

STEINWAY STREET DISTRICT
MANAGEMENT ASSOCIATION, INC

AUDITED
FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019 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, 2019 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 Soderman, CPA, PLLC

New York, New York
November 4, 2019

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

	<u>Assets</u>		<u>2019</u>	<u>2018</u>
<u>Assets</u>				
Cash and cash equivalents	\$	157,489	203,603	
Property and equipment (net)		43,016	79,832	
Total assets	\$	<u>200,505</u>	<u>283,435</u>	
<u>Liability and Net Assets</u>				
<u>Liability</u>				
Accounts payable	\$	7,158	20,025	
 <u>Net Assets</u>				
Without donors restrictions		193,347	263,410	
Total liability and net assets	\$	<u>200,505</u>	<u>283,435</u>	

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
	Without Donors Restrictions	Without Donors Restrictions
<u>Revenue</u>		
BID assessments	\$ 400,000	400,000
Street fair	9,500	9,500
Interest	514	547
Total revenue	<u>410,014</u>	<u>410,047</u>
<u>Expenses</u>		
<u>Program</u>		
Sanitation	186,235	164,051
Security	28,434	19,932
Depreciation - security camera	44,998	43,180
Holiday decoration	29,300	29,300
Marketing and promotion	10,076	45,977
Streetcape and beautification	74,461	52,945
Total program expenses	<u>373,504</u>	<u>355,385</u>
<u>Administrative and general</u>		
Management fee	98,000	98,000
General and administrative expenses	8,573	8,222
Total administrative and general	<u>106,573</u>	<u>106,222</u>
Total expenses	<u>480,077</u>	<u>461,607</u>
Change in net assets	(70,063)	(51,560)
Net unrestricted assets at beginning of year	<u>263,410</u>	<u>314,970</u>
Net unrestricted assets at end of year	<u>\$ 193,347</u>	<u>263,410</u>

See accompanying notes to financial statements.

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

	2019	2018
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (70,063)	(51,560)
<u>Adjustments to reconcile change in net assets to cash flows</u>		
Depreciation	44,998	43,181
Decrease/(Increase) in prepaid expense	0	23,085
Decrease/(Increase) in accounts payable	(12,867)	14,133
Total adjustments	32,131	80,399
Net cash (used in)/provided by operating activities	(37,932)	28,839
<u>Cash Flows From Investing Activities</u>		
Security camera	(8,182)	(10,000)
Net cash used in investing activities	(8,182)	(10,000)
Net (decrease)/increase in cash	(46,114)	18,839
Cash and cash equivalents at beginning of year	203,603	184,764
Cash and cash equivalents at end of year	\$ 157,489	203,603

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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.

Note 2 Significant Accounting Policies
Financial Statement Presentation

Adoption of new accounting standard:

During 2018, Steinway Street District Management Association adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU modified the current guidance over several criteria, of which the following affected Steinway Street District Management Association’s financial statements:

- Net assets are to be segregated into two categories, “with donor restrictions” and “without donor restrictions” as opposed to the previous requirement of three classes of net assets (see page 7)
- Qualitative and quantitative information relating to the management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date (see page 10)
- An explanation of the methods used to allocate costs among programs and supporting functions (see page 7)

The adoption of this ASU did not impact Steinway Street District Management Association’s net assets balance, change in net assets, or cash flows for year ended June 30, 2019.

The Organization’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.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 Significant Accounting Policies (continued)

Revenue Recognition

Revenue from unrestricted grants and contribution is recorded as without donor restrictions revenue and net assets when unconditionally pledged or received. Fundraising and special events revenue is recognized as revenue when the event occurs. Revenue from restricted grants is recorded as with donor restrictions revenue and net assets when conditionally pledged or received. Transfers are made to without donor restrictions revenue and net assets as costs are incurred or time restrictions or program restrictions have lapsed.

All other revenue is recorded when earned.

Expense Allocation

Expenses related directly to a program are allocated to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied.

Net Assets

Net Assets Without Donor Restrictions - Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization.

The Organization's net assets without donor restrictions as of June 30, 2019 was \$193,347.

Net Assets With Donor Restrictions - Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted), and any amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment can be spent.

The Organization's net assets with donor restrictions as of June 30, 2019 was \$0.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 Significant Accounting Policies (continued)

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

Cash is primarily consisted of cash held in checking and saving accounts at major financial institutions. The Organization 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 measurement has remained the same as in prior years.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019 AND 2018

Note 2 Significant Accounting Policies (continued)

Subsequent Events – Management has evaluated subsequent events and transactions that occurred after the statement of financial position date through November 4, 2019, 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 that ends on June 30, 2021 between the Association and CALDC. Management fees paid to CALDC for the years ended June 30, 2019 and 2018 amounted to \$98,000 and \$95,000 respectively under the agreement. Future management fees will be \$100,000 for year ending 06/30/20 and \$105,000 for year ending 06/30/21. In addition, certain board members of the Association are also board members of CALDC.

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.

Note 5 Property and Equipment

The Association installed security cameras on various streets in the district. Total cost was \$229,083 as of June 30, 2019. Depreciation was provided for under the straight line method.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Security camera (5 years)	\$ 229,083	\$ 186,067	\$ 43,016

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 5 Property and Equipment (continued)
Total depreciation expense for the year was \$44,998.

Note 6 Liquidity and Availability of Financial Assets
The Organization's financial assets available within one year from the statement of financial position date for general operating purposes are as follows as of June 30, 2019:

Cash and cash equivalents	<u>\$157,489</u>
Financial assets available to meet cash needs for general expenditures within one year	\$157,489

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due.

Note 7 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 8 Functional allocation of expenses
The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 9

Income taxes

Steinway District Management Association accounts for uncertainty in income taxes in accordance with *ASC topic, Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2019. However, the Organization's informational returns for 2015, 2016 and 2017 are subject to examinations by Federal and State jurisdictions.