

**Atlantic Avenue  
District Management Association, Inc.**

**Financial Statements**

**Years Ended  
June 30, 2017 and 2016**

Draft

**Atlantic Avenue District Management Association, Inc.**

**June 30, 2017 and 2016**

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1444 86<sup>th</sup> 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 Auditors' Report**

**To the Board of Directors  
Atlantic Avenue District Management Association, Inc.  
Brooklyn, New York**

We have audited the accompanying financial statements of the Atlantic Avenue 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 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 Atlantic Avenue 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 ended June 30, 2017 and 2016 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 7 and 8 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**  
**November 8, 2017**

**Atlantic Avenue District Management Association, Inc.**  
**(a not-for-profit organization)**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

**Assets**

	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 97,615	\$ 158,173
Accounts receivable	50,221	8,750
Prepaid expenses	4,399	23,643
<b>Total Current Assets:</b>	<u>152,235</u>	<u>190,566</u>
 <b>Depreciable Property:</b>		
Depreciable property	176,046	64,194
Less: accumulated depreciation	<u>(20,079)</u>	<u>(7,081)</u>
<b>Net Depreciable Property</b>	<u>155,967</u>	<u>57,113</u>
 Security deposit	<u>4,500</u>	<u>4,500</u>
 <b>Total Assets</b>	<u><u>\$ 312,702</u></u>	<u><u>\$ 252,179</u></u>

**Liabilities and Net Assets**

<b>Liabilities:</b>		
Accounts payable and accrued expenses	<u>\$ 13,113</u>	<u>\$ 10,014</u>
<b>Total Liabilities</b>	<u>13,113</u>	<u>10,014</u>
 <b>Net Assets:</b>		
Unrestricted	299,589	242,165
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
<b>Total Net Assets</b>	<u>299,589</u>	<u>242,165</u>
 <b>Total Liabilities and Net Assets</b>	<u><u>\$ 312,702</u></u>	<u><u>\$ 252,179</u></u>

See accompanying notes to financial statements

**Atlantic Avenue District Management Association, Inc.**  
**(a not-for-profit organization)**  
**Statements of Activities and Changes in Net Assets**  
**Year Ended June 30, 2017**  
**(with comparative totals for the Year Ended June 30, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>Support and Revenue:</b>					
BID Assessments-NYCDSBS	\$ 240,000	\$ -	\$ -	\$ 240,000	\$ 240,000
Contributions	6,200	-	-	6,200	12,500
Grant income	60,648	-	-	60,648	33,125
Interest income	324	-	-	324	519
Other income	7,080	-	-	7,080	4,753
Sponsorship income	8,000	-	-	8,000	3,000
<b>Total Support and Revenue</b>	<u>322,253</u>	<u>-</u>	<u>-</u>	<u>322,253</u>	<u>\$ 293,898</u>
<b>Expenses:</b>					
Program services	211,008	-	-	211,008	239,051
Management and general	58,901	-	-	58,901	49,852
<b>Total Expenses</b>	<u>269,909</u>	<u>-</u>	<u>-</u>	<u>269,909</u>	<u>288,903</u>
<b>Changes in Net Assets</b>	<u>52,344</u>	<u>-</u>	<u>-</u>	<u>52,344</u>	<u>4,995</u>
<b>Net Assets - Beginning</b>	242,165	-	-	242,165	237,170
<b>Prior period adjustment</b>	<u>5,080</u>	<u>-</u>	<u>-</u>	<u>5,080</u>	<u>-</u>
<b>Net Assets - Ending</b>	<u>\$ 299,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,589</u>	<u>\$ 242,165</u>

See accompanying notes to financial statements

**Atlantic Avenue District Management Association, Inc.**  
**(a not-for-profit organization)**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>
<b>Support and Revenue:</b>				
BID Assessments-NYCDSBS	\$ 240,000	\$ -	\$ -	\$ 240,000
Contributions	12,500	-	-	12,500
Grant income	33,125	-	-	33,125
Interest income	519	-	-	519
Other income	4,753	-	-	4,753
Sponsorship income	3,000	-	-	3,000
<b>Total Support and Revenue</b>	<u>293,898</u>	<u>-</u>	<u>-</u>	<u>293,898</u>
<b>Expenses:</b>				
Program services	239,051	-	-	239,051
Management and general	49,852	-	-	49,852
<b>Total Expenses</b>	<u>288,903</u>	<u>-</u>	<u>-</u>	<u>288,903</u>
<b>Changes in Net Assets</b>	<u>4,995</u>	<u>-</u>	<u>-</u>	<u>4,995</u>
<b>Net Assets - Beginning</b>	237,170	-	-	237,170
<b>Net Assets - Ending</b>	<u>\$ 242,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,165</u>

See accompanying notes to financial statements

**Atlantic Avenue District Management Association, Inc.**  
**(a not-for-profit organization)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Activities:</b>		
Changes in net assets	\$ 52,344	\$ 4,995
Adjustments to reconcile increase to cash provided by operating activities		
Depreciation	12,998	5,145
Prior period adjustment	5,080	-
(Increase) decrease in operating assets:		
Accounts receivable	(41,471)	(4,064)
Prepaid expenses	19,245	(5,934)
Security deposit	-	(3,750)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,098	(1,602)
Net cash provided by (used in) operating activities	<u>51,293</u>	<u>(5,211)</u>
<b>Investing Activities:</b>		
Streetscape improvements	<u>(111,851)</u>	<u>(25,482)</u>
Net cash (used in) investing activities	<u>(111,851)</u>	<u>(25,482)</u>
<b>Financing Activities:</b>		
None	<u>-</u>	<u>-</u>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(60,558)</b>	<b>(30,693)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b><u>158,173</u></b>	<b><u>188,866</u></b>
<b>Cash and cash equivalents - end of period</b>	<b><u>\$ 97,615</u></b>	<b><u>\$ 158,173</u></b>
<b>Supplemental Disclosures:</b>		
None		

See accompanying notes to financial statements

**Atlantic Avenue District Management Association, Inc.**  
**(a not-for-profit organization)**  
**Statements of Functional Expenses**  
**Year Ended June 30, 2017**  
**(with comparative totals for the Year Ended June 30, 2016)**

	<u>Program Services</u>			<u>Support Services</u>		<u>Total 2017</u>	<u>Total 2016</u>
	<u>Street Beautification and Maintenance</u>	<u>Marketing and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>			
<b>Expenses:</b>							
Payroll, payroll taxes and fringe benefits	\$ 18,247	\$ 50,223	\$ 68,470	\$ 20,107	\$ 88,577	\$ 94,776	
Banners and related maintenance	-	13,100	13,100	-	13,100	-	
Advertising and promotion	-	3,878	3,878	-	3,878	4,077	
Street/sidewalk cleaning/maintenance	51,763	-	51,763	-	51,763	43,818	
Holiday lights	-	17,513	17,513	-	17,513	17,513	
Historic lighting expenses	5,898	-	5,898	-	5,898	22,649	
Professional fees	-	-	-	6,144	6,144	27,533	
Tree pit maintenance and plantings	9,313	-	9,313	-	9,313	15,340	
Printing and publications	-	12,480	12,480	-	12,480	20,510	
Insurance	-	-	-	4,688	4,688	5,086	
Outside services	-	9,697	9,697	-	9,697	12,116	
Rent	-	-	-	19,520	19,520	15,250	
Supplies	4,205	-	4,205	-	4,205	399	
Office supplies and expenses	-	-	-	4,937	4,937	261	
Filing fees and permits	-	-	-	782	782	1,555	
Miscellaneous	-	-	-	1,895	1,895	13	
Utilities	-	-	-	828	828	754	
Computer and website expenses	-	1,693	1,693	-	1,693	2,107	
	<u>89,426</u>	<u>108,584</u>	<u>198,010</u>	<u>58,901</u>	<u>256,911</u>	<u>283,758</u>	
Depreciation expense	<u>12,998</u>	<u>-</u>	<u>12,998</u>	<u>-</u>	<u>12,998</u>	<u>1,936</u>	
<b>Total Expenses:</b>	<u>\$ 102,424</u>	<u>\$ 108,584</u>	<u>\$ 211,008</u>	<u>\$ 58,901</u>	<u>\$ 269,909</u>	<u>\$ 285,694</u>	

See accompanying notes to financial statements

**Atlantic Avenue District Management Association, Inc.**  
**(a not-for-profit organization)**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2016**

	<u>Program Services</u>			<u>Support Services</u>	
	<u>Street Beautification and Maintenance</u>	<u>Marketing and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total 2016</u>
<b>Expenses:</b>					
Payroll, payroll taxes and fringe benefits	\$ 19,524	\$ 53,738	\$ 73,262	\$ 21,514	\$ 94,776
Banners and related maintenance	-	-	-	-	-
Advertising and promotion	-	4,077	4,077	-	4,077
Street/sidewalk cleaning/maintenance	43,818	-	43,818	-	43,818
Holiday lights	-	17,513	17,513	-	17,513
Historic lighting expenses	22,649	-	22,649	-	22,649
Professional fees	22,114	-	22,114	5,419	27,533
Tree pit maintenance and plantings	15,340	-	15,340	-	15,340
Printing and publications	-	20,510	20,510	-	20,510
Insurance	-	-	-	5,086	5,086
Outside services	-	12,116	12,116	-	12,116
Rent	-	-	-	15,250	15,250
Supplies	399	-	399	-	399
Office supplies and expenses	-	-	-	261	261
Filing fees and permits	-	-	-	1,555	1,555
Miscellaneous	-	-	-	13	13
Utilities	-	-	-	754	754
Computer and website expenses	-	2,107	2,107	-	2,107
	<u>123,844</u>	<u>110,062</u>	<u>233,906</u>	<u>49,852</u>	<u>283,758</u>
Depreciation expense	<u>5,145</u>	<u>-</u>	<u>5,145</u>	<u>-</u>	<u>5,145</u>
<b>Total Expenses:</b>	<u>\$ 128,989</u>	<u>\$ 110,062</u>	<u>\$ 239,051</u>	<u>\$ 49,852</u>	<u>\$ 288,903</u>

See accompanying notes to financial statements

**Atlantic Avenue District Management Association, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**Note 1 – Organization**

The Atlantic Avenue District Management Association, Inc. (the BID) was incorporated in New York State and organized in March 2012 to promote commercial revitalization along the Atlantic Avenue area 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 November 8, 2017, 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, 2017 and 2016.

**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, 2017 and 2016.

**Atlantic Avenue District Management Association, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

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

***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.

***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.

***Depreciable Property***

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 estimated useful lives of the assets using a straight-line method.

***Functional Allocation of Expenses***

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

***Tax Status***

The Atlantic Avenue District Management Association, Inc. has received a determination from the Internal Revenue Service that they are exempt from federal income taxes as an organization under section 501(c)(3) of the Internal Revenue Code and is a publicly supported charity as provided in Section 509(a)(1). The organization is also in the process of being registered with the New York State Charities Bureau. As a result, no provision for income taxes has been made in these financial statements.

***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, 2016, from which the summarized information was derived.

**Atlantic Avenue District Management Association, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**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 Atlantic Avenue District Management Association to provide the Atlantic Avenue 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. It established a contract with the Atlantic Avenue District Management Association, Inc. for a five-year term. The contract began April 1, 2012 and extended until June 30, 2017. The total assessments awarded by the City of New York, for the fiscal year ended June 30, 2017 and June 30, 2016, were \$240,000 and \$240,000, respectively.

**Note 5 – Contingency**

The Atlantic Avenue District Management Association is dependent on assessments against property in the district collected by the NYC Department of Finance. Any change in this level of support could materially impact the ability of the Atlantic Avenue District Management Association to continue to provide its services.

**Note 6 – Depreciable Property**

Depreciable property at June 30, 2017 and 2016 consists of:

	<b>2017</b>	<b>2016</b>
Tree guards	\$ 120,046	\$ 64,194
Historic lighting	56,000	-
Less: accumulated depreciation	<u>(20,079)</u>	<u>(7,081)</u>
Net depreciable property	<u>\$ 155,967</u>	<u>\$ 57,113</u>

Depreciation expense for June 30, 2017 and 2016 was \$12,998 and \$5,145, respectively.

**Note 7 – Contracts and Leases**

***Street/Sidewalk Cleaning/Maintenance Contracts***

A contract was signed for supplemental street/sidewalk cleaning services with Atlantic Maintenance Corporation which had an initial term beginning October 12, 2015 and ending October 11, 2016, at which time it can be renewed for two year terms. The contract called for an annual fee of \$48,250 payable in equal monthly installments of \$4,020.83.

The contract was extended for supplemental street/sidewalk cleaning services with Atlantic Maintenance Corporation for the period beginning October 12, 2016 and ending December 31, 2016, at which time it will continue for a two year term. The contract continued with monthly installments of \$4,020.83 until December 31, 2016. Effective January 1, 2017 the annual costs for service are \$54,877, payable in equal monthly payments of \$4,573.08. Effective January 1, 2018 the annual fee will be \$63,427 payable in equal monthly installments of \$5,285.58. Effective January 1, 2019 the annual fee will be \$72,530 payable in equal monthly installments of \$6,044.17. The increase in fees accounts for the current New York State minimum wage increases.

**Atlantic Avenue District Management Association, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**Note 7 – Contracts and Leases (continued)**

***Pedestrian Street Lighting Maintenance Contract***

The Atlantic Avenue District Management Association has entered into a contract with the New York City Department of Transportation (NYCDOT) to maintain the 89 pedestrian street lights located within its business improvement district. In addition to maintaining the lights, the organization agrees to pay the NYCDOT an annual fee of \$66.27 per street light in a lump sum of \$5,898.03 for energy costs associated with the lights.

***Office Space Agreements***

The Atlantic Avenue District Management Association entered into a two-year lease agreement for office space beginning April 1, 2012 and ending March 30, 2014. Annual rent was \$9,000 per year, payable monthly at \$750 per month. In addition to the rent there was a \$25 per month charge for utilities and an additional \$25 per month surcharge for a 5-month period for the air conditioner. There was also a fee of \$125 per month for use of an additional desk which had been utilized by the organization. This agreement was renewed for another two-year lease term beginning April 1, 2014 and ended March 30, 2016. Annual rent was \$12,000 per year, payable monthly at \$1,000 per month for the first year and \$12,600 annually during the second year, payable monthly at \$1,050. In addition to the rent there was a \$45 per month charge for utilities and an additional \$45 per month surcharge for a 5-month period for the air conditioner.

***New Office Space/Location***

On June 1, 2016 the Atlantic Avenue District Management Association moved its office location to 338 Atlantic Avenue Suite 203 in Brooklyn, New York. The new lease is for a three-year term beginning June 1, 2016 and ending May 31, 2019. Rent for the first fiscal year was \$18,000, payable in equal monthly installments of \$1,500; rent for the second fiscal year increases 3% to \$18,540, payable in equal monthly installments of \$1,545; rent for the third fiscal year increases 3% to \$19,096.20, payable in equal monthly installments of \$1,591.35. Rent includes utilities of water, sewer, gas electric and heat. A security deposit of \$4,500 was required upon signing of the lease.

Rent expense for the year ended June 30, 2017 and 2016 was \$19,520 and \$15,250, respectively.

**Note 8 – Related Party Transactions**

The Organization leased office space from a company owned by a board member. The lease ended March 30, 2016 and the organization did not renew and moved to a new location. See Note 7 for more detail.

**Atlantic Avenue District Management Association, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**Note 9 – Prior period adjustment**

A prior period adjustment of \$5,080 was made in order to write off old outstanding checks and payables from prior fiscal years.

**Note 10 – Subsequent Events**

*Increase in Assessment*

The members of the BID voted to increase their budgeted assessment for fiscal years ending June 30, 2018 and later, to \$390,000. To help ease the effect of the increase on the BID members, the assessment will be increased by \$75,000 per fiscal year over the next two fiscal years.

*Renewal of Contract with the City of New York*

The City of New York, acting through its Department of Small Business Services, is in the process of renewing its contract with the Atlantic Avenue District Management Association, Inc. for another five-year term. The new contract will begin July 1, 2017 and extend until June 30, 2022.