorded following the guidance for contribution revenue. Revenue from grants and contributions is recognized in the period the commitment for support is obtained. Membership dues and special event revenue are recognized in the period of commitment. Sponsorships received prior to the event are recorded as contributions with donor restrictions, as there is no significant exchange component that comes with sponsorship.

Note 2 - Significant Accounting Policies (Continued)

Unconditional promises to give cash and other assets to the Federation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the gift is received are reported as contributions without donor restrictions in the accompanying financial statements.

Functional Allocation of Expenses

Costs of providing program and support services have been reported on a functional basis in the statement of functional expenses. Costs are charged to program services and support services on an actual basis when available. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Expenses deemed to be indirect, such as professional services, insurance, and supplies, are considered to be management and general unless used specifically by a program. Expenses related to occupancy, such as utilities and depreciation, are allocated based on square footage occupied by each function. Other indirect costs are allocated primarily based on estimates of time and effort of personnel. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Federation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 21, 2025, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Federation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 3 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Federation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Federation’s assets measured at fair value on a recurring basis at September 30, 2024 and 2023 and the valuation techniques used by the Federation to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at September 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at September 30, 2024
U.S. government and agency securities	\$ -	\$ 824,392	\$ 824,392
Money market fund	533,161	-	533,161
Stock - Mutual funds	2,721,551	-	2,721,551
Total assets	\$ 3,254,712	\$ 824,392	\$ 4,079,104

Assets Measured at Fair Value on a Recurring Basis at September 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at September 30, 2023
U.S. government and agency securities	\$ -	\$ 965,916	\$ 965,916
Money market fund	293,886	-	293,886
Stock - Mutual funds	2,226,633	-	2,226,633
Total assets	\$ 2,520,519	\$ 965,916	\$ 3,486,435

Note 4 - Leasehold Improvements and Equipment

Leasehold improvements and equipment are summarized as follows:

	2024	2023	Depreciable Life - Years
Furniture and fixtures	\$ 31,762	\$ 31,762	3-5
Computer equipment and software	242,918	242,918	3-5
Leasehold improvements	366,340	366,340	11
Total cost	641,020	641,020	
Less accumulated depreciation	533,233	477,512	
Net leasehold improvements and equipment	\$ 107,787	\$ 163,508	

Note 4 - Leasehold Improvements and Equipment (Continued)

Depreciation expense for 2024 and 2023 was \$55,721 and \$39,202, respectively.

Note 5 - Leases

The Federation is obligated under operating leases for office space, expiring in July 2026. The right-of-use asset and related lease liability have been calculated using a discount rate of 4.25 percent. The leases require the Federation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$113,291 for 2024 and 2023.

In connection with the operating lease for office space, the Federation was granted lease incentives, including rent abatement. Lease incentives are treated as a reduction of the right-of-use asset and are recognized as a reduction in lease expense on a straight-line basis over the term of the lease.

Future minimum annual commitments under these operating leases are as follows:

Years Ending September 30	Amount
2025	\$ 172,602
2026	145,597
Total	318,199
Less amount representing interest	12,648
Long-term obligations under leases	<u>\$ 305,551</u>

Expenses recognized under these leases for the years ended September 30, 2024 and 2023 consist of the following:

	2024	2023
Lease cost - Operating lease cost	\$ 113,291	\$ 113,291
Other information:		
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	\$ 169,784	\$ 166,967
Right-of-use assets obtained in exchange for new operating lease liabilities	-	-
Weighted-average remaining lease term (years) - Operating leases	2	2.8
Weighted-average discount rate - Operating leases	4.3 %	4.3 %

Note 6 - Retirement Plans

The Federation maintains a qualified simplified employee pension (SEP) plan that covers substantially all employees. Under the plan, the Federation may provide for discretionary contributions in each calendar year, at the discretion of the executive committee, to the individual retirement accounts or individual retirement annuity of the employees. Retirement plan contribution expenses amounted to \$0 for the years ended September 30, 2024 and 2023. The executive committee has ceased funding the SEP plan.

Effective April 1, 2022, the Federation began offering a 401(k) plan to substantially all employees over 21 years of age that have attained 12 months of service. Participants may contribute an annual amount not to exceed the limits imposed by Section 401(k) of the Internal Revenue Code. This plan was implemented to replace the Federation's SEP plan. Expenses for the 401(k) plan amounted to \$34,367 and \$50,744 during the years ended September 30, 2024 and 2023, respectively.

Note 7 - Net Assets

Amounts placed in investment accounts are designated by the board of directors as a long-term reserve fund. Earnings on such investments are available for current operations.

Net assets with donor restrictions represent grants and pledges received for projects that the Federation will be involved with during fiscal years related to the Federation's purpose. Net assets with donor restrictions consisted of the following as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to the passage of time - Motorola Solutions Foundation Grant	\$ -	\$ 60,000

Note 8 - Liquidity and Availability of Resources

The following reflects the Federation's financial assets as of September 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2024</u>	<u>2023</u>
Cash	\$ 635,754	\$ 831,749
Receivables	177,065	75,415
Short-term investments	<u>4,079,104</u>	<u>3,486,435</u>
Financial assets - At year end	4,891,923	4,393,599
Donor-imposed restrictions	-	60,000
Board designations	<u>3,869,104</u>	<u>3,307,648</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,022,819</u>	<u>\$ 1,025,951</u>

The Federation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Federation aims to maintain sufficient liquidity, including cash and short-term investments, on hand to meet six months of normal operating expenses. As part of its liquidity management, the Federation invests cash in various short-term investments, including short-term treasury instruments.

The Federation also realizes there could be unanticipated liquidity needs.