

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Board of Directors
125th Street District Management Association, Inc.

Report on Financial Statements

I have audited the accompanying statement of financial position of 125th Street District Management Association, Inc. as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this included the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of 125th Street District Management Association, Inc. as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, of functional expenses, and of cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



City Island, New York
December 29, 2016

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 178,218	\$ 195,546
Grants receivable	79,687	0
Prepaid expenses	6,317	15,790
Total Current Assets	<u>264,222</u>	<u>211,336</u>
Fixed Assets		
Furniture, equipment and improvements - net of accumulated depreciation of \$68,490 and \$61,967 (Note 2)	16,891	23,414
Other Assets		
Security deposits	15,935	15,935
Lease costs - net of accumulated amortization of \$16,119 and \$13,731	7,761	10,149
Total Other Assets	<u>23,696</u>	<u>26,084</u>
 Total Assets	 <u>\$ 304,809</u>	 <u>\$ 260,834</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 72,345	\$ 59,797
Accrued payroll payable	8,470	5,559
Total Current Liabilities	<u>80,815</u>	<u>65,356</u>
Net Assets		
With donor restrictions	20,000	0
Without donor restrictions	203,994	195,478
Total Net Assets	<u>223,994</u>	<u>195,478</u>
 Total Liabilities and Net Assets	 <u>\$ 304,809</u>	 <u>\$ 260,834</u>

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Support and Revenue		
BID assessments	\$ 1,005,793	\$ 1,005,793
Fundraising and special events	35,700	41,250
Sponsorship fee	10,000	0
Bank interest income	161	162
Other revenue	0	2,365
Grant	49,687	0
Total Support and Revenue	1,101,341	1,049,570
Expenses		
Program services	880,136	848,085
Management and general	212,689	204,956
Total Expenses	1,092,825	1,053,041
Increase (decrease) in net assets without donor restrictions	8,516	(3,471)
Changes in Net Assets with Donor Restrictions		
Sponsorship fee	20,000	0
Increase in net assets with donor restrictions	20,000	0
Change in net assets	28,516	(3,471)
Net assets - Beginning of Year	195,478	198,949
Net assets - End of Year	\$ 223,994	\$ 195,478

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2016

	Program Services	Management & General	Total
Salaries	\$ 199,955	\$ 66,652	\$ 266,607
Payroll taxes and benefits	23,722	7,907	31,629
Sanitation	217,751	24,194	241,945
Holiday lighting	58,160	0	58,160
Fundraising - holiday lighting	0	0	0
Promotion	30,136	10,045	40,181
Banner winners	10,000	0	10,000
Rent and utilities	87,446	29,149	116,595
Telephone and internet	13,470	4,490	17,960
Postage	259	86	345
Office supplies and expenses	11,851	3,950	15,801
Professional fees	16,478	5,493	21,971
Consultants	4,560	1,140	5,700
Insurance	16,748	5,583	22,331
Public safety	188,083	20,898	208,981
Travel, meetings and conferences	678	6,105	6,783
Leased equipment and minor purchases	839	2,515	3,354
Payroll service fees	0	2,893	2,893
Other	0	12,678	12,678
Depreciation	0	6,523	6,523
Amortization	0	2,388	2,388
	<u>\$ 880,136</u>	<u>\$ 212,689</u>	<u>\$ 1,092,825</u>

2015

	Program Services	Management & General	Total
Salaries	\$ 187,606	\$ 62,535	\$ 250,141
Payroll taxes and benefits	19,442	6,481	25,923
Sanitation	188,173	20,908	209,081
Holiday lighting	50,150	0	50,150
Fundraising - holiday lighting	8,750	0	8,750
Promotion	34,190	11,396	45,586
Rent and utilities	83,883	27,961	111,844
Telephone and internet	11,609	3,870	15,479
Postage	665	222	887
Office supplies and expenses	7,412	2,471	9,883
Professional fees	14,930	4,977	19,907
Consultants	20,916	5,229	26,145
Insurance	17,310	5,770	23,080
Public safety	201,798	22,422	224,220
Travel, meetings and conferences	385	3,463	3,848
Leased equipment and minor purchases	866	2,596	3,462
Payroll service fees	0	2,671	2,671
Other	0	10,894	10,894
Depreciation	0	8,702	8,702
Amortization	0	2,388	2,388
	<u>\$ 848,085</u>	<u>\$ 204,956</u>	<u>\$ 1,053,041</u>

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Change in net assets - without donor restrictions	\$ 28,516	\$ (3,471)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	6,523	8,702
Amortization	2,388	2,388
(Increase) decrease in grants receivable	(79,687)	6,695
Decrease (increase) in prepaid expenses	9,473	(2,085)
Increase (decrease) in accounts payable and accrued expenses	12,548	(84,731)
Increase in accrued payroll payable	2,911	1,937
Total Cash Flows (Used In) Operating Activities	(17,328)	(70,565)
Cash Flows (Used In) Investing Activities		
Purchases of furniture, equipment and improvements	0	(20,751)
Total Cash Flows (Used In) Investing Activities	0	(20,751)
Net (decrease) in cash and cash equivalents	(17,328)	(91,316)
Cash and cash equivalents - Beginning of Year	195,546	286,862
Cash and cash equivalents - End of Year	\$ 178,218	\$ 195,546

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1 - Organization and Significant Accounting Policies

Organization

125th Street District Management Association, Inc. (the "Organization") is a New York State not-for-profit corporation whose basic purpose is to administer the activities of the New York City sponsored Business Improvement District Program (the "BID") in the central Harlem area of New York City.

The BID is a financing mechanism that provides additional funds within the BID geographical boundary for services beyond those already provided by the City. The predominant source of these funds is New York City BID assessments to property owners within the BID boundaries. In addition, as available, additional funds may be received from additional government agencies and other funding sources to supplement the Organization's activities.

The Organization is designated a District Management Association ("DMA") and is made up of a majority of property owners, commercial and residential tenants, and representatives of New York City offices.

Tax Status

The Organization is exempt from federal income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income taxes has been made in these financial statements.

Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recorded as earned and expenses recorded as incurred.

Revenue Recognition

BID assessment revenues and the related receivables are recorded when the Organization is legally entitled to receive the assessments from the City of New York, pursuant to its contract with the City.

Basis of Presentation

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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. In addition, those contributions whose restrictions lapse in the same period the contribution is made are recorded as net assets without donor restrictions.

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Furniture, Equipment and Improvements

Furniture, equipment and improvements are stated at cost.

Depreciation is provided for annually, based on the useful lives of the assets. Depreciation has been computed on the straight-line basis for periods of three to seven years.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

Note 1 - Organization and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consists of all cash in bank accounts and any highly liquid financial instruments purchased with a maturity of three months or less.

Concentration of Revenue, Risk and Control

The Organization deposits money with credit worthy institutions that are insured with the Federal Deposit Insurance Corporation which limits the amount of coverage to \$250,000 in aggregate. During the year, it could have deposits which exceed this FDIC limit. At June 30, 2016 and 2015, the Organization did not have any uninsured balances. The BID adopted a policy at its October 2010 meeting instructing the finance committee to make ongoing recommendations to the Board on how to invest cash and cash equivalents over the amounts insured until needed.

The Organization operates in a limited geographical area. Its revenues are ultimately linked to property owners continuing to pay their BID assessments to the City of New York.

Likewise, the Organization is dependent upon future contract renewals with the City of New York, in addition to the City's timely disbursement of BID assessments. The Organization's contract with the City of New York has been extended to June 30, 2017.

October 28, 2010 the Board of Directors adopted a policy for the Finance Committee to recommend the investment policy for the BID to the Board. The approved investment policy will provide the general guidelines regarding the type of investment appropriate and the objectives of each investment. The President shall implement the Board's investment policy.

Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

Note 2 - Fixed Assets

As of year-end, the BID's fixed assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 15,085	\$ 15,085
Furniture	17,351	17,351
Computers	52,945	52,945
Less: accumulated depreciation	<u>(68,490)</u>	<u>(61,967)</u>
Total fixed assets at year-end	<u>\$ 16,891</u>	<u>\$ 23,414</u>

During the year ended June 30, 2015, the Organization contributed two street cleaning machine which were fully depreciated. The donation was made to a strategic partner which has been providing free space for the Organization's sanitation workers.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 3 - Lease Commitment

The organization has relocated as of October 1, 2009 to 360 West 125th Street, New York City. Estimated projected future annual minimum rental are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2017	103,736
June 30, 2018	106,329
June 30, 2019	108,988
to September 30, 2019 (3 months)	27,414

Office equipment leases are not considered material.

Note 4 - Other Commitments

At years ended June 30, 2016 and 2015, the BID contracted for its annual sanitation at a cost of approximately \$17,425 per month. For the year ended June 30, 2017, budgeted costs are anticipated to be \$242,500.

The Organization also had a Public Safety commitment for the years ended June 30, 2016 and June 30, 2015 of approximately \$251,308 and \$224,000, respectively. For the year ended June 30, 2017, estimated costs are anticipated to be approximately \$260,000.

Note 5 - Compensated Absences

Vacation and sick pay are considered expenditures in the year paid. Upon termination, an employee is compensated for any accrued but unpaid vacation pay. At year-end June 30, 2016 and 2015, there was no liability.

Note 6 - Fundraising and Special Events

Special events could include community service oriented projects such as summer concerts, special business meetings and outreach activities.

Note 7 - Donated Services

On May 10, 2016, the BID was accepted into The City University of New York ("CUNY") Service Corps Program ("Service Corps"). Service Corps will provide the BID with interns from various CUNY colleges who will work on several BID programs. As of June 30, 2016, the BID had not received any services.

During the year ended June 30, 2016, the BID received donated web development services from HubShout. HubShout built and delivered a modern, mobile friendly website using the WordPress content management system. HubShout absorbed all fees, costs, and labor, associated with the development. This work included migration of all content from existing web sites. Management estimates the value of these services to be \$15,000. These donated services are not included in the financial statements.

Note 8 - Management's Review

In preparing the financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through December 29, 2016, the date that the financial statements were available to be issued.