

**Central Fulton Street
District Management Association, Inc.**

Financial Statements

**Years Ended
June 30, 2016 and 2015**

Central Fulton Street District Management Association, Inc.

June 30, 2016 and 2015

Table of Contents

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses-June 30, 2016	6
Statement of Functional Expenses-June 30, 2015	7
Notes to Financial Statements	8-13



1444 86th 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

The Board of Directors Central Fulton Street District Management Association, Inc. Brooklyn, New York

We have audited the accompanying financial statements of the Central Fulton Street District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 Central Fulton Street District Management Association, Inc. as of June 30, 2016 and 2015, 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 22, 2016**

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Financial Position
June 30, 2016 and 2015

Assets

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets:		
Cash	\$ 154,206	\$ 198,921
Accounts receivable	48,300	26,328
Prepaid expenses	<u>25,504</u>	<u>3,001</u>
Total current assets	<u>228,009</u>	<u>228,250</u>
Depreciable assets:		
Computer equipment	5,183	5,183
Less: accumulated depreciation	<u>(4,983)</u>	<u>(4,721)</u>
Total depreciable assets	<u>200</u>	<u>462</u>
Other assets:		
Security deposits	<u>12,000</u>	<u>250</u>
Total other assets	<u>12,000</u>	<u>250</u>
Total assets	<u><u>\$ 240,209</u></u>	<u><u>\$ 228,962</u></u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$ 60,345	\$ 28,964
Total liabilities	<u>60,345</u>	<u>28,964</u>
Net Assets:		
Unrestricted	179,864	199,998
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>179,864</u>	<u>199,998</u>
Total liabilities and net assets	<u><u>\$ 240,209</u></u>	<u><u>\$ 228,962</u></u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2016
(with comparative totals for the Year Ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Support and Revenue:					
BID assessments - NYCDSBS	\$ 299,904	\$ -	\$ -	\$ 299,904	\$ 300,000
Grants and contributions	88,558	-	-	88,558	133,128
Contributions-in-kind	42,500	-	-	42,500	29,500
Total support and revenue	<u>430,962</u>	<u>-</u>	<u>-</u>	<u>430,962</u>	<u>462,628</u>
Expenses:					
Program services	290,566	-	-	290,566	251,755
Management and general	160,531	-	-	160,531	131,857
Total expenses	<u>451,096</u>	<u>-</u>	<u>-</u>	<u>451,096</u>	<u>383,612</u>
Changes in net assets	(20,134)	-	-	(20,134)	79,016
Net assets - beginning	<u>199,998</u>	<u>-</u>	<u>-</u>	<u>199,998</u>	<u>120,982</u>
Net assets - ending	<u>\$ 179,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,864</u>	<u>\$ 199,998</u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

Operating Activities:	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Changes in net assets	\$ (20,134)	\$ 79,016
Adjustments to reconcile increase (decrease) to cash provided (used) by operating activities:		
Depreciation	262	1,127
(Increase) decrease in operating assets:		
Accounts receivable	(21,972)	(17,568)
Prepaid expenses	(22,503)	(3,001)
Security deposit	(11,750)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	<u>31,382</u>	<u>927</u>
Net cash (used in) provided by operating activities	<u>(44,715)</u>	<u>60,501</u>
Investing Activities:		
None	<u>-</u>	<u>-</u>
Financing Activities:		
None	<u>-</u>	<u>-</u>
Net (decrease) increase in cash	(44,715)	60,501
Cash - beginning of period	<u>198,921</u>	<u>138,420</u>
Cash - end of period	<u>\$ 154,206</u>	<u>\$ 198,921</u>
Supplemental disclosures:		
None		

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statements of Functional Expenses
For the Year Ended June 30, 2016
(with comparative totals for the Year Ended June 30, 2015)

	Program Services			Total Program Services	Support Services		Total 2016	Total 2015
	Street Beautification and Maintenance	Marketing and Promotions	Other Programs		Management and General			
Expenses:								
Street/sidewalk cleaning/maintenance	\$ 141,104	\$ -	\$ -	\$ 141,104	\$ -	\$ -	\$ 141,104	\$ 116,590
Payroll, payroll taxes and benefits	-	-	1,868	1,868	107,874	-	109,743	103,893
Outside services	4,353	13,921	22,906	41,179	-	-	41,179	62,433
Holiday lights	-	24,925	-	24,925	-	-	24,925	23,925
Advertising and banners	-	8,103	650	8,753	-	-	8,753	378
Rent/administration fee	-	-	-	-	34,920	-	34,920	14,160
Supplies and materials	-	-	-	-	1,811	-	1,811	1,296
Professional fees	-	-	-	-	4,644	-	4,644	5,096
Printing and postage	-	11,010	-	11,010	-	-	11,010	9,798
Equipment rental and purchases	-	-	15,537	15,537	-	-	15,537	4,212
Office expenses	-	-	321	321	6,124	-	6,445	4,276
Insurance	-	-	-	-	4,379	-	4,379	2,383
Miscellaneous	-	633	-	633	63	-	696	151
Computer and website expenses	-	1,998	-	1,998	-	-	1,998	3,076
Fees and permits	-	-	737	737	75	-	812	1,319
Utilities	-	-	-	-	378	-	378	-
Professionals, supplies and materials - in-kind	-	-	42,500	42,500	-	-	42,500	29,500
	<u>145,456</u>	<u>60,590</u>	<u>84,520</u>	<u>290,566</u>	<u>160,269</u>	<u>-</u>	<u>450,834</u>	<u>382,485</u>
Depreciation expense	-	-	-	-	262	-	262	1,127
Total expenses	<u>\$ 145,456</u>	<u>\$ 60,590</u>	<u>\$ 84,520</u>	<u>\$ 290,566</u>	<u>\$ 160,531</u>	<u>\$ -</u>	<u>\$ 451,096</u>	<u>\$ 383,612</u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
(a not-for-profit organization)
Statement of Functional Expenses
For the Year Ended June 30, 2015

	<u>Program Services</u>			<u>Support Services</u>		<u>Total 2015</u>
	<u>Street Beautification and Maintenance</u>	<u>Marketing and Promotions</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	
Expenses:						
Street/sidewalk cleaning/maintenance	\$ 116,590	\$ -	\$ -	\$ 116,590	\$ -	\$ 116,590
Payroll, payroll taxes and benefits	-	-	400	400	103,493	103,893
Outside services	9,426	12,751	39,896	62,073	360	62,433
Holiday lights	-	23,925	-	23,925	-	23,925
Advertising and banners	-	-	378	378	-	378
Rent/administration fee	-	-	-	-	14,160	14,160
Supplies and materials	-	-	289	289	1,006	1,296
Professional fees	-	-	-	-	5,096	5,096
Printing and postage	-	9,798	-	9,798	-	9,798
Equipment rental and purchases	-	-	4,212	4,212	-	4,212
Office expenses	-	-	468	468	3,808	4,276
Insurance	-	-	-	-	2,383	2,383
Miscellaneous	-	-	-	-	151	151
Computer and website expenses	-	3,076	-	3,076	-	3,076
Fees and permits	-	-	1,046	1,046	273	1,319
Professionals, supplies and materials - in-kind	-	-	29,500	29,500	-	29,500
	<u>126,016</u>	<u>49,550</u>	<u>76,189</u>	<u>251,755</u>	<u>130,730</u>	<u>382,485</u>
Depreciation expense	-	-	-	-	1,127	1,127
Total expenses	<u>\$ 126,016</u>	<u>\$ 49,550</u>	<u>\$ 76,189</u>	<u>\$ 251,755</u>	<u>\$ 131,857</u>	<u>\$ 383,612</u>

See accompanying notes to financial statements

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 – Organization

The Central Fulton Street District Management Association, Inc. (the BID) was incorporated in New York State and organized in 2009 to promote commercial revitalization along the Fulton Street area between Rockwell Place and Classon Avenue 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 22, 2016, 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, 2016 and 2015.

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, 2016 and 2015.

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.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

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

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 Central Fulton Street 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 Central Fulton Street District Management Association, Inc. has applied with the Internal Revenue Service to be exempt from federal income taxes as an organization under section 501(c)(3) of the Internal Revenue Code and that they are a publicly supported charity as provided in Section 509(a)(1). The organization also sent in an application to register with the New York State Charities Bureau. As a result of these pending applications, no provision for income taxes has been made in these financial statements.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

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

Gifts-in-Kind Contributions

The organization benefits from services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's programs and operations. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. For the years ended June 30, 2016 and 2015, donated services, supplies and materials with an estimated fair value of \$42,500 and \$29,500, respectively, met those criteria and are included in in-kind contributions in the statement of activities. These in-kind donations were primarily related to the creation of space-activation events and programming in the BID's Public Spaces.

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, 2015, from which the summarized information was derived.

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 Central Fulton Street District Management Association to provide the Central Fulton Street 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. The contract began in October 2009 and extended through June 30, 2017. The total assessments given by the City of New York, for the fiscal year ended June 30, 2016 and 2015 were \$299,904 and \$300,000, respectively.

Note 5 – Contingency

The Central Fulton Street District Management Association is dependent on assessments against property in the district collected by the New York City Department of Finance. Any change in this level of support could materially impact the ability of the Central Fulton Street District Management Association to continue to operate and provide its services.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 6 – Contracts

Sidewalk/Street Cleaning/Maintenance Contracts

In July 2014, the Central Fulton Street District Management Association renewed its contract for street cleaning/maintenance services with Atlantic Maintenance. The contract was for a two-year period which ended on June 30, 2016, and had an annual fee of \$122,118 which was paid in monthly installments of \$10,176.50.

Street cleaning/maintenance fees for the years ended June 30, 2016 and 2015 were \$141,104 and \$116,590, respectively.

Management Agreement

The Central Fulton Street District Management Association renewed its contract with the Pratt Area Community Council (“PACC”) whereas “PACC” to provide office space and administrative support to the organization. This contract covered the periods July 1, 2013 through June 30, 2015 and July 1, 2015 through June 30, 2016 and called for an administrative fee of \$1,180 per month, plus an additional monthly payroll processing fee of \$45 for one employee, \$55 for two employees and \$60 for three employees. If there are more than three employees, the fee will be agreed upon by the two organizations. In September 2015, the organization temporarily relocated to another office while its new office was under construction. As a result, the \$1,180 administrative fee was not charged after September 2015. The Central Fulton Street District Management Association signed a new contract with the Pratt Area Community Council (“PACC”) whereas “PACC” to provide administrative payroll support to the organization.

Horticulture Services Agreement

In December 2012, the Central Fulton Street District Management Association entered into an agreement with Urban Arborists, Inc. to maintain the plants and shrubs at the two Public Plazas in the district; Fowler Square and the Putnam Triangle Plaza. The agreement ended on June 30, 2014, and was renewed for another year until June 30, 2015. In June 2015, the agreement was not renewed due to the changing needs of the BID which in fiscal year June 30, 2016 only called upon the vendor on an “as needed” basis. Horticulture costs for the years ended June 30, 2016 and 2015 were \$2,597 and \$9,426, respectively.

Pedestrian Plaza Maintenance Agreement

The City of New York, acting through the Commissioner of the Department of Transportation (“DOT”) has entered into an agreement with the Central Fulton Street District Management Association to help maintain the pedestrian plaza and installed amenities located on Putnam Avenue between Grand Avenue and Fulton Street, in the borough of Brooklyn, New York. If the organization fails to maintain or repair the Plaza and its amenities pursuant to the agreement, the DOT may bill the Central Fulton Street District Management Association for all reasonable costs arising from such repair and maintenance. The agreement became effective on June 27, 2013 and extends for an initial term of five years and may be renewed for five additional one-year terms after that.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 7 – Office Space and New Lease

Temporary Office Space

On September 22, 2015 the Central Fulton Street District Management Association moved its offices to 907 Fulton Street in Brooklyn, New York, while searching for a new location. Rent, inclusive of all utilities was \$2,100 per month through February 2016 and increased to \$2,220 per month beginning in March 2016. A new location was found but is being renovated so the organization continues to be on a month-to-month basis until the construction on the new space is complete. New space construction is expected to be completed in December 2016 as of the date of this report.

New Lease for Office Space

A lease for new office space was signed on February 9, 2016 for an office at 126 Bainbridge Street in Brooklyn, New York. The lease is for a five-year term, with an extension option for a five-year term. A security deposit of 4 months base rent for \$12,000 was required. Rent expense for the fiscal years ending June 30, 2016 and 2015 was \$34,920 and \$14,160 respectively.

Future minimum lease payments for the lease are as follows:

For the fiscal year ending:	
June 30, 2017	\$ 36,750
June 30, 2018	38,587
June 30, 2019	40,517
June 30, 2020	42,543
June 30, 2021	<u>25,526</u>
Total	<u>\$ 183,923</u>

Payments of \$22,900 to begin construction of leasehold improvements were made in April and June 2016. They have been setup as part of prepaid expenses on the statement of financial position until the improvements are completed, when they will be recognized and capitalized, along with the remainder of the construction costs as leasehold improvements.

Note 8 – Subsequent Events

Renewal of Management Agreement

The Central Fulton Street District Management Association extended its current contract with the Pratt Area Community Council (“PACC”) whereas “PACC” to provide administrative payroll support to the organization. This contract covers the period July 1, 2016 through June 30, 2017 and calls for a monthly payroll processing fee of \$45 for one employee, \$55 for two employees and \$60 for three employees. If there are more than three employees, the fee will be agreed upon by the two organizations.

Central Fulton Street District Management Association, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 8 – Subsequent Events (continued)

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 Central Fulton Street District Management Association, Inc. for another five-year term and has issued a contract extension through June 30, 2017 until the new contract can be finalized.

Renewal of Sidewalk/Street Cleaning/Maintenance Contract

In July 2016, the Central Fulton Street District Management Association extended its contract through December 31, 2016 for street cleaning/maintenance services with Atlantic Maintenance for a minimum fee of \$ 9,137.50 per month with additional services billed accordingly. A new contract which will begin January 1, 2017 is in the process of being reviewed as of the date of this report.