

**Central Fulton Street
District Management Association, Inc.**

Financial Statements

**Years Ended
June 30, 2018 and 2017**

Central Fulton Street District Management Association, Inc.

June 30, 2018 and 2017

Table of Contents

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses-June 30, 2018	6
Statement of Functional Expenses-June 30, 2017	7
Notes to Financial Statements	8-12



1444 86th Street • Brooklyn, NY 11228
Tel: 718-676-5845 • Fax: 718-676-5844

299 Park Avenue, 6th Floor
New York, NY 10171

227 Cannon Boulevard • Staten Island, NY 10306
Tel: 347-466-5510 • Fax: 347-466-5537

Independent Auditor's Report

The Board of Directors Central Fulton Street District Management Association, Inc. Brooklyn, New York

We have audited the accompanying financial statements of the Central Fulton Street District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and 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 includes 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.

Auditor's Responsibility

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 from material misstatement.

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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Fulton Street District Management Association, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 6 and 7 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cipriani & Bauer

Cipriani & Bauer Certified Public Accountants, LLC
Brooklyn, New York
October 12, 2018

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Financial Position
June 30, 2018 and 2017

Assets

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets:		
Cash	\$ 160,941	\$ 120,264
Accounts receivable	42,833	44,492
Prepaid expenses	<u>3,008</u>	<u>3,644</u>
Total current assets	<u>206,782</u>	<u>168,400</u>
Depreciable property:		
Depreciable property	66,498	66,498
Accumulated depreciation	<u>(23,027)</u>	<u>(10,998)</u>
Net depreciable property	<u>43,471</u>	<u>55,500</u>
Other assets:		
Security deposits	<u>12,000</u>	<u>12,000</u>
Total other assets	<u>12,000</u>	<u>12,000</u>
Total assets	<u><u>\$ 262,253</u></u>	<u><u>\$ 235,900</u></u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$ 54,290	\$ 42,970
Total liabilities	<u>54,290</u>	<u>42,970</u>
Net Assets:		
Unrestricted	207,963	192,930
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>207,963</u>	<u>192,930</u>
Total liabilities and net assets	<u><u>\$ 262,253</u></u>	<u><u>\$ 235,900</u></u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2018
(with comparative totals for the Year Ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Support and Revenue:					
Assessment revenue	\$ 400,000	\$ -	\$ -	\$ 400,000	\$ 375,000
Grants and contributions	135,672	-	-	135,672	116,116
Contributions-in-kind	10,800	-	-	10,800	31,000
Total support and revenue	<u>546,472</u>	<u>-</u>	<u>-</u>	<u>546,472</u>	<u>522,116</u>
Expenses:					
Program services	454,186	-	-	454,186	434,888
Management and general	77,253	-	-	77,253	74,163
Total expenses	<u>531,439</u>	<u>-</u>	<u>-</u>	<u>531,439</u>	<u>509,051</u>
Changes in net assets	15,033	-	-	15,033	13,066
Net assets - beginning	<u>192,930</u>	<u>-</u>	<u>-</u>	<u>192,930</u>	<u>179,864</u>
Net assets - ending	<u>\$ 207,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,963</u>	<u>\$ 192,930</u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

Operating Activities:	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Changes in net assets	\$ 15,033	\$ 13,066
Adjustments to reconcile increase (decrease) to cash provided (used) by operating activities:		
Depreciation	12,029	6,015
(Increase) decrease in operating assets:		
Accounts receivable	1,659	3,808
Prepaid expenses	636	21,860
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	11,320	(17,375)
Net cash provided by operating activities	<u>40,677</u>	<u>27,374</u>
Investing Activities:		
Leasehold improvements	<u>-</u>	<u>(61,315)</u>
Financing Activities:		
None	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	40,677	(33,942)
Cash - beginning of period	<u>120,264</u>	<u>154,206</u>
Cash - end of period	<u><u>\$ 160,941</u></u>	<u><u>\$ 120,264</u></u>
Supplemental disclosures:		
None		

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Functional Expenses
For the Year Ended June 30, 2018
(with comparative totals for the Year Ended June 30, 2017)

	<u>Program Services</u>			<u>Support Services</u>		<u>Total 2018</u>	<u>Total 2017</u>
	<u>Street Beautification and Maintenance</u>	<u>Marketing and Promotions</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>		
Expenses:							
Sanitation	\$ 161,378	\$ -	\$ -	\$ 161,378	\$ -	\$ 161,378	\$ 148,851
Holiday lighting	-	28,025	-	28,025	-	28,025	28,850
Advertising and banners	-	53,224	-	53,224	-	53,224	12,227
Computer and website expenses	-	-	-	-	3,647	3,647	1,742
Payroll, payroll taxes and benefits	-	90,969	62,897	153,865	34,808	188,673	153,382
Outside services	5,000	-	-	5,000	-	5,000	29,569
Rent	11,374	18,956	7,582	37,912	4,075	41,987	50,550
Professional fees	-	-	-	-	4,750	4,750	5,000
Insurance	-	-	-	-	4,397	4,397	2,599
Supplies and materials	-	-	-	-	2,134	2,134	3,535
Utilities	-	-	-	-	2,254	2,254	1,626
Printing and postage	-	3,532	-	3,532	-	3,532	17,228
Equipment rental and purchases	-	-	450	450	-	450	1,760
Office expenses	-	-	-	-	8,984	8,984	12,787
Filing fees and permits	-	-	-	-	75	75	75
Miscellaneous	-	-	-	-	100	100	2,256
Professionals, supplies and materials - in-kind	-	-	10,800	10,800	-	10,800	31,000
	<u>177,752</u>	<u>194,706</u>	<u>81,729</u>	<u>454,186</u>	<u>65,224</u>	<u>519,410</u>	<u>503,036</u>
Depreciation expense	-	-	-	-	12,029	12,029	6,015
Total expenses	<u>\$ 177,752</u>	<u>\$ 194,706</u>	<u>\$ 81,729</u>	<u>\$ 454,186</u>	<u>\$ 77,253</u>	<u>\$ 531,439</u>	<u>\$ 509,051</u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statement of Functional Expenses
For the Year Ended June 30, 2017

	<u>Program Services</u>			<u>Support Services</u>		<u>Total 2017</u>
	<u>Street Beautification and Maintenance</u>	<u>Marketing and Promotions</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	
Expenses:						
Sanitation	\$ 148,851	\$ -	\$ -	\$ 148,851	\$ -	\$ 148,851
Holiday lights	-	28,850	-	28,850	-	28,850
Advertising and banners	-	12,227	-	12,227	-	12,227
Computer and website expenses	-	1,742	-	1,742	-	1,742
Payroll, payroll taxes and benefits	-	-	1,832	1,832	151,550	153,382
Outside services	7,739	6,755	15,075	29,569	-	29,569
Rent	-	-	-	-	50,550	50,550
Professional fees	-	-	-	-	5,000	5,000
Insurance	-	-	-	-	2,599	2,599
Supplies and materials	-	-	-	-	3,535	3,535
Utilities	-	-	-	-	1,626	1,626
Printing and postage	-	17,228	-	17,228	-	17,228
Equipment rental and purchases	-	-	1,760	1,760	-	1,760
Office expenses	-	-	1,284	1,284	11,503	12,787
Filing fees and permits	-	-	-	-	75	75
Miscellaneous	-	1,853	-	1,853	403	2,256
Professionals, supplies and materials - in-kind	-	-	31,000	31,000	-	31,000
	<u>156,590</u>	<u>68,655</u>	<u>50,951</u>	<u>276,196</u>	<u>226,840</u>	<u>503,036</u>
Depreciation expense	-	-	-	-	6,015	6,015
Total expenses	<u>\$ 156,590</u>	<u>\$ 68,655</u>	<u>\$ 50,951</u>	<u>\$ 276,196</u>	<u>\$ 232,855</u>	<u>\$ 509,051</u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 1 – Organization

The Central Fulton Street District Management Association, Inc. (the BID) was incorporated in New York State and organized in 2009 to promote commercial revitalization along the Fulton Street area between Rockwell Place and Classon Avenue by providing supplemental services such as increased sanitation, business promotion, neighborhood beautification and initiating capital improvements to make the neighborhood cleaner, safer and more attractive.

The BID receives its annual budget through a special assessment New York City places primarily on commercial property owners within the district’s boundaries, which is then collected by the City of New York. A fixed amount based on the approved budget is turned over to the BID by the City on a bi-annual basis. The BID is designated a District Management Association (“DMA”) and is made up of property owners and commercial and residential tenants.

Note 2 – Date of Management’s Review

In preparing the financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through October 12, 2018, the date the financial statements were available to be issued.

Note 3 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted – represents activity which has not been restricted by donors.

Temporarily restricted – represents donor restricted contributions whose restrictions have not been met at year end but whose restrictions are anticipated to be met in the future. The organization did not have any temporarily restricted net assets at June 30, 2018 and 2017.

Permanently restricted – represents donor restricted assets which must remain intact. These types of assets are commonly referred to as endowment. The organization did not have any permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

The organization considers all highly liquid investments financial instruments purchased with a maturity of three months or less to be cash equivalents.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 3 – Summary of Significant Accounting Policies (*continued*)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 the estimates.

Equipment and Improvements

Purchases of furniture, equipment and streetscape improvements which have a useful life of greater than one year and which exceed certain established dollar levels are capitalized and recorded at cost. Donations of the same, are valued at fair market at the time of the donation. Depreciation is provided for annually, based on the useful lives of the assets.

Functional Allocation of Expenses

The costs of providing the Central Fulton Street District Management Association's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status

The Central Fulton Street District Management Association, Inc. has applied with the Internal Revenue Service to be exempt from federal income taxes as an organization under section 501(c)(3) of the Internal Revenue Code and that they are a publicly supported charity as provided in Section 509(a)(1). The organization also sent in an application to register with the New York State Charities Bureau. As a result of these pending applications, no provision for income taxes has been made in these financial statements.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 3 – Summary of Significant Accounting Policies *(continued)*

Gifts-in-Kind Contributions

The organization benefits from services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's programs and operations. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. For the years ended June 30, 2018 and 2017, donated services, supplies and materials with an estimated fair value of \$10,800 and \$31,000, respectively, met those criteria and are included in in-kind contributions in the statement of activities. These in-kind donations were primarily related to the creation of space-activation events and programming in the BID's Public Spaces.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organizations financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Note 4 – Contract with the City of New York

The City of New York, acting through its Department of Small Business Services, has entered into a contract with the Central Fulton Street District Management Association to provide the Central Fulton Street area with community improvements, including improving environmental conditions, increasing public safety and supplementing social services. The City shall pay a set sum of assessments collected based on a formula related to the amount of real property owned within the District. The contract was renewed for another five-year term, beginning July 1, 2016 and extends through June 30, 2021. The total assessments given by the City of New York, for the fiscal year ended June 30, 2018 and 2017 were \$400,000 and \$375,000, respectively.

Note 5 – Contingency

The Central Fulton Street District Management Association is dependent on assessments against property in the district collected by the New York City Department of Finance. Any change in this level of support could materially impact the ability of the Central Fulton Street District Management Association to continue to operate and provide its services.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 6 – Depreciable Property

Depreciable property at June 30, 2018 and 2017 consists of:

	2018	2017
Computers	\$ 5,183	\$ 5,183
Leasehold improvements	<u>61,315</u>	<u>61,315</u>
Total depreciable property	<u>66,498</u>	<u>66,498</u>
Less: accumulated depreciation	<u>(23,027)</u>	<u>(10,998)</u>
Net depreciable property	<u>\$ 43,471</u>	<u>\$ 55,500</u>

Depreciation expense for June 30, 2018 and 2017 was \$12,029 and \$6,015, respectively.

Note 7 – Contracts

Sanitation Contracts

In July 2014, the Central Fulton Street District Management Association renewed its contract for street cleaning/maintenance services with Atlantic Maintenance, d/b/a Streetplus. The contract was for a two-year period which ended on June 30, 2016, and had an annual fee of \$122,118 which was paid in monthly installments of \$10,176.50. A new contract was signed which began January 1, 2017 and ends December 31, 2018 and can continue for consecutive renewal periods of two years each. This contract has an annual fee of \$172,720, payable in equal monthly installments of \$14,393.33.

Street cleaning/maintenance fees for the years ended June 30, 2018 and 2017 were \$161,378 and \$148,851, respectively.

Management Agreement

The Central Fulton Street District Management Association has a contract with the Pratt Area Community Council (“PACC”) whereas “PACC” provides administrative payroll support to the organization for the periods July 1, 2016 through June 30, 2017, and July 1, 2017 through June 30, 2018. The contract calls for a monthly payroll processing fee of \$45 for one employee, \$55 for two employees and \$60 for three employees. If there are more than three employees, the fee will be agreed upon by the two organizations.

Pedestrian Plaza Maintenance Agreement

The City of New York, acting through the Commissioner of the Department of Transportation (“DOT”) has entered into an agreement with the Central Fulton Street District Management Association to help maintain the pedestrian plaza and installed amenities located on Putnam Avenue between Grand Avenue and Fulton Street, in the borough of Brooklyn, New York. If the organization fails to maintain or repair the Plaza and its amenities pursuant to the agreement, the DOT may bill the Central Fulton Street District Management Association for all reasonable costs arising from such repair and maintenance. The agreement became effective on June 27, 2013, continued for an initial five-year term and may be renewed for five additional one-year terms after that. As of the date of this report a new updated agreement is being worked on by the City of New York.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 8 – Office Space and New Lease

Temporary Office Space

On September 22, 2015 the Central Fulton Street District Management Association moved its offices to 907 Fulton Street in Brooklyn, New York, while searching for a new location. Rent, inclusive of all utilities was \$2,100 per month through February 2016 and increased to \$2,220 per month beginning in March 2016. A new location was found and had to be renovated so the organization continued on a month-to-month basis until the construction on the new space was complete. Construction was completed in November 2016 and the organization moved into its new space on November 28, 2016.

New Lease for Office Space

A lease for new office space was signed on February 9, 2016 for an office at 1047A Fulton Street in Brooklyn, New York. The lease is for a five-year term, with an extension option for an additional five-year term. A security deposit of 4 months base rent for \$12,000 was required. Future minimum lease payments for the lease are as follows:

For the fiscal year ending:	
June 30, 2019	\$ 40,517
June 30, 2020	42,543
June 30, 2021	<u>25,526</u>
Total	<u>\$ 108,586</u>

Payments of \$22,900 to begin construction of leasehold improvements were made in April and June 2016. They were setup as part of prepaid expenses on the June 30, 2016 statement of financial position until the improvements were completed. An additional \$38,415 in leasehold improvements was spent during the year ended June 30, 2017 and has been capitalized along with the \$22,900

Rent expense for the fiscal years ending June 30, 2018 and 2017 was \$38,588 and \$50,250 respectively.

Note 9 – Subsequent Events

Extension of Management Agreement

The Central Fulton Street District Management Association extended its current contract with the Pratt Area Community Council (“PACC”) whereas “PACC” to provide administrative payroll support to the organization under the same terms of the current agreement while a new agreement is being drafted.