

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

Financial Statements

**Years Ended
June 30, 2018 and 2017**

Sunset Park District Management Association, Inc.

June 30, 2018 and 2017

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Independent Auditor's 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, 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 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, 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.

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 8, 2018

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Financial Position
June 30, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 55,242	\$ 55,050
Cash - board designated	57,692	57,692
Accounts receivable	7,798	1,500
Prepaid expenses	<u>42,201</u>	<u>13,763</u>
Total Current Assets:	<u>162,933</u>	<u>128,005</u>
 Depreciable Property:		
Depreciable property	272,999	312,492
Accumulated depreciation	<u>(234,883)</u>	<u>(231,377)</u>
Net Depreciable Property	<u>38,116</u>	<u>81,115</u>
 Other Assets:		
Security deposits	<u>5,045</u>	<u>4,886</u>
 Total Assets	 <u><u>\$ 206,094</u></u>	 <u><u>\$ 214,006</u></u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,361	\$ 8,631
Prepaid festival deposits	<u>8,000</u>	<u>-</u>
Total Current Liabilities	<u>15,361</u>	<u>8,631</u>
 Net Assets:		
Unrestricted	133,041	147,683
Temporarily restricted - board designated	57,692	57,692
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>190,733</u>	<u>205,375</u>
 Total Liabilities and Net Assets	 <u><u>\$ 206,094</u></u>	 <u><u>\$ 214,006</u></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, 2018
(with comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Support and Revenue:					
Assessment revenue	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ 300,000
Grants and donations	43,617	-	-	43,617	42,255
Interest income	480	-	-	480	871
Total Support and Revenue	<u>344,097</u>	<u>-</u>	<u>-</u>	<u>344,097</u>	<u>343,126</u>
Expenses:					
Program services	260,827	-	-	260,827	257,883
Management and general	29,477	-	-	29,477	35,602
Fundraising	64,929	-	-	64,929	67,323
Total Expenses Before Depreciation	<u>355,233</u>	<u>-</u>	<u>-</u>	<u>355,233</u>	<u>360,807</u>
Changes in Net Assets Before Depreciation	(11,136)	-	-	(11,136)	(17,682)
Depreciation expense	<u>(3,506)</u>	<u>-</u>	<u>-</u>	<u>(3,506)</u>	<u>(31,152)</u>
Changes in Net Assets After Depreciation	(14,642)	-	-	(14,642)	(48,834)
Net Assets, Beginning	<u>147,683</u>	<u>57,692</u>	<u>-</u>	<u>205,375</u>	<u>254,209</u>
Net Assets, Ending	<u>\$ 133,041</u>	<u>\$ 57,692</u>	<u>\$ -</u>	<u>\$ 190,733</u>	<u>\$ 205,375</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities:		
Changes in net assets	\$ (14,642)	\$ (48,834)
Adjustments to reconcile increase (decrease) to cash provided (used) by operating activities		
Provision for amortization/depreciation	3,506	31,152
 (Increase) decrease in operating assets:		
Accounts receivable	(6,298)	5,000
Prepaid expenses	(28,438)	511
Security deposit	(159)	(154)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,268)	2,020
Prepaid festival deposits	<u>8,000</u>	<u>-</u>
Net cash (used in) operating activities:	<u>(39,299)</u>	<u>(10,305)</u>
 Investing Activities:		
Depreciable property	<u>39,493</u>	<u>-</u>
Net cash provided by investing activities:	<u>39,493</u>	<u>-</u>
 Financing Activities:		
None	<u>-</u>	<u>-</u>
 Net increase (decrease) increase in cash and cash equivalents	194	(10,305)
 Cash and cash equivalents - beginning of period	<u>112,741</u>	<u>123,046</u>
 Cash and cash equivalents - end of period	<u>\$ 112,934</u>	<u>\$ 112,741</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, 2018
(with comparative totals for the year ended June 30, 2017)

	Program Services	Management and General	Fundraising	Total 2018	Total 2017
Expenses:					
Payroll and related expenses	\$ 27,668	\$ 7,905	\$ 3,953	\$ 39,526	\$ 67,178
Consultants	39,752	-	-	39,752	17,349
Holiday lighting and related programs	59,325	-	-	59,325	54,786
Sanitation	40,290	-	-	40,290	41,240
Outside services	4,955	-	33,297	38,252	26,064
Rent	17,122	4,892	2,446	24,460	23,519
Materials, supplies and printing	6,371	-	744	7,115	4,141
Safety and security services	-	-	-	-	430
Graffiti removal services	7,200	-	-	7,200	6,600
Permits, dues, and filing fees	-	-	10,664	10,664	10,441
Insurance	-	4,215	1,700	5,915	5,783
Office supplies and expenses	4,078	1,166	583	5,827	3,236
Professional fees	-	4,275	-	4,275	4,125
Telephone	-	4,203	-	4,203	5,574
Meeting expenses	3,820	478	478	4,775	5,100
Banner and sign expenses	5,665	-	-	5,665	3,500
Advertising and promotions	29,490	-	3,480	32,970	49,950
Internet access fees for WiFi	-	-	-	-	7,531
Equipment maintenance for WiFi	10,000	-	-	10,000	400
Utilities	-	2,344	-	2,344	2,671
Equipment rental and maintenance	1,327	-	7,585	8,912	12,524
Donations	1,150	-	-	1,150	174
Postage	30	-	-	30	585
Website expenses	1,042	-	-	1,042	7,066
Miscellaneous	1,542	-	-	1,542	842
Total expenses before depreciation	<u>260,827</u>	<u>29,477</u>	<u>64,929</u>	<u>355,233</u>	<u>360,807</u>
Depreciation expense	-	3,506	-	3,506	31,152
Total expenses after depreciation	<u>\$ 260,827</u>	<u>\$ 32,983</u>	<u>\$ 64,929</u>	<u>\$ 358,739</u>	<u>\$ 391,959</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, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2017</u>
Expenses:				
Payroll and related expenses	\$ 47,024	\$ 13,436	\$ 6,718	\$ 67,178
Consultants	17,349	-	-	17,349
Holiday lighting and related programs	54,786	-	-	54,786
Sanitation	41,240	-	-	41,240
Outside services	-	-	26,064	26,064
Rent	16,463	4,704	2,352	23,519
Materials, supplies and printing	2,894	-	1,247	4,141
Safety and security services	430	-	-	430
Graffiti removal services	6,600	-	-	6,600
Permits, dues, and filing fees	-	-	10,441	10,441
Insurance	1,021	3,062	1,700	5,783
Office supplies and expenses	2,265	648	324	3,236
Professional fees	825	3,300	-	4,125
Telephone	3,902	1,115	557	5,574
Meeting expenses	4,080	510	510	5,100
Banner and sign expenses	3,500	-	-	3,500
Advertising and promotions	37,619	6,722	5,610	49,950
Internet access fees for WiFi	7,531	-	-	7,531
Equipment maintenance for WiFi	400	-	-	400
Utilities	1,870	534	267	2,671
Equipment rental and maintenance	1,924	-	10,600	12,524
Donations	174	-	-	174
Postage	409	117	58	585
Website expenses	4,946	1,413	707	7,066
Miscellaneous	632	42	168	842
Total expenses before depreciation	<u>257,883</u>	<u>35,602</u>	<u>67,323</u>	<u>360,807</u>
Depreciation expense	<u>28,473</u>	<u>2,679</u>	<u>-</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>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

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 8, 2018, 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, 2018 and 2017 \$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, 2018 and 2017.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

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, 2017, from which the summarized information was derived.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, 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 another five-year term which began July 1, 2017 and extends until June 30, 2022. The total assessments awarded by the City of New York, for the fiscal years ended June 30, 2018 and 2017, were \$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, 2018 and 2017 consists of:

	2018	2017
Office furniture, fixtures and equipment	\$ 75,342	\$ 75,342
Streetscape improvements - trash receptacles	125,237	164,730
Equipment	60,000	60,000
Leasehold improvements	<u>12,420</u>	<u>12,420</u>
Total depreciable property	272,999	312,492
Less accumulated depreciation	<u>(234,883)</u>	<u>(231,377)</u>
Net depreciable property	<u>\$ 38,116</u>	<u>\$ 81,115</u>

Depreciation expense for June 30, 2018 and 2017 was \$3,506 and \$31,152 respectively.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 8 – Contracts

Sanitation Services

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 days' notice. Sanitation services for the year ended June 30, 2018 and 2017 were \$40,290 and \$41,240, respectively.

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.

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.

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, 2017 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, 2019	\$ 25,438
June 30, 2020	26,455
June 30, 2021	27,514
June 30, 2022	<u>14,027</u>
Total	<u>\$ 93,434</u>

The agreement provides for progressive annual lease payments throughout the term of the lease. The organization paid rent of \$24,460 and \$23,519 for the years ending June 30, 2018 and 2017, respectively.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 10 – Related Parties

The organization leases its office space from a building owned by a member of the board. Rent paid for the year ended June 30, 2018 and 2017 was \$24,560 and \$23,519, respectively.

Payments totaling \$8,520 were paid to an entity owned by a board member for the year ended June 30, 2018.

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.

An amount of \$7,798 was also setup as a receivable for overcharged internet services fees. The Organization is currently working with the wireless network vendor to resolve this issue.

Note 12 – Prepaid Vendor Balance

After requesting an update from one of the Organization's vendors, Victor Stanley, the Organization was informed they had a credit balance of \$39,493 with the vendor. This was due to full payment for ordered, but undelivered, trash receptacles which were to be used as future replacements for damaged or additionally needed trash receptacles by the BID. As a result of this credit balance, \$39,493 was reclassified from depreciable property to prepaid expenses on the June 30, 2018 Statement of Financial Position, and depreciation expense was adjusted this year for the cumulative effect of the change.

Note 13 – Subsequent Events

New Executive Director

The Organization hired a new executive director who began working July 1, 2018 after the retirement of the previous executive director in January of 2018.