

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2016 AND 2015

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.

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Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

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, 2016 and 2015, 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 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, 2016 and 2015, 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 9, 2016

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash	\$ 30,910	\$ 153,971
Certificates of deposit	1,075,447	1,049,693
Prepaid expenses	61,946	40,344
Property and equipment, net	5,551	15,085
Security deposits	10,071	10,071
Total assets	\$1,183,925	\$1,269,164

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 127,290	\$ 210,742
Total liabilities	127,290	210,742
Commitments (see notes)		
Net Assets:		
Unrestricted	1,056,635	1,058,422
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	1,056,635	1,058,422
Total liabilities and net assets	\$1,183,925	\$1,269,164

See accompanying notes to financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 2,200,000	\$ 2,200,000
Contributions	-	650
Interest income	19,020	18,425
Total support and revenues	2,219,020	2,219,075
Expenses:		
Program Expenses:		
Marketing and promotion	429,252	401,381
Social services	81,483	184,292
Security	438,396	427,713
Sanitation	752,966	744,976
Public improvements	188,906	286,751
Total program expenses	1,891,003	2,045,113
Management and general	329,804	362,315
Total expenses	2,220,807	2,407,428
Increase/(Decrease) In Net Assets:		
Unrestricted	(1,787)	(188,353)
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	(1,787)	(188,353)
Net assets, beginning of year	1,058,422	1,246,775
Net assets, end of year	\$ 1,056,635	\$ 1,058,422

See accompanying notes to financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (1,787)	\$ (188,353)
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	9,534	13,628
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(83,452)	(45,572)
Prepaid expenses	(21,602)	(6,719)
Net cash provided/(used) by operating activities	<u>(97,307)</u>	<u>(227,016)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(401,837)	(135,327)
Redemption of certificate of deposit	376,083	125,000
Net cash provided/(used) by investing activities	<u>(25,754)</u>	<u>(10,327)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	(123,061)	(237,343)
Cash at beginning of year	153,971	391,314
Cash at end of year	<u>\$ 30,910</u>	<u>\$ 153,971</u>

See accompanying notes to 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.

Basis of Presentation

In accordance with GAAP the Association 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. In addition, the Association is required to present a statement of cash flows.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents and Certificates of Deposit

For the purposes of the statements of financial position and the statements of cash flows, the Association considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposits and treasury bills, with an original maturity of three months or less. At June 30, 2016 and 2015, the Association did not have any resources that were considered cash equivalents.

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.

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 temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

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

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

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30, 2016 and 2015:

	2016	2015
Equipment	\$ 42,797	\$ 42,797
Furniture & Fixtures	29,103	29,103
Leasehold improvements	41,426	41,426
	113,326	113,326
Less: Accumulated depreciation and amortization	(107,775)	(98,241)
	\$ 5,551	\$ 15,085

Note 3 - Related Party

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, 2016 and 2015 were \$30,382 and \$29,497, 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, 2016 and 2015 were \$15,000 and \$15,000, respectively.

Note 4 - Commitments and Contingencies

The Association leases office space under two non-cancelable operating leases. The main office lease expired in May 2016; however, the Association has renewal options it can exercise. As of June 30, 2016, minimum aggregate annual rentals are as follows:

Year ended June 30, 2017	\$103,835
2018	32,233
2019	33,199
2020	34,196
2021	8,611

Total rent and utilities expenses charged to operations for the years ended June 30, 2016 and 2015 was \$120,204 and \$114,801, respectively.

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

Note 4 - Commitments and Contingencies (Continued)

The Association maintains its cash and cash equivalents, and certificates of deposit with financial institutions. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the years ended June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Institution balances	\$ 1,204,585	\$ 1,280,674
Less: Amounts covered	<u>(1,171,036)</u>	<u>(1,280,674)</u>
Uninsured amounts	<u>\$ 33,549</u>	<u>\$ -</u>

Note 5 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 9, 2016, 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, 2016 and 2015, and have issued our report thereon dated December 9, 2016, 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 schedules of functional expenses, and expenses and budget are presented for the 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.

New York, NY
December 9, 2016

Skody Scot & Company, CPAs, PC

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016						2015		Total Expenses
	Program Expenses				Supporting		Management and General	Total Expenses	
	Marketing & Promotion	Social Services	Security	Sanitation	Public Improvement	Total Program			
Staff salaries	\$ 119,443	\$ 27,506	\$ 61,160	\$ 61,173	\$ 48,331	\$ 317,613	\$ 105,663	\$ 423,276	\$ 416,002
Payroll taxes and benefits	19,838	4,835	10,958	11,038	7,759	54,428	17,369	71,797	70,816
Outside contractors	96,015	49,142	315,296	664,755	-	1,125,208	24,224	1,149,432	1,235,001
Grants to other organizations	15,000	-	-	-	-	15,000	-	15,000	15,000
Supplies and equipment	-	-	9,573	-	-	9,573	3,876	13,449	24,744
Rent and utilities	-	-	32,065	-	-	32,065	88,139	120,204	114,801
Telephone	-	-	-	-	-	-	20,530	20,530	17,398
Insurance	-	-	-	-	-	-	25,130	25,130	24,980
Depreciation and amortization	-	-	-	-	-	-	9,534	9,534	13,628
Office expenses	-	-	-	-	-	-	20,645	20,645	23,820
Professional fees	-	-	-	-	-	-	14,694	14,694	21,138
Project expenses	178,956	-	-	16,000	132,816	327,772	-	327,772	419,958
Uniforms	-	-	9,344	-	-	9,344	-	9,344	10,142
Total expenses	<u>\$ 429,252</u>	<u>\$ 81,483</u>	<u>\$ 438,396</u>	<u>\$ 752,966</u>	<u>\$ 188,906</u>	<u>\$ 1,891,003</u>	<u>\$ 329,804</u>	<u>\$ 2,220,807</u>	<u>\$ 2,407,428</u>

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2016

	<u>Total Expenses</u>	<u>Budget</u>
Staff salaries	\$ 423,276	\$ 382,700
Payroll taxes and benefits	71,797	62,300
Outside contractors	1,149,432	1,255,000
Grants to other organizations	15,000	15,000
Supplies and equipment	13,449	30,000
Rent and utilities	120,204	90,000
Telephone	20,530	17,000
Insurance	25,130	30,000
Depreciation and amortization	9,534	-
Office expenses	20,645	35,500
Professional fees	14,694	22,500
Project expenses	327,772	275,000
Uniforms	9,344	10,000
Total expenses	<u>\$2,220,807</u>	<u>\$ 2,225,000</u>