

**EAST MID-MANHATTAN DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2019 AND 2018

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of June 30, 2019 and 2018	2
Statements of activities for the years ended June 30, 2019 and 2018	3
Statement of expenses for the year ended June 30, 2019	4
Statement of expenses for the year ended June 30, 2018	5
Statements of cash flows for the years ended June 30, 2019 and 2018	6
Notes to financial statements	7 - 10
 <u>Supplementary Financial Information</u>	
Independent Auditors' Report on Supplementary Information	11
Schedule of expenses and budget for the year ended June 30, 2019	12



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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
East Mid-Manhattan District
Management Association, Inc.

We have audited the accompanying financial statements of East Mid-Manhattan District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, expenses, 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 of 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 East Mid-Manhattan District Management Association, Inc. as of June 30, 2019 and 2018, 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.

Skody Scot & Company, CPAs, P.C.

New York, NY
December 19, 2019

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 832,258	\$ 1,215,085
Certificates of deposit	1,759,669	605,273
Interest receivable	13,168	2,732
Prepaid expenses	30,884	26,904
Property and equipment, net	-	1,851
Security deposits	10,071	10,071
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,646,050</u></u>	<u><u>\$ 1,861,916</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 209,609	\$ 120,970
Total liabilities	<u>209,609</u>	<u>120,970</u>
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	2,436,441	1,740,946
With donor restrictions	-	-
	<u> </u>	<u> </u>
Total net assets	<u>2,436,441</u>	<u>1,740,946</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$ 2,646,050</u></u>	<u><u>\$ 1,861,916</u></u>

See accompanying notes to the financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Support and Revenues:		
Without donor restrictions:		
Assessment revenue	\$ 3,500,000	\$ 3,500,000
Contributions	-	18,393
Government grants	-	21,762
Interest income	34,619	8,819
Total support and revenues	3,534,619	3,548,974
Expenses:		
Program Expenses:		
Marketing and promotion	555,449	486,889
Social services	120,893	153,879
Security	539,742	512,681
Sanitation	1,013,932	844,730
Public improvements	238,370	219,781
Total program expenses	2,468,386	2,217,960
Management and general	370,738	377,896
Total expenses	2,839,124	2,595,856
Increase/(Decrease) In Net Assets:		
Without donor restrictions	695,495	953,118
With donor restrictions	-	-
Increase/(decrease) in net assets	695,495	953,118
Net assets, beginning of year	1,740,946	787,828
Net assets, end of year	\$ 2,436,441	\$ 1,740,946

See accompanying notes to the financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Expenses					Supporting		Total Expenses
	Marketing & Promotion	Social Services	Security	Sanitation	Public Improvements	Total Program Expenses	Management & General	
Staff salaries	\$ 134,900	\$ 29,421	\$ 66,626	\$ 66,626	\$ 51,776	\$ 349,349	\$ 108,033	\$ 457,382
Payroll taxes and benefits	23,861	5,469	12,142	12,388	8,749	62,609	19,716	82,325
Outside contractors	7,202	86,003	412,677	931,566	-	1,437,448	33,512	1,470,960
Grants to other organizations	15,000	-	-	-	-	15,000	-	15,000
Supplies and equipment	-	-	-	-	-	-	3,964	3,964
Rent and utilities	-	-	34,347	-	-	34,347	97,177	131,524
Telephone	-	-	-	-	-	-	26,610	26,610
Insurance	-	-	-	-	-	-	25,263	25,263
Depreciation and amortization	-	-	-	-	-	-	1,851	1,851
Office expenses	-	-	-	-	-	-	39,362	39,362
Professional fees	-	-	-	-	-	-	15,250	15,250
Project expenses	374,486	-	2,300	3,352	177,845	557,983	-	557,983
Uniforms	-	-	11,650	-	-	11,650	-	11,650
Total expenses	\$ 555,449	\$ 120,893	\$ 539,742	\$ 1,013,932	\$ 238,370	\$ 2,468,386	\$ 370,738	\$ 2,839,124

See accompanying notes to the financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Expenses					Supporting		Total Expenses
	Marketing & Promotion	Social Services	Security	Sanitation	Public Improvements	Total Program Expenses	Management & General	
Staff salaries	\$ 128,179	\$ 28,405	\$ 64,425	\$ 64,425	\$ 49,335	\$ 334,769	\$ 104,251	\$ 439,020
Payroll taxes and benefits	22,026	4,930	11,121	11,150	7,880	57,107	17,912	75,019
Outside contractors	90,916	120,544	391,480	769,155	-	1,372,095	30,679	1,402,774
Grants to other organizations	15,000	-	-	-	-	15,000	-	15,000
Supplies and equipment	-	-	-	-	9,767	9,767	5,740	15,507
Rent and utilities	-	-	33,510	-	-	33,510	87,374	120,884
Telephone	-	-	-	-	-	-	25,667	25,667
Insurance	-	-	-	-	-	-	25,229	25,229
Depreciation and amortization	-	-	-	-	-	-	1,850	1,850
Office expenses	-	-	-	-	-	-	63,944	63,944
Professional fees	-	-	-	-	-	-	15,250	15,250
Project expenses	230,768	-	-	-	152,799	383,567	-	383,567
Uniforms	-	-	12,145	-	-	12,145	-	12,145
Total expenses	\$ 486,889	\$ 153,879	\$ 512,681	\$ 844,730	\$ 219,781	\$ 2,217,960	\$ 377,896	\$ 2,595,856

See accompanying notes to the financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 695,495	\$ 953,118
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	1,851	1,850
Changes in assets and liabilities:		
Interest receivable	(10,436)	-
Accounts payable and accrued expenses	88,639	(165,890)
Prepaid expenses	(3,980)	8,511
Net cash provided/(used) by operating activities	771,569	797,589
Cash flows from investing activities:		
Purchase of certificates of deposit	(1,425,000)	-
Redemption of certificates of deposit	270,604	326,622
Net cash provided/(used) by investing activities	(1,154,396)	326,622
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	(382,827)	1,124,211
Cash at beginning of year	1,215,085	90,874
Cash at end of year	\$ 832,258	\$ 1,215,085

See accompanying notes to the financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Association

East Mid-Manhattan District Management Association, Inc. (Association), a not-for-profit organization, was incorporated in the State of New York on June 26, 2001. The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Association does not believe its financial statements contain any uncertain tax positions. The Association primarily receives its support from a real estate special assessment levied by The City of New York (City) on properties located in the East Mid-Manhattan Business Improvement District (BID). The BID's boundaries are approximately from East 49th Street to East 63rd Street, and from Second Avenue to Fifth Avenue.

The Association's programs include the following: Sanitation - maintaining clean streets/curbs and garbage and graffiti removal; Security - providing increased public security and general assistance through a combination of uniformed security officers and a working relationship with the New York City Police Department; Marketing and Promotion - promoting the district to residents and tourists and retaining and developing prospective businesses; Public Improvements - improving the overall appearance of the district including the installation and maintenance of public fixtures; and Social Services - interacts and provides support for homeless outreach.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Change in Accounting Principle

In fiscal year 2019, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the fiscal year 2019 and 2018 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Certificates of Deposit

Certificates of deposit are reported at adjusted cost value on the accompanying statements of financial position.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

The Association capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to ten years. Leasehold improvements are amortized by the straight-line method over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are charged as an expense, and major renewals and betterments are capitalized.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

The real estate assessment levied by the City is recorded by the Association when earned. The City remits these assessments to the Association in two installments. An allowance for doubtful accounts is not provided because all assessments are received in the current year. Assessment billing errors are recorded as a direct reduction of assessment revenue.

All contributions are considered available for the Association's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions and increases in the respective class of net assets. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In accordance with grant provisions, grants are recorded as revenue when earned, either through expenditure or accomplishment of a specific goal or benchmark. All unreimbursed expenses as of the period-end are recorded as grant receivable and all advanced funds not expended are recorded as refundable advances.

**EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Association allocates salaries based on estimated time. The Association classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 42,797	\$ 42,797
Furniture & Fixtures	29,103	29,103
Leasehold improvements	<u>41,426</u>	<u>41,426</u>
	113,326	113,326
Less: Accumulated depreciation and amortization	<u>(113,326)</u>	<u>(111,475)</u>
	<u>\$ -</u>	<u>\$ 1,851</u>

Note 3 - Related Parties

The Association leases security office space, at fair market value, from an entity whose officer is on the Association's Board of Directors. Total payments for fiscal years ended June 30, 2019 and 2018 were \$33,199 and \$32,232, respectively.

The Association made donations to a charitable organization whose Executive Director is on the Association's Board of Directors. Total donations for fiscal years ended June 30, 2019 and 2018 were \$15,000 and \$15,000, respectively.

Note 4 - Commitments and Contingencies

The Association leases office space under two non-cancelable operating leases. As of June 30, 2019, minimum aggregate annual rentals are as follows:

Year ended June 30, 2020	\$114,237
2021	91,054
2022	77,645

Total rent and utilities expenses charged to operations for the years ended June 30, 2019 and 2018 was \$131,524 and \$120,884, respectively.

**EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 5 - Government Grants

The Organization was awarded a grant from the City of New York. Total expenses expended under the grant amounted to \$0 and \$21,762 for the years ended June 30, 2019 and 2018, respectively.

Note 6 - Concentrations

The Organization maintains its cash and certificates of deposit with major financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts have exceeded the insured limits during the years ended June 30, 2019 and 2018.

Note 7 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of June 30, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2019	2018
Financial assets:		
Cash	\$ 832,258	\$ 1,215,085
Certificates of deposit	<u>1,759,669</u>	<u>605,273</u>
Total financial assets	2,591,927	1,820,358
Less those unavailable for general expenditures within one year:	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,591,927</u>	\$ <u>1,820,358</u>

Note 8 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 19, 2019, which is the date the financial statements were available to be issued.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To: The Board of Directors of
East Mid-Manhattan District
Management Association, Inc.

We have audited the financial statements of East Mid-Manhattan District Management Association, Inc. as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated December 19, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses and budget is presented for the purposes of additional analysis and is 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.

New York, NY
December 19, 2019

Skody Scot & Company, CPAs, PC

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2019

	Total Expenses	Budget
Staff salaries	\$ 457,382	\$ 459,200
Payroll taxes and benefits	82,325	100,800
Outside contractors	1,470,960	1,750,000
Grants to other organizations	15,000	15,000
Supplies and equipment	3,964	4,000
Rent and utilities	131,524	145,000
Telephone	26,610	25,000
Insurance	25,263	40,000
Depreciation and amortization	1,851	-
Office expenses	39,362	34,000
Professional fees	15,250	35,000
Project expenses	557,983	490,000
Uniforms	11,650	12,000
Total expenses	\$ 2,839,124	\$ 3,110,000