



CITIZENS BUDGET COMMISSION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Citizens Budget Commission, Inc.
New York, New York

We have audited the accompanying statements of financial position of the Citizens Budget Commission, Inc. ("CBC") as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of CBC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of the Citizens Budget Commission, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
June 30, 2011

CITIZENS BUDGET COMMISSION, INC.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 583,167	\$ 222,179
Investments	3,601,206	3,303,195
Contributions receivable	43,000	79,813
Other receivables	10,000	
Prepaid expenses and other current assets	66,026	30,647
Property and equipment, net	<u>39,593</u>	<u>54,939</u>
	<u>\$ 4,342,992</u>	<u>\$ 3,690,773</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 52,808	\$ 50,767
Deferred rent	<u>34,220</u>	<u>77,810</u>
	<u>87,028</u>	<u>128,577</u>
Commitments (Note I)		
Net assets:		
Unrestricted:		
Undesignated, available for general activities	389,263	543,864
Board-designated	<u>3,343,701</u>	<u>2,846,832</u>
Total unrestricted	3,732,964	3,390,696
Temporarily restricted	<u>523,000</u>	<u>171,500</u>
	<u>4,255,964</u>	<u>3,562,196</u>
	<u>\$ 4,342,992</u>	<u>\$ 3,690,773</u>

CITIZENS BUDGET COMMISSION, INC.

Statements of Activities

	Year Ended December 31,					
	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating activities:						
Public support and revenue:						
Contributions	\$ 664,219	\$ 533,000	\$ 1,197,219	\$ 600,750	\$ 201,500	\$ 802,250
Annual trustee dinner (net of direct benefit to donors of \$119,000 and \$116,600 for 2010 and 2009, respectively)	832,200		832,200	784,300		784,300
Investment income, spending policy	128,722		128,722	129,557		129,557
Miscellaneous income	7,876		7,876			
Total public support and revenue before release of restrictions	1,633,017	533,000	2,166,017	1,514,607	201,500	1,716,107
Net assets released from restrictions	181,500	(181,500)	0	119,500	(119,500)	0
Total public support and revenue	1,814,517	351,500	2,166,017	1,634,107	82,000	1,716,107
Expenses:						
Program service	1,245,250		1,245,250	1,147,905		1,147,905
General and administration	204,222		204,222	202,700		202,700
Fund-raising	192,349		192,349	168,595		168,595
Total expenses	1,641,821		1,641,821	1,519,200		1,519,200
Increase in net assets before nonoperating activities	172,696	351,500	524,196	114,907	82,000	196,907
Investment income net of authorized spending rate (see Note B)	169,572		169,572	123,097		123,097
Increase in net assets	342,268	351,500	693,768	238,004	82,000	320,004
Net assets, beginning of year	3,390,696	171,500	3,562,196	3,152,692	89,500	3,242,192
Net assets, end of year	\$ 3,732,964	\$ 523,000	\$ 4,255,964	\$ 3,390,696	\$ 171,500	\$ 3,562,196

See notes to financial statements

CITIZENS BUDGET COMMISSION, INC.

Statement of Functional Expenses

Year Ended December 31, 2010

(with summarized financial information in 2009)

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Totals</u>	
	<u>Research</u>	<u>Public Information</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>2010</u>	<u>2009</u>
Salary, payroll taxes and employee benefits	\$ 513,076	\$ 226,368	\$ 739,444	\$ 74,185	\$ 42,723	\$ 856,352	\$ 759,749
Occupancy	70,240	30,276	100,516	13,288	10,900	124,704	167,752
Professional fees				83,550		83,550	47,281
Consultants	205,639	78,843	284,482	22,412	75,000	381,894	345,269
Office supplies and expenses	5,176	2,079	7,255	667	785	8,707	5,910
Newspapers and publications	4,632		4,632	244		4,876	5,883
Telephone	6,812	2,808	9,620	894	1,070	11,584	11,457
Printing and reproduction	1,025	13,328	14,353	2,051	4,101	20,505	22,366
Travel and entertainment	11,600	2,007	13,607	840	343	14,790	14,805
Messenger service	484	206	690	65	79	834	362
Postage	276	3,589	3,865	575	1,104	5,544	5,528
Maintenance service contracts	4,066	1,727	5,793	546	666	7,005	7,327
Annual dinner expenses in excess of direct benefit to donors					52,516	52,516	38,511
Dues and conferences	667	283	950	90	109	1,149	1,091
Meetings and events		33,890	33,890			33,890	38,318
Depreciation and amortization	10,144	4,236	14,380	1,346	1,623	17,349	13,574
Bad debts expense							18,000
Website design	1,044	405	1,449	203	143	1,795	
Miscellaneous	7,248	3,076	10,324	3,266	1,187	14,777	16,017
	<u>\$ 842,129</u>	<u>\$ 403,121</u>	<u>\$ 1,245,250</u>	<u>\$ 204,222</u>	<u>\$ 192,349</u>	<u>\$ 1,641,821</u>	<u>\$ 1,519,200</u>

See notes to financial statements

CITIZENS BUDGET COMMISSION, INC.

**Statement of Functional Expenses
Year Ended December 31, 2009**

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Research</u>	<u>Public Information</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total</u>
Salary, payroll taxes and employee benefits	\$ 443,836	\$ 182,184	\$ 626,020	\$ 91,617	\$ 42,112	\$ 759,749
Occupancy	96,002	39,603	135,605	16,434	15,713	167,752
Professional fees				47,281		47,281
Consultants	188,232	78,843	267,075	16,694	61,500	345,269
Office supplies and expenses	3,500	1,338	4,838	558	514	5,910
Newspapers and publications	5,589		5,589	294		5,883
Telephone	6,613	2,677	9,290	1,113	1,054	11,457
Printing and reproduction	1,118	14,538	15,656	2,237	4,473	22,366
Travel and entertainment	11,439	2,042	13,481	938	386	14,805
Messenger service	207	86	293	35	34	362
Postage	276	3,593	3,869	553	1,106	5,528
Maintenance service contracts	4,191	1,731	5,922	718	687	7,327
Annual dinner expenses in excess of direct benefit to donors					38,511	38,511
Dues and conferences	624	258	882	107	102	1,091
Meetings and events		38,318	38,318			38,318
Depreciation and amortization	7,841	3,169	11,010	1,317	1,247	13,574
Bad debts expense				18,000		18,000
Miscellaneous	<u>7,135</u>	<u>2,922</u>	<u>10,057</u>	<u>4,804</u>	<u>1,156</u>	<u>16,017</u>
	<u>\$ 776,603</u>	<u>\$ 371,302</u>	<u>\$ 1,147,905</u>	<u>\$ 202,700</u>	<u>\$ 168,595</u>	<u>\$ 1,519,200</u>

CITIZENS BUDGET COMMISSION, INC.

Statements of Cash Flows

	December 31,	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 693,768	\$ 320,004
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loss on disposal of equipment	3,664	
Depreciation and amortization	17,349	13,574
Net realized and unrealized gains on investments	(175,804)	(99,212)
Bad debts expense		18,000
Changes in:		
Contributions receivable	36,813	21,604
Other receivables	(10,000)	3,980
Prepaid expenses and other current assets	(35,379)	273
Accounts payable and accrued expenses	2,041	(15,002)
Deferred rent	<u>(43,590)</u>	<u>(20,550)</u>
Net cash provided by operating activities	<u>488,862</u>	<u>242,671</u>
Cash flows from investing activities:		
Purchases of investments	(122,207)	(153,246)
Purchases of property and equipment	<u>(5,667)</u>	<u>(27,889)</u>
Net cash used in investing activities	<u>(127,874)</u>	<u>(181,135)</u>
Net increase in cash and cash equivalents	360,988	61,536
Cash and cash equivalents, beginning of year	<u>222,179</u>	<u>160,643</u>
Cash and cash equivalents, end of year	<u>\$ 583,167</u>	<u>\$ 222,179</u>
Supplemental disclosures of cash flow information:		
Donated office facilities	\$ 3,600	
Donated services	\$ 36,269	

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2010 and 2009

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

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

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

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

CBC is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of CBC have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

[3] 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, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Functional allocation of expenses:

The costs of providing the various programs and the supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated by management, using appropriate measurement methodologies, among the program, management, and fund-raising areas.

[5] Cash equivalents:

For financial-reporting purposes, CBC considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. At December 31, 2010 and 2009, cash equivalents include investments in money-market funds.

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2010 and 2009

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

[6] Investments:

Mutual funds, consisting of bond and equity funds, are reported at their fair values, as determined by the related investment manager or advisor, with realized and unrealized gains and losses included in the accompanying statements of activities. Donated securities are recorded at their fair values as determined on the dates of donation.

For 2010 and 2009, CBC had a spending-rate policy for the management of its portfolio, whereby 4% of the average fair value of the portfolio at December 1 of the three most recent years was made available to accomplish CBC's mission.

[7] Property and equipment:

Property and equipment are reported at their original costs or, if contributed, at their fair values at the dates of donation. Depreciation is provided over estimated useful lives ranging from three to seven years. Likewise, leasehold improvements are amortized over the terms of the underlying leases. Depreciation and amortization are calculated using the straight-line method.

[8] Net assets:

CBC's net assets and changes therein are classified and reported as follows:

(i) *Unrestricted - Undesignated*

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) *Unrestricted - Board-designated*

The Board of Trustees has designated a portion of unrestricted net assets to be known as the Frank P. Smeal Research and Development Fund. Its purpose is to protect the independence of CBC and to expand its activities. The fund is to be used and distributed as determined from time to time by the Board's Executive Committee.

(iii) *Temporarily restricted*

Temporarily restricted net assets represent those resources that are subject to donor-imposed stipulations that will be met either by actions of CBC or the passage of time. Temporarily restricted contributions received in the same fiscal period in which the restrictions are met are reported as unrestricted.

[9] Contributions and grants:

Contributions and grants are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions and grants are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions and grants are recorded when the specified conditions have been met.

CBC reports contributions and grants in the temporarily restricted net-asset class if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as "net assets released from restrictions."

CITIZENS BUDGET COMMISSION, INC.

**Notes to Financial Statements
December 31, 2010 and 2009**

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

[10] Measure of operations:

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

[11] Income tax uncertainties:

CBC is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of CBC's general tax-exempt status, ASC 740-10-05 has not had, and is not anticipated to have, a material impact on CBC's financial statements.

[12] Fair-value measurements:

CBC is subject to ASC 820-10-05 relating to fair-value measurement. Accordingly, CBC reports a fair-value measurement of all applicable financial assets and liabilities, including investments, pledges and short-term payables.

[13] Subsequent events:

CBC considers all of the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after year-end through the date of the independent auditors' report.

NOTE B - INVESTMENTS

At each year-end, investments in mutual funds consisted of the following categories:

	December 31,			
	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Bond funds	\$ 1,908,340	\$ 1,908,984	\$ 1,783,870	\$ 1,818,443
Stock funds	<u>1,692,866</u>	<u>1,291,890</u>	<u>1,519,325</u>	<u>1,260,224</u>
	<u>\$ 3,601,206</u>	<u>\$ 3,200,874</u>	<u>\$ 3,303,195</u>	<u>\$ 3,078,667</u>

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2010 and 2009

NOTE B - INVESTMENTS (CONTINUED)

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2010	2009
Interest and dividends	\$ 122,490	\$ 153,442
Net unrealized gains on investments	<u>175,804</u>	<u>99,212</u>
	298,294	252,654
Less investment income recognized under spending policy	<u>(128,722)</u>	<u>(129,557)</u>
Investment income net of authorized spending rate	<u>\$ 169,572</u>	<u>\$ 123,097</u>

ASC 820-10-05 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. The types of investments included in Level 1 are exchange-traded equity and debt securities, real estate investment trusts, and actively traded mutual funds and obligations issued by the U.S. government and government agencies.
- Level 2: Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. Level 3 assets include off-shore investments and limited partnerships that cannot be immediately redeemed at or near the year-end.

CBC's investments in mutual funds are classified entirely within Level 1.

NOTE C - CONTRIBUTIONS RECEIVABLE

At each year-end, contributions receivable were estimated to be collected within one year. Based on its prior experience with contributors, for 2009 management had reserved \$18,000 for doubtful collections of a 2007 receivable. This amount was written off in 2010. There was no such reserve for 2010.

CITIZENS BUDGET COMMISSION, INC.

**Notes to Financial Statements
December 31, 2010 and 2009**

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 103,658	\$ 113,379
Website	<u>25,949</u>	<u>25,949</u>
	129,607	139,328
Less accumulated depreciation and amortization	<u>(90,014)</u>	<u>(84,389)</u>
	<u>\$ 39,593</u>	<u>\$ 54,939</u>

Depreciation expense was \$17,349 and \$13,574 for 2010 and 2009, respectively. During 2010, CBC disposed of equipment with a cost basis of \$15,388 and at a loss of \$3,664.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets were categorized as follows:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Program-restricted:		
State Restructuring Project	\$ 60,000	\$ 45,000
Time-restricted	<u>463,000</u>	<u>126,500</u>
	<u>\$ 523,000</u>	<u>\$ 171,500</u>

During each year, net assets were released from restrictions as follows:

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Program-restricted:		
State Restructuring Project	\$ 45,000	\$ 30,000
Pocket guide	10,000	
Time-restricted	<u>126,500</u>	<u>89,500</u>
	<u>\$ 181,500</u>	<u>\$ 119,500</u>

CITIZENS BUDGET COMMISSION, INC.

Notes to Financial Statements December 31, 2010 and 2009

NOTE F - EMPLOYEE BENEFIT PLAN

CBC participates in a defined-contribution 403(b) pension plan, which covers all employees who meet certain age and service requirements. Contributions, which are based upon 7% of salaries, were \$32,559 and \$24,184 for 2010 and 2009, respectively.

NOTE G - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject CBC to concentrations of credit risk consist principally of cash that is deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, management believes that CBC does not face a significant risk of loss on these accounts.

NOTE H - RELATED-PARTY TRANSACTIONS

A member of the Board of Trustees serves as legal counsel to CBC on a pro bono basis. Likewise, his firm provides legal services to CBC on a pro bono basis. In addition, CBC leases its office space from a publicly traded company, of which a member of the Board of Trustees is an executive officer and shareholder.

NOTE I - RENTAL AGREEMENTS

During 2010, CBC was obligated for office space for its New York office under an operating lease that was due to expire in 2011. As a result of a new agreement which took effect at the end of 2010, CBC surrendered the office space for consideration of \$10,000 and signed a new lease that is due to expire in 2016. The remaining deferred rent payable on the old lease was written off. The new office lease is subject to fixed rent credits throughout the life of the lease. These escalations and credits have been accounted for using the straight-line method over the life of the lease, which results in an annual expense of approximately \$205,741 through 2016. A liability for deferred rent payable has been set up for the new lease. CBC also rents a postage meter under a lease that expires in 2013.

For years subsequent to December 31, 2010, the related future minimum rental commitment, exclusive of real estate tax escalation charges, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 176,207
2012	200,300
2013	199,850
2014	218,350
2015 and after	<u>476,400</u>
	<u>\$1,271,107</u>

NOTE J - IN-KIND CONTRIBUTIONS

[1] Donated office facilities:

During 2010, CBC received donated rental space for the use of office space in Albany, New York. The donated space was recorded at its estimated fair value of \$3,600.

CITIZENS BUDGET COMMISSION, INC.

**Notes to Financial Statements
December 31, 2010 and 2009**

NOTE J - IN-KIND CONTRIBUTIONS (CONTINUED)

[2] Donated services:

Contributions of services are recognized by CBC as both revenue and expense in the accompanying statements of activities, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributed legal services were recorded at their fair value of \$36,269.