

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

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2017 AND 2016**

**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, 2017 and 2016, 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, 2017 and 2016, 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, 2017

**EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash	\$ 90,874	\$ 30,910
Certificates of deposit	934,627	1,075,447
Prepaid expenses	35,415	61,946
Property and equipment, net	3,701	5,551
Security deposits	10,071	10,071
	\$ 1,074,688	\$ 1,183,925
Total assets		
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	286,860	\$ 127,290
Total liabilities	286,860	127,290
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	787,828	1,056,635
Temporarily restricted	-	-
Permanently restricted	-	-
	787,828	1,056,635
Total net assets		
Total liabilities and net assets	\$ 1,074,688	\$ 1,183,925

**See accompanying notes to the financial statements.**

**EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>Support and Revenues:</b>		
Unrestricted:		
Assessment revenue	\$ 2,200,000	\$ 2,200,000
Contributions	22,820	-
Interest income	18,359	19,020
Total support and revenues	2,241,179	2,219,020
<b>Expenses:</b>		
Program Expenses:		
Marketing and promotion	502,095	429,252
Social services	205,579	81,483
Security	441,568	438,396
Sanitation	838,377	752,966
Public improvements	174,754	188,906
Total program expenses	2,162,373	1,891,003
Management and general	347,613	329,804
Total expenses	2,509,986	2,220,807
<b>Increase/(Decrease) In Net Assets:</b>		
Unrestricted	(268,807)	(1,787)
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	(268,807)	(1,787)
Net assets, beginning of year	1,056,635	1,058,422
Net assets, end of year	\$ 787,828	\$ 1,056,635

See accompanying notes to the financial statements.

**EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (268,807)	\$ (1,787)
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	1,850	9,534
Changes in assets and liabilities:		
Accounts payable and accrued expenses	159,570	(83,452)
Prepaid expenses	26,531	(21,602)
Net cash provided/(used) by operating activities	(80,856)	(97,307)
Cash flows from investing activities:		
Purchase of certificates of deposit	-	(401,837)
Redemption of certificate of deposit	140,820	376,083
Net cash provided/(used) by investing activities	140,820	(25,754)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	59,964	(123,061)
Cash at beginning of year	30,910	153,971
Cash at end of year	\$ 90,874	\$ 30,910

**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 49<sup>th</sup> Street to East 63<sup>rd</sup> 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.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</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>( 109,625)</u>	<u>( 107,775)</u>
	<u>\$ 3,701</u>	<u>\$ 5,551</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, 2017 and 2016 were \$31,293 and \$30,382, 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, 2017 and 2016 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, 2017, minimum aggregate annual rentals are as follows:

Year ended June 30, 2018	\$107,680
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, 2017 and 2016 was \$114,413 and \$120,204, respectively.

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

Note 5 - 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, 2017 and 2016.

Note 6 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 19, 2017, 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, 2017 and 2016, and have issued our report thereon dated December 19, 2017, 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 19, 2017

*Skody Scot & Company, CPAs, PC*

**EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
(Supplemental Financial Information)  
**YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	2 0 1 7								2 0 1 6
	Program Expenses					Supporting			
	Marketing & Promotion	Social Services	Security	Sanitation	Public Improvement	Total Program Expenses	Management & General	Total Expenses	Total Expenses
Staff salaries	122,925	27,605	62,371	62,371	48,080	\$ 323,352	103,081	\$ 426,433	\$ 423,276
Payroll taxes and benefits	20,677	4,725	10,605	10,692	7,515	54,214	18,417	72,631	71,797
Outside contractors	95,894	173,249	322,115	765,314	5,965	1,362,537	24,555	1,387,092	1,149,432
Grants to other organizations	15,000	-	-	-	-	15,000	-	15,000	15,000
Supplies	-	-	1,100	-	-	1,100	4,000	5,100	13,449
Rent and utilities	-	-	32,732	-	-	32,732	81,681	114,413	120,204
Telephone	-	-	-	-	-	-	25,353	25,353	20,530
Insurance	-	-	-	-	-	-	25,075	25,075	25,130
Depreciation and amortization	-	-	-	-	-	-	1,850	1,850	9,534
Office expenses	-	-	-	-	-	-	46,576	46,576	20,645
Professional fees	-	-	-	-	-	-	17,025	17,025	14,694
Project expenses	247,599	-	384	-	113,194	361,177	-	361,177	327,772
Uniforms	-	-	12,261	-	-	12,261	-	12,261	9,344
<b>Total expenses</b>	<b>\$502,095</b>	<b>\$205,579</b>	<b>\$441,568</b>	<b>\$ 838,377</b>	<b>\$ 174,754</b>	<b>\$2,162,373</b>	<b>\$ 347,613</b>	<b>\$2,509,986</b>	<b>\$ 2,220,807</b>

**EAST MID-MANHATTAN DISTRICT MANAGEMENT ASSOCIATION, INC**  
**SCHEDULE OF EXPENSES AND BUDGET**  
**(Supplemental Financial Information)**  
**YEAR ENDED JUNE 30, 2017**

	<u>Total Expenses</u>	<u>Budget</u>
Staff salaries	\$ 426,433	\$ 425,000
Payroll taxes and benefits	72,631	55,000
Outside contractors	1,387,092	1,380,000
Grants to other organizations	15,000	15,000
Supplies and equipment	5,100	30,000
Rent and utilities	114,413	90,000
Telephone	25,353	17,000
Insurance	25,075	30,000
Depreciation and amortization	1,850	-
Office expenses	46,576	30,000
Professional fees	17,025	20,000
Project expenses	361,177	313,000
Uniforms	12,261	10,000
Total expenses	<u>\$ 2,509,986</u>	<u>\$ 2,415,000</u>