

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

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, 2018 and 2017, 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, 2018 and 2017, 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 17, 2018

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 111,527	\$ 268,339
Grants receivable	93,697	36,756
Prepaid expenses	<u>11,095</u>	<u>20,008</u>
Total Current Assets	<u>216,319</u>	<u>325,103</u>
Fixed Assets		
Furniture, equipment and improvements - net of accumulated depreciation of \$81,718 and \$75,625	15,379	20,149
Other Assets		
Security deposits	15,935	15,935
Lease costs - net of accumulated amortization of \$20,895 and \$18,507	<u>2,985</u>	<u>5,373</u>
Total Other Assets	<u>18,920</u>	<u>21,308</u>
 Total Assets	 <u>\$ 250,618</u>	 <u>\$ 366,560</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 134,359	\$ 158,125
Accrued payroll payable	<u>19,323</u>	<u>0</u>
Total Current Liabilities	<u>153,682</u>	<u>158,125</u>
Net Assets		
With donor restrictions	0	0
Without donor restrictions	<u>96,936</u>	<u>208,435</u>
Total Net Assets	<u>96,936</u>	<u>208,435</u>
 Total Liabilities and Net Assets	 <u>\$ 250,618</u>	 <u>\$ 366,560</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, 2018 AND 2017

	2018	2017
Support and Revenue		
BID assessments	\$ 1,005,793	\$ 1,005,793
Program service revenue	67,800	80,993
Bank interest income	112	154
Government grant - restricted and released from restrictions	93,651	49,915
Total Support and Revenue	1,167,356	1,136,855
Expenses		
Program services	938,490	929,701
Management and general	340,365	222,713
Total Expenses	1,278,855	1,152,414
Change in net assets without donor restrictions	(111,499)	(15,559)
Net assets - Beginning of Year	208,435	223,994
Net assets - End of Year	\$ 96,936	\$ 208,435

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018					2017	
	Program Expenses			Total Program Expenses	Supporting Services		Total Expenses
	Marketing and Promotion	Sanitation	Security		Management and General		
Executive salaries	\$ 54,810	\$ 13,702	\$ 6,851	\$ 75,363	\$ 61,661	\$ 137,024	\$ 137,024
Salaries	79,658	2,655	0	82,313	50,450	132,763	112,634
Payroll taxes and fringes	24,909	830	0	25,739	15,774	41,513	31,367
Consultants and contractors	0	271,508	244,049	515,557	0	515,557	455,482
Promotion and advertising	39,100	0	0	39,100	0	39,100	67,632
Supplies and materials	0	22,568	0	22,568	0	22,568	0
Holiday lights	78,075	0	0	78,075	0	78,075	65,260
Holiday lighting event	37,177	0	0	37,177	0	37,177	0
Trash receptacles	0	25,997	0	25,997	0	25,997	32,214
Banner winners	0	0	0	0	0	0	1,264
Rent and utilities	0	0	9,396	9,396	109,620	119,016	117,855
Accounting and audit fees	0	0	0	0	25,495	25,495	24,947
Legal fees	0	0	0	0	1,525	1,525	0
Insurance	0	0	0	0	26,017	26,017	23,791
Telephone and internet	6,811	1,702	1,702	10,215	6,812	17,027	20,854
Information technology	4,349	724	0	5,073	9,422	14,495	13,123
Office supplies and expenses	9,975	831	499	11,305	5,320	16,625	10,559
Office equipment	0	0	0	0	2,436	2,436	3,159
Travel, meetings and conferences	0	0	0	0	6,394	6,394	9,437
Dues, fees and licenses	0	0	0	0	4,140	4,140	3,089
Postage	612	0	0	612	918	1,530	993
Payroll service fees	0	0	0	0	3,627	3,627	3,183
Other	0	0	0	0	2,273	2,273	9,024
Depreciation	0	0	0	0	6,093	6,093	7,135
Amortization	0	0	0	0	2,388	2,388	2,388
TOTAL EXPENSES	\$ 335,476	\$ 340,517	\$ 262,497	\$ 938,490	\$ 340,365	\$ 1,278,855	\$ 1,152,414

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets - without donor restrictions	\$ (111,499)	\$ (15,559)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	6,093	7,135
Amortization	2,388	2,388
(Increase) decrease in grants receivable	(56,941)	42,931
Decrease (increase) in prepaid expenses	8,913	(13,691)
(Decrease) increase in accounts payable and accrued expenses	(23,766)	85,780
Increase (decrease) in accrued payroll payable	19,323	(8,470)
Total Cash Flows (Used In) Provided By Operating Activities	(155,489)	100,514
Cash Flows (Used In) Investing Activities		
Purchases of furniture, equipment and improvements	(1,323)	(10,393)
Total Cash Flows (Used In) Investing Activities	(1,323)	(10,393)
Net (decrease) increase in cash and cash equivalents	(156,812)	90,121
Cash and cash equivalents - Beginning of Year	268,339	178,218
Cash and cash equivalents - End of Year	\$ 111,527	\$ 268,339

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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. 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, 2022.

On 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>2018</u>	<u>2017</u>
Equipment	\$ 25,207	\$ 23,884
Furniture	17,351	17,351
Computers	54,539	54,539
Less: accumulated depreciation	<u>(81,718)</u>	<u>(75,625)</u>
Total fixed assets at year-end	<u>\$ 15,379</u>	<u>\$ 20,149</u>

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2019	108,988
to September 30, 2019 (3 months)	27,414

Office equipment leases are not considered material.

Note 4 - Other Commitments

To accommodate the new minimum wage requirements the budgeted sanitation and public safety costs are approximately \$300,000 and \$204,000, respectively.

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, 2018 and 2017, there was no liability.

Note 6 - 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. During the year ended June 30, 2018, the BID received 1,728 hours of service. The value of these services is \$13 per hour totaling \$22,464. Also, the Organization received a \$12,130 discount for media coverage of the holiday lights event from Harlem Community Newspapers, Inc. Each of these donated services are not included in the financial statements.

Note 7 - Management's Review

In preparing the financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through December 17, 2018, the date that the financial statements were available to be issued.