

**Sunset Park
District Management Association, Inc.**

Financial Statements

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

Sunset Park District Management Association, Inc.

June 30, 2017 and 2016

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Independent Auditors' Report

**To the Board of Directors
Sunset Park District Management Association, Inc.
Brooklyn, New York**

We have audited the accompanying financial statements of the Sunset Park 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 Sunset Park 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.

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 6 and 7 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 21, 2017

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

Assets

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 55,050	\$ 65,354
Cash - board designated	57,692	57,692
Accounts receivable	1,500	6,500
Prepaid expenses	<u>13,763</u>	<u>14,274</u>
Total Current Assets:	<u>128,005</u>	<u>143,820</u>
 Depreciable Property:		
Depreciable property	312,492	312,492
Less: Accumulated depreciation	<u>(231,377)</u>	<u>(200,225)</u>
Net Depreciable Property	<u>81,115</u>	<u>112,267</u>
 Other Assets:		
Security deposits	<u>4,886</u>	<u>4,733</u>
 Total Assets	 <u>\$ 214,006</u>	 <u>\$ 260,820</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 8,631</u>	<u>\$ 6,611</u>
Total Current Liabilities	<u>8,631</u>	<u>6,611</u>
 Net Assets:		
Unrestricted	147,683	196,517
Temporarily restricted - board designated	57,692	57,692
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>205,375</u>	<u>254,209</u>
 Total Liabilities and Net Assets	 <u>\$ 214,006</u>	 <u>\$ 260,820</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Activities and Changes in Net Assets
For the 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>
Support and Revenue:					
BID assessments-NYCDSBS	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ 300,000
Grants and donations	42,255	-	-	42,255	50,655
Interest income	871	-	-	871	419
Total Support and Revenue	<u>343,126</u>	<u>-</u>	<u>-</u>	<u>343,126</u>	<u>351,074</u>
Expenses:					
Program services	257,883	-	-	257,883	245,512
Management and general	35,602	-	-	35,602	29,317
Special events	67,323	-	-	67,323	57,011
Total Expenses Before Depreciation	<u>360,807</u>	<u>-</u>	<u>-</u>	<u>360,807</u>	<u>331,841</u>
Changes in Net Assets Before Depreciation	(17,682)	-	-	(17,682)	19,234
Depreciation expense	<u>(31,152)</u>	<u>-</u>	<u>-</u>	<u>(31,152)</u>	<u>(31,152)</u>
Changes in Net Assets After Depreciation	(48,834)	-	-	(48,834)	(11,918)
Net Assets, Beginning	<u>196,517</u>	<u>57,692</u>	<u>-</u>	<u>254,209</u>	<u>266,127</u>
Net Assets, Ending	<u>\$ 147,683</u>	<u>\$ 57,692</u>	<u>\$ -</u>	<u>\$ 205,375</u>	<u>\$ 254,209</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities:		
Changes in net assets	\$ (48,834)	\$ (11,918)
Adjustments to reconcile increase (decrease) to cash provided (used) by operating activities		
Provision for amortization/depreciation	31,152	31,152
 (Increase) decrease in operating assets:		
Accounts receivable	5,000	8,000
Prepaid expenses	511	(412)
Security deposit	(154)	(148)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,020	(4,100)
Net cash (used in) provided by operating activities:	<u>(10,304)</u>	<u>22,573</u>
 Investing Activities:		
Depreciable property	<u>-</u>	<u>-</u>
Net cash (used in) investing activities:	<u>-</u>	<u>-</u>
 Financing Activities:		
None	<u>-</u>	<u>-</u>
 Net (decrease) increase in cash and cash equivalents	(10,304)	22,573
 Cash and cash equivalents - beginning of period	<u>123,046</u>	<u>100,473</u>
 Cash and cash equivalents - end of period	<u>\$ 112,742</u>	<u>\$ 123,046</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Functional Expenses
For the Year Ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	<u>Program Services</u>	<u>Management and General</u>	<u>Special Events</u>	<u>Total 2017</u>	<u>Total 2016</u>
Expenses:					
Payroll and related expenses	\$ 47,024	\$ 13,436	\$ 6,718	\$ 67,178	\$ 67,378
Consultants	17,349	-	-	17,349	20,348
Holiday lighting and related programs	54,786	-	-	54,786	50,442
Street cleaning/maintenance	41,240	-	-	41,240	41,955
Outside services	-	-	26,064	26,064	20,343
Rent	16,463	4,704	2,352	23,519	22,614
Materials, supplies and printing	2,894	-	1,247	4,141	5,639
Safety and security services	430	-	-	430	995
Graffiti removal services	6,600	-	-	6,600	7,200
Permits, dues, and filing fees	-	-	10,441	10,441	8,608
Insurance	1,021	3,062	1,700	5,783	5,832
Office supplies and expenses	2,265	648	324	3,236	3,909
Professional fees	825	3,300	-	4,125	4,125
Telephone	3,902	1,115	557	5,574	5,147
Meeting expenses	4,080	510	510	5,100	7,167
Banner and sign expenses	3,500	-	-	3,500	3,500
Advertising and promotions	37,619	6,722	5,610	49,950	24,714
Internet access fees for WiFi	7,531	-	-	7,531	7,553
Equipment maintenance for WiFi	400	-	-	400	4,500
Utilities	1,870	534	267	2,671	2,485
Equipment rental and maintenance	1,924	-	10,600	12,524	13,435
Donations	174	-	-	174	2,485
Postage	409	117	58	585	522
Website expenses	4,946	1,413	707	7,066	405
Miscellaneous	632	42	168	842	540
Total expenses before depreciation	<u>257,883</u>	<u>35,602</u>	<u>67,323</u>	<u>360,807</u>	<u>331,841</u>
Depreciation expense	<u>28,473</u>	<u>2,679</u>	<u>-</u>	<u>31,152</u>	<u>31,152</u>
Total expenses after depreciation	<u>\$ 286,356</u>	<u>\$ 38,281</u>	<u>\$ 67,323</u>	<u>\$ 391,959</u>	<u>\$ 362,993</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statement of Functional Expenses
For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Special Events</u>	<u>Total 2016</u>
Expenses:				
Payroll and related expenses	\$ 47,164	\$ 13,476	\$ 6,738	\$ 67,378
Consultants	17,103	-	3,245	20,348
Holiday lighting and related programs	50,442	-	-	50,442
Street cleaning/maintenance	41,955	-	-	41,955
Outside services	-	-	20,343	20,343
Rent	15,830	4,523	2,261	22,614
Materials, supplies and printing	5,473	-	166	5,639
Safety and security services	995	-	-	995
Graffiti removal services	7,200	-	-	7,200
Permits, dues, and filing fees	-	-	8,608	8,608
Insurance	1,033	3,099	1,700	5,832
Office supplies and expenses	2,736	782	391	3,909
Professional fees	825	3,300	-	4,125
Telephone	3,603	1,029	515	5,147
Meeting expenses	4,411	1,378	1,378	7,167
Banner and sign expenses	3,500	-	-	3,500
Advertising and promotions	22,843	1,048	824	24,714
Internet access fees for WiFi	7,553	-	-	7,553
Equipment maintenance for WiFi	4,500	-	-	4,500
Utilities	1,739	497	248	2,485
Equipment rental and maintenance	3,025	-	10,410	13,435
Donations	2,485	-	-	2,485
Postage	365	104	52	522
Website expenses	284	81	41	405
Miscellaneous	449	-	91	540
Total expenses before depreciation	<u>245,512</u>	<u>29,317</u>	<u>57,011</u>	<u>331,841</u>
Depreciation expense	<u>28,473</u>	<u>2,679</u>	<u>-</u>	<u>31,152</u>
Total expenses after depreciation	<u>\$ 273,985</u>	<u>\$ 31,996</u>	<u>\$ 57,011</u>	<u>\$ 362,993</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 – Organization

The Sunset Park District Management Association, Inc. (the BID) was incorporated in New York State and began operations in 1995 to promote the economic growth and well-being of the businesses in the Sunset Park area by enlightening the public, improving environmental conditions, increasing public safety and supplementing social services in the area.

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 21, 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 and/or board restricted contributions whose restrictions have not been met at year end but whose restrictions are anticipated to be met in the future. The board has designated funds towards the organization’s Renaissance Project, which are accordingly classified as temporarily restricted until those funds are spent. During the year ended June 30, 2013, \$28,000 was spent and has been released from restriction. At June 30, 2017 and 2016 \$57,692 and \$57,692 in funds are still designated, respectively.

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.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
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. Board designated cash consists of cash that has been earmarked for special projects.

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.

Equipment and Improvements

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 useful lives of the assets.

Functional Allocation of Expenses

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

Tax Status

The Sunset Park 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 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.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 4 – Concentration of Credit Risk

The federal deposit insurance coverage (FDIC) insures deposit accounts for up to \$250,000 per depositor, per insured bank for each ownership category. At June 30, 2017 and 2016, the organization did not have any deposits which exceeded the coverage.

Note 5 – 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 Sunset Park District Management Association to provide the Sunset Park area with programs to enhance the economic and business conditions of the area by 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. The contract was renewed for a five-year term ending June 30, 2017. The total income awarded by the City of New York, for the fiscal years ended June 30, 2017 and 2016, was \$300,000 and \$300,000, respectively.

Note 6 – Contingency

Sunset Park 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 Sunset Park District Management Association to continue to provide its services.

Note 7 – Depreciable Property

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

	2017	2016
Office furniture, fixtures and equipment	\$ 75,342	\$ 75,342
Streetscape improvements - trash receptacles	164,730	164,730
Equipment	60,000	60,000
Leasehold improvements	<u>12,420</u>	<u>12,420</u>
Total depreciable property	312,492	312,492
Less accumulated depreciation	<u>(231,377)</u>	<u>(200,225)</u>
Net depreciable property	<u>\$ 81,115</u>	<u>\$ 112,267</u>

Depreciation expense for June 30, 2017 and 2016 was \$31,152 and \$31,152 respectively.

Note 8 – Contracts

Street/Sidewalk Cleaning

Sunset Park District Management Association has entered into a contract for street/sidewalk cleaning services within the Sunset Park Business improvement district with JBS Cleaning & Maintenance Corporation. A monthly fee of \$3,395 will be paid with additional services available upon request. The contract renews itself automatically each month with either party being able to cancel the contract with written notification and at least 30 day's notice. Sanitation services for the year ended June 30, 2017 and 2016 were \$41,240 and \$41,955, respectively.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 8 – Contracts (continued)

Wireless Network

The Sunset Park District Management Association entered into a contract with Corporate Bizinis Inc.; Sky-Packets Division, to provide Wi-Fi internet access, equipment installation, maintenance and support services to the Sunset Park Business Improvement District. The contract is for a five-year term beginning June 15, 2017 with an annual fee of \$10,000, invoiced in equal monthly installments.

Note 9 – Lease Agreement

On July 12, 2006, Sunset Park District Management Association entered into a lease agreement to relocate their office space to 5116 Fifth Avenue in Brooklyn, New York. The lease term began January 1, 2007 and extended for five years. On December 1, 2010 the organization exercised its renewal option for another five-year term. The current lease ended on December 31, 2016 but was extended for another five-year term ending on December 31, 2021.

Future minimum lease payments are as follows:

For the fiscal year ending:	
June 30, 2018	\$ 24,460
June 30, 2019	25,438
June 30, 2020	26,455
June 30, 2021	27,514
June 30, 2022	<u>14,027</u>
Total	<u>\$ 117,894</u>

The agreement provides for progressive annual lease payments throughout the term of the lease. The organization paid rent of \$23,980 and \$22,614 for June 30, 2017 and 2016, respectively.

Note 10 – Related Parties

The organization leases its office space from a building owned by a member of the board.

Note 11 – Accounts Receivable

Accounts receivable consists of monies paid out in advance for certain cost-reimbursement grants where the funds have been spent but the reimbursements have not yet been received as of the end of the fiscal year.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 12 – Subsequent Events

Holiday Lighting

The Sunset Park District Management Association entered into a contract for holiday lighting decorations for a three-year term beginning around Thanksgiving 2017 and continuing through New Year's 2020. The contract calls for payments of \$37,150 annually to install and maintain holiday lights and decorations for the period of six to fourteen days before Thanksgiving, until after the holidays, but no later than the last week of February.

Renewal of Contract with the City of New York

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