

CITIZEN UNIVERSITY

Financial Statements

For the Year Ended June 30, 2023

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Independent Auditor's Report

**To the Board of Directors
Citizen University
Seattle, Washington**

Opinion

We have audited the financial statements of Citizen University, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flow for the year 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 Citizen University as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Citizen University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously reviewed Citizen University's financial statements, and our report thereon, dated November 29, 2022, stated we were not aware of any material modifications other than those described in Note 7 that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

2022 Financial Statements Restated

As discussed in Note 7 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.



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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 Citizen University's ability to continue as a going concern for one year after the date that the 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 Citizen University'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 Citizen University'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.

Clark Nuber P.S.

Certified Public Accountants
December 1, 2023

CITIZEN UNIVERSITY

**Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)**

	2023	2022 (as Restated, Note 7)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,833,671	\$ 1,151,637
Current portion of pledges receivable	1,230,000	1,429,000
Operating lease right-of-use asset	28,711	
Prepaid and other current assets		7,800
Total Current Assets	3,092,382	2,588,437
Long-term portion of pledges receivable, net	758,896	649,807
Property and equipment, net	10,234	
Total Assets	\$ 3,861,512	\$ 3,238,244
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 17,312	\$ 16,595
Accrued payroll liabilities	35,189	57,313
Operating lease liability	29,196	
Total Current Liabilities	81,697	73,908
Total Liabilities	81,697	73,908
Net Assets:		
Net assets without donor restrictions	1,610,306	1,085,529
Net assets with donor restrictions	2,169,509	2,078,807
Total Net Assets	3,779,815	3,164,336
Total Liabilities and Net Assets	\$ 3,861,512	\$ 3,238,244

See accompanying notes.

CITIZEN UNIVERSITY

**Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total (as Restated, Note 7)</u>
Support and Revenue:				
Foundation contributions	\$ 419,511	\$ 1,801,664	\$ 2,221,175	\$ 2,665,782
Individual contributions	42,694		42,694	32,340
Fee for service				107,865
Other revenue	11,119		11,119	2,147
Net assets released from restriction	<u>1,710,962</u>	<u>(1,710,962)</u>		
Total Support and Revenue	2,184,286	90,702	2,274,988	2,808,134
Expenses:				
Program services	1,236,343		1,236,343	797,007
Management and general	302,363		302,363	266,946
Fundraising	<u>120,803</u>		<u>120,803</u>	<u>49,895</u>
Total Expenses	1,659,509		1,659,509	1,113,848
Change in Net Assets	524,777	90,702	615,479	1,694,286
Net assets, beginning of year	<u>1,085,529</u>	<u>2,078,807</u>	<u>3,164,336</u>	<u>1,470,050</u>
Net Assets, End of Year	<u>\$ 1,610,306</u>	<u>\$ 2,169,509</u>	<u>\$ 3,779,815</u>	<u>\$ 3,164,336</u>

See accompanying notes.

CITIZEN UNIVERSITY

**Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	Program Services	Supporting Services		2023 Total	2022 Total (as Restated, Note 7)
		Management and General	Fundraising		
Payroll expenses	\$ 866,413	\$ 207,328	\$ 117,470	\$ 1,191,211	\$ 825,023
Event hosting	193,689			193,689	73,475
Staff expenses	58,442	31,179	3,333	92,954	29,879
Contract services	29,321	32,677		61,998	91,430
Facilities and equipment	60,688	4,302		64,990	40,930
Support services	24,653	13,795		38,448	
Business expenses		9,891		9,891	13,563
Operations	3,137	3,191		6,328	33,668
Scholarships					5,880
Total Expenses	\$ 1,236,343	\$ 302,363	\$ 120,803	\$ 1,659,509	\$ 1,113,848

See accompanying notes.

CITIZEN UNIVERSITY

**Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	2023	2022 (as Restated, Note 7)
Cash Flows From Operating Activities:		
Change in net assets	\$ 615,479	\$ 1,694,286
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	2,010	
Change in assets and liabilities:		
Pledges receivable, net	89,911	(1,219,807)
Operating lease liability, net of operating right-of-use asset	485	
Prepaid and other assets	7,800	(7,776)
Accounts payable	717	
Accrued payroll liabilities	(22,124)	52,281
Net Cash Provided by Operating Activities	694,278	518,984
Cash Flows From Investing Activities:		
Purchase of property and equipment	(12,244)	
Net Cash Used in Investing Activities	(12,244)	
Net Change in Cash and Cash Equivalents	682,034	518,984
Cash and cash equivalents, beginning of year	1,151,637	632,653
Cash and Cash Equivalents, End of Year	\$ 1,833,671	\$ 1,151,637

See accompanying notes.

CITIZEN UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Nature of the Organization

Citizen University (the Organization) is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization was incorporated in the state of Washington in 2013 with the mission to build a widespread understanding of citizenship, a belief that democracy matters, and a commitment to participate. The Organization is helping to create a vital, expanding ecosystem of groups, associations, and individuals committed to this ideal.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The financial statements of the Organization are presented on the accrual basis of accounting. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Restricted contributions are reported in the financial statements as increases in net assets without donor restrictions when they are received and used for the restricted purpose in the same year.

Fee for Service Revenue - Fee for service revenue reported in the statement of activities consist of:

Service Contracts - The Organization partners with other organizations who align with the mission to carry out contracted acts of service. These contracts vary in length and revenues are recognized at the time performance occurs.

Public Speaking - The Organization also engages in public speaking contracts when prompted. Revenues are recognized when speeches are conducted.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and certificates of deposits with maturities of three months or less when purchased. At times, the Organization may have deposits in excess of federally insured limits. Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash. At June 30, 2023 and 2022, the Organization had cash deposits with banks in excess of the federally insured limit.

CITIZEN UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 2 - Continued

Pledges Receivable - Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. There was no valuation allowance for pledges receivable for the years ended June 30, 2023 and 2022.

Concentration of Revenues and Related Receivables - Contribution revenue from three and four donors represented 78% and 68% of total revenue and support for the years ended June 30, 2023 and 2022, respectively. Pledge balances from three donors represented 70% and 77% of total pledge receivables at June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses - Expenses consist of the costs related to providing program services, fundraising, and management and general functions. Payroll is allocated based off annual percentages staff spend time on each activity. All other costs are directly charged to the function they benefit.

Use of Estimates - The preparation of financial statements in conformity with United States Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising - Advertising costs are expensed as they are incurred. Advertising costs of \$17,748 and \$4,305 for the years ended June 30, 2023 and 2022, respectively, are included in expenses.

New Accounting Standard - Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC *Topic 840*). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Organization did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability of \$76,849 and a right-of-use asset of \$76,849.

CITIZEN UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 2 - Continued

The Organization determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the balance sheet. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's leases do not provide an implicit rate of return; thus, The Organization uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$5,000.

Subsequent Events - The Organization has evaluated subsequent events through December 1, 2023, the date which the financial statements were available to be issued.

Note 3 - Pledges Receivable

Pledges and accounts receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Pledges receivable expected in less than one year	\$ 1,230,000	\$ 1,429,000
Pledges receivable expected in one to five years	<u>805,000</u>	<u>676,000</u>
	2,035,000	2,105,000
Less present value discount	<u>(46,104)</u>	<u>(26,193)</u>
Total Pledges Receivable, net	<u>\$ 1,988,896</u>	<u>\$ 2,078,807</u>

The present value discount rate is 5.40% and 3.00% for receivables to be collected in one to five years for the years ended June 30, 2023 and 2022, respectively.

CITIZEN UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restriction are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Civic Saturday Fellowship and programs	\$ 509,593	\$ 670,000
Local Civic Collaboratory	131,020	250,000
Youth Collaboratory	350,000	
Citizen Redefined	175,000	
Time restricted	<u>1,003,896</u>	<u>1,158,807</u>
Total Net Assets With Donor Restriction	<u>\$ 2,169,509</u>	<u>\$ 2,078,807</u>

Note 5 - Commitments

Leases - The Organization leases office space under a long-term, noncancelable lease agreement which expires on January 31, 2024. Additionally, the leases include payments for common area maintenance that are considered variable lease payments and are excluded from determining the lease liability.

The components of lease expense for the year ended June 30, 2023 are as follows:

Operating lease cost	\$ 49,569
Variable and other lease costs	<u>10,678</u>
Total Leasing Expense	<u>\$ 60,247</u>

Supplemental cash flow information related to leases as of June 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 49,084
Remaining lease term - operating lease	0.5 years
Discount rate - operating lease	2.79%

Future minimum payments required under the office lease total \$29,400. These future minimum payments less the present value discount of \$204 equal the total operating lease liability of \$29,196 as of the year ended June 30, 2023.

Retirement Plan - The Organization's employees become eligible to participate in the 403(b) retirement plan upon hire. Employee contributions are made in accordance with the provisions of the 403(b) plan. The Organization made employer contributions to the 403(b) plan totaling \$10,254 and \$0 for the years ended June 30, 2023 and 2022.

CITIZEN UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 6 - Liquidity and Availability of Financial Assets

The Organization maintains financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor restrictions.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,833,671	\$ 1,151,637
Current portion of pledge receivables, net	<u>1,230,000</u>	<u>1,429,000</u>
Total financial assets, excluding noncurrent receivables	3,063,671	2,580,637
Less financial assets not available for general expenditure within one year, due to- Net assets restricted for purpose	<u>(1,165,613)</u>	<u>(920,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 1,898,058</u></u>	<u><u>\$ 1,660,637</u></u>

CITIZEN UNIVERSITY

**Notes to Financial Statements
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

Note 7 - Prior Period Restatement

During the year ended June 30, 2023, management discovered that payroll had not been properly accrued for as of the year ended June 30, 2022. The correction of the treatment resulted in a prior period restatement of the financial statements for the year ended June 30, 2022. The impact of the change in treatment is summarized as follows:

	2022		
	as Previously Reported	Restatements	as Restated
Impacted Lines - Statement of Financial Position:			
Current liabilities-			
Accrued payroll liabilities	\$ 25,074	\$ 32,239	\$ 57,313
Total liabilities	41,669	32,239	73,908
Net assets-			
Net assets without donor restrictions	1,117,768	(32,239)	1,085,529
Ending total net assets	3,196,575	(32,239)	3,164,336
Impacted Lines - Statement of Activities:			
Expenses-			
Program services	772,537	24,470	797,007
Management and general	261,788	5,158	266,946
Fundraising	47,284	2,611	49,895
Total expenses	1,081,609	32,239	1,113,848
Change in net assets	1,726,525	(32,239)	1,694,286
Impacted Lines - Statement of Functional Expenses:			
Payroll expenses	792,784	32,239	825,023
Total expenses	1,081,609	32,239	1,113,848
Impacted Lines - Statement of Cash Flows:			
Cash flows from operating activities-			
Change in net assets	1,726,525	(32,239)	1,694,286
Change in assets and liabilities:			
Accrued payroll liabilities	20,042	32,239	52,281