

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.

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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, 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 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, 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.

Skody Scot & Company, CPAs, P.C.

New York, NY
December 3, 2018

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,215,085	\$ 90,874
Certificates of deposit	608,005	934,627
Prepaid expenses	26,904	35,415
Property and equipment, net	1,851	3,701
Security deposits	10,071	10,071
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 1,861,916</u></u>	<u><u>\$ 1,074,688</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 120,970	\$ 286,860
Total liabilities	<u>120,970</u>	<u>286,860</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,740,946	787,828
Temporarily restricted	-	-
Permanently restricted	-	-
	<u> </u>	<u> </u>
Total net assets	<u>1,740,946</u>	<u>787,828</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$ 1,861,916</u></u>	<u><u>\$ 1,074,688</u></u>

See accompanying notes to the financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 3,500,000	\$ 2,200,000
Contributions	18,393	22,820
Government grants	21,762	-
Interest income	8,819	18,359
Total support and revenues	3,548,974	2,241,179
Expenses:		
Program Expenses:		
Marketing and promotion	486,889	502,095
Social services	153,879	205,579
Security	512,681	441,568
Sanitation	844,730	838,377
Public improvements	219,781	174,754
Total program expenses	2,217,960	2,162,373
Management and general	377,896	347,613
Total expenses	2,595,856	2,509,986
Increase/(Decrease) In Net Assets:		
Unrestricted	953,118	(268,807)
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	953,118	(268,807)
Net assets, beginning of year	787,828	1,056,635
Net assets, end of year	\$ 1,740,946	\$ 787,828

See accompanying notes to the financial statements.

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 953,118	\$ (268,807)
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	1,850	1,850
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(165,890)	159,570
Prepaid expenses	8,511	26,531
Net cash provided/(used) by operating activities	797,589	(80,856)
Cash flows from investing activities:		
Redemption of certificates of deposit	326,622	140,820
Net cash provided/(used) by investing activities	326,622	140,820
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	1,124,211	59,964
Cash at beginning of year	90,874	30,910
Cash at end of year	\$ 1,215,085	\$ 90,874

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.

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)

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.

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.

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, 2018 and 2017:

	<u>2018</u>	<u>2017</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>(111,475)</u>	<u>(109,625)</u>
	<u>\$ 1,851</u>	<u>\$ 3,701</u>

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, 2018 and 2017 were \$32,232 and \$31,293, 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, 2018 and 2017 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, 2018, minimum aggregate annual rentals are as follows:

Year ended June 30, 2019	\$110,910
2020	114,237
2021	91,054
2022	77,645

Total rent and utilities expenses charged to operations for the years ended June 30, 2018 and 2017 was \$120,884 and \$114,413, respectively.

Note 5 - Government Grants

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

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

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 may have exceeded the limits during the years ended June 30, 2018 and 2017.

Note 7 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 3, 2018, 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, 2018 and 2017, and have issued our report thereon dated December 3, 2018, 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 3, 2018

Skody Scot & Company, CPAs, PC

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	2018						2017		Total Expenses
	Program Expenses					Supporting			
	Marketing & Promotion	Social Services	Security	Sanitation	Public Improvements	Total Program Expenses	Management & General	Total Expenses	
Staff salaries	128,179	28,405	64,425	64,425	49,335	\$ 334,769	104,251	\$ 439,020	\$ 426,433
Payroll taxes and benefits	22,026	4,930	11,121	11,150	7,880	57,107	17,912	75,019	72,631
Outside contractors	90,916	120,544	391,480	769,155	-	1,372,095	30,679	1,402,774	1,388,192
Grants to other organizations	15,000	-	-	-	-	15,000	-	15,000	15,000
Supplies and equipment	-	-	-	-	9,767	9,767	5,740	15,507	4,000
Rent and utilities	-	-	33,510	-	-	33,510	87,374	120,884	114,413
Telephone	-	-	-	-	-	-	25,667	25,667	25,353
Insurance	-	-	-	-	-	-	25,229	25,229	25,075
Depreciation and amortization	-	-	-	-	-	-	1,850	1,850	1,850
Office expenses	-	-	-	-	-	-	63,944	63,944	46,576
Professional fees	-	-	-	-	-	-	15,250	15,250	17,025
Project expenses	230,768	-	-	-	152,799	383,567	-	383,567	361,177
Uniforms	-	-	12,145	-	-	12,145	-	12,145	12,261
Total expenses	<u>\$486,889</u>	<u>\$ 153,879</u>	<u>\$512,681</u>	<u>\$ 844,730</u>	<u>\$ 219,781</u>	<u>\$2,217,960</u>	<u>\$ 377,896</u>	<u>\$2,595,856</u>	<u>\$ 2,509,986</u>

EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018

	Total Expenses	Budget
Staff salaries	\$ 439,020	\$ 455,000
Payroll taxes and benefits	75,019	75,000
Outside contractors	1,402,774	1,558,000
Grants to other organizations	15,000	15,000
Supplies and equipment	15,507	27,000
Rent and utilities	120,884	130,000
Telephone	25,667	23,000
Insurance	25,229	30,000
Depreciation and amortization	1,850	-
Office expenses	63,944	62,000
Professional fees	15,250	30,000
Project expenses	383,567	433,000
Uniforms	12,145	12,000
Total expenses	\$ 2,595,856	\$ 2,850,000