

STEINWAY STREET DISTRICT
MANAGEMENT ASSOCIATION, INC

AUDITED
FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Steinway Street District Management Association, Inc.

I have audited the accompanying financial statements of Steinway Street District Management Association, Inc., which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Steinway Street District Management Association, Inc. as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Paul Sobyan, CPA

New York, New York
October 23, 2017

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30,

	<u>Assets</u>	
<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents - note 2	\$ 184,764	223,567
Prepaid expense	23,085	
Property and equipment - net- note 5	<u>113,013</u>	<u>94,138</u>
Total assets	<u>\$ 320,862</u>	<u>317,705</u>
 <u>Liability and Net Assets</u> 		
<u>Liability</u>		
Accounts payable	\$ <u>5,892</u>	<u>5,067</u>
Contingency - note 4		
<u>Net Assets</u>		
Unrestricted	<u>314,970</u>	<u>312,638</u>
Total liability and net assets	<u>\$ 320,862</u>	<u>317,705</u>

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2017	2016
<u>Revenues</u>		
Property tax assessment	\$ 400,000	400,000
Street fair	9,500	9,500
Interest	619	716
Total revenue	410,119	410,216
<u>Expenses</u>		
<u>Program</u>		
Sanitation	143,826	131,995
Security	5,536	4,042
Depreciation - security camera	36,630	31,079
Holiday decoration	29,200	28,150
Marketing and promotion	41,375	49,519
Streetcape and beautification	47,209	46,925
Total expenses	303,776	291,710
<u>Administrative and general</u>		
Management fee	95,000	90,000
General and administrative expenses	9,011	9,000
Total administrative and general	104,011	99,000
Total expenses	407,787	390,710
Change in net assets	2,332	19,506
Net unrestricted assets at beginning of year	312,638	293,132
Net unrestricted assets at end of year	\$ 314,970	312,638

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 2,332	19,506
<u>Adjustments to reconcile change in net assets to cash flows</u>		
Depreciation	36,630	31,079
Increase in prepaid expense	(23,085)	
Increase in accounts payable	825	567
Total adjustments	<u>14,370</u>	<u>31,646</u>
Net cash provided by operating activities	<u>16,702</u>	<u>51,152</u>
<u>Cash Flows From Investing Activities</u>		
Security camera	<u>(55,505)</u>	<u>(4,500)</u>
Net cash used in investing activities	<u>(55,505)</u>	<u>(4,500)</u>
Net (decrease) / increase in cash	(38,803)	46,652
Cash at beginning of year	<u>223,567</u>	<u>176,915</u>
Cash at end of year	<u>\$ 184,764</u>	<u>223,567</u>

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1 Organization

The Steinway Street District Management Association, Inc., (the “Association”), a not-for-profit organization, was incorporated in the State of New York in 1983. The purpose of the Association was to provide supplemental services in the Steinway Street Business Improvement District (the “SBID”) in which it was created. The Association primarily receives its support from a special assessment on commercial properties located in the SBID, levied by the City of New York.

The Association is tax-exempt from federal income tax under Internal Revenue Code 501(c)(3) and similar provision of the State code. However, informational tax returns filed by the Organization for years 2013, 2014 and 2015 are subject to examinations by the Internal Revenue Service.

Note 2 Significant Accounting Policies

Financial Statement Presentation

The Association’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The classification of the Association’s net assets and its support and revenue is based on the existence or absence of donor-imposed restrictions. It requires that the amount for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by Steinway Street District Management Association, Inc. is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Steinway Street District Management Association, Inc.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 Significant Accounting Policies (continued)
Financial Statement Presentation (continued)

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The Organization's net assets of \$314,970 as at June 30, 2017 were all unrestricted.

Grants and contribution

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Activities and revenue recognition

The Association entered into contract with New York City Department of Small Business Services to provide supplemental municipal service to the SBID as defined in the contract. The Association recognizes its revenue when assessments are received from the City's allotment for the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the property and equipment. The Organization capitalizes any asset it determines will be maintained for an extended period of time using the straight line method over five years.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, grants and contract and program fees receivable, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments. This

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 Significant Accounting Policies (continued)
Fair Value of Financial Instruments (continued)
measurement has remained the same as in prior years.

Subsequent Events – Management has evaluated subsequent events and transactions that occurred after the statement of financial position date through October 23, 2017, the financial statement issuance date. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

General and administrative expenses

The Association classifies expenses not directly related to the provision of the program services as general and administrative expenses.

Note 3 Management fee and related party transaction
The Association shares common office space and certain support staff with Central Astoria Local Development Coalition, Inc., (“CALDC”), a non-profit organization. These costs, along with other management services provided by CALDC to the Association, were included as management fee under a contract (ending June 30, 2018) entered between the Association and CALDC. Management fees paid to CALDC for the years ended June 30, 2017 and 2016 amounted to \$95,000 and \$90,000 respectively under the agreement. In addition, certain board members of the Association are also board members of CALDC.

Future management fee for year ending June 30, 2018 will be \$98,000.

Note 4 Contingency
The contract of the Association with the City of New York is subject to audits by the City. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined at this date. Disallowances or adjustments, if any, will be reflected in the financial statements in the year of settlement.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

Note 5 Property and equipment

During the year, the Association entered into a contract to install security cameras on various streets in the district. Total cost is estimated at approximately \$202,000 of which the Association had made partial payments totaling \$150,896 as of June 30, 2017. Although the project has not been completed, the equipment has been put in service, and depreciation was provided during the year under the straight line method.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Security camera (5 years)	\$ <u>210,901</u>	\$ <u>97,888</u>	\$ <u>113,013</u>

Total depreciation expense for the year was \$36,630.

Note 6 Concentration

Financial instruments that potentially subject Steinway District Management Association to concentration risk consist principally of cash deposits. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at each institution. Currently, the FDIC insures accounts for up to \$250,000 per depositor. Management believes the exposure to credit risk is minimal.

Funding for the Organization's program comes through special assessments levied on commercial properties by the City of New York which made up 98% of the Organization's funding for the year.

Note 7 Functional allocation of expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.