

**CHURCH AVENUE DISTRICT
MANAGEMENT ASSOCIATION, INC.**

Financial Statements

June 30, 2019 and 2018

CHURCH AVENUE DISTRICT MANAGEMENT ASSOCIATION, INC.

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June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Church Avenue District Management Association, Inc.
New York, New York

We have audited the accompanying financial statements of Church Avenue District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditors' 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 Church Avenue District Management Association, Inc. as of June 30, 2019 and 2018, 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.

Reich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP

New York, New York

January 21, 2020

CHURCH AVENUE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statements of Financial Position

| | <i>June 30,</i> | |
|--|-------------------|-------------------|
| | <i>2019</i> | <i>2018</i> |
| ASSETS | | |
| <i>Current Assets</i> | | |
| Cash | \$ 80,047 | \$ 82,303 |
| Certificate of deposit | 21,766 | 21,761 |
| Grants receivable | - | 5,310 |
| Prepaid expenses | 1,836 | 1,836 |
| | <u>103,649</u> | <u>111,210</u> |
| <i>Property and Equipment</i> | | |
| Furniture and equipment | 4,880 | 4,880 |
| Less: Accumulated depreciation | <u>4,880</u> | <u>4,392</u> |
| | <u>-</u> | <u>488</u> |
| <i>Total Assets</i> | <u>\$ 103,649</u> | <u>\$ 111,698</u> |
| LIABILITIES AND NET ASSETS | | |
| <i>Current Liabilities</i> | | |
| Accrued expenses | \$ 8,454 | \$ 5,360 |
| <i>Other Liabilities</i> | | |
| Due to CAMBA, Inc. | <u>26,772</u> | <u>27,173</u> |
| <i>Total Liabilities</i> | <u>35,226</u> | <u>32,533</u> |
| <i>Net Assets</i> - without donor restrictions | <u>68,423</u> | <u>79,165</u> |
| <i>Total Liabilities and Net Assets</i> | <u>\$ 103,649</u> | <u>\$ 111,698</u> |

CHURCH AVENUE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statements of Activities

| | <i>For the Years Ended June 30,</i> | |
|---|---|------------------|
| | <i>2019</i> | <i>2018</i> |
| Revenue | | |
| Grants- NYC Assessments | \$ 203,000 | \$ 188,500 |
| Grants - other | - | 5,310 |
| Advertising | 10,415 | 13,250 |
| Other | 3,500 | 6,182 |
| Interest | 76 | 59 |
| | <u>216,991</u> | <u>213,301</u> |
| Expenses | | |
| Program services: | | |
| Business Improvement District | 165,847 | 144,217 |
| Supporting services: | | |
| Management and general | 61,886 | 61,155 |
| | <u>227,733</u> | <u>205,372</u> |
| Change in Net Assets | (10,742) | 7,929 |
| Net Assets - without donor restrictions- beginning | <u>79,165</u> | <u>71,236</u> |
| Net Assets - without donor restrictions - end | <u>\$ 68,423</u> | <u>\$ 79,165</u> |

CHURCH AVENUE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statements of Functional Expenses

| | For the Years Ended June 30, | | | |
|------------------------------------|-------------------------------|------------------------|-------------------------------|------------------------|
| | 2019 | | 2018 | |
| | Program Services | Supporting Services | Program Services | Supporting Services |
| | Business Improvement District | Management and General | Business Improvement District | Management and General |
| | | Total | | Total |
| Employee compensation | \$ 42,440 | \$ 21,221 | \$ 40,585 | \$ 20,294 |
| Payroll taxes and benefits | 15,641 | 7,821 | 15,104 | 7,551 |
| Total employee compensation | 58,081 | 29,042 | 55,689 | 27,845 |
| Holiday lighting | 10,875 | - | 10,875 | - |
| Annual marketing project | 11,175 | - | 10,950 | - |
| Maintenance and sanitation | 65,349 | - | 53,669 | - |
| Promotion | 5,920 | - | 4,309 | - |
| Payroll processing | - | 1,000 | - | 1,000 |
| Director's and officers' insurance | - | 2,521 | - | 2,496 |
| Operating costs | - | 28,835 | - | 28,838 |
| Consultants | 8,239 | - | 3,946 | - |
| Depreciation | - | 488 | - | 976 |
| Office expense | 3,131 | - | 1,657 | - |
| Miscellaneous | 3,077 | - | 3,122 | - |
| | \$ 165,847 | \$ 61,886 | \$ 144,217 | \$ 61,155 |
| | | \$ 227,733 | | \$ 205,372 |

See notes to financial statements.

CHURCH AVENUE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statements of Cash Flows

| | <i>For the Years Ended June 30,</i> | |
|--|---|------------------|
| | <i>2019</i> | <i>2018</i> |
| <i>Cash Flows from Operating Activities</i> | | |
| Change in net assets | \$ (10,742) | \$ 7,929 |
| Adjustments to reconcile change in net assets to net cash (used in) operating activities: | | |
| Depreciation | 488 | 976 |
| (Increase) decrease in operating assets: | | |
| Grants receivable | 5,310 | (1,319) |
| Prepaid expenses | - | (25) |
| Increase (decrease) in operating liabilities: | | |
| Accrued expenses | 3,094 | (10,039) |
| Due to CAMBA, Inc. | (401) | (16,251) |
| | <u>(2,251)</u> | <u>(18,729)</u> |
| <i>Cash Flows from Investing Activities</i> | | |
| Certificate of deposit | <u>(5)</u> | <u>(5)</u> |
| <i>Net (Decrease) in Cash</i> | (2,256) | (18,734) |
| <i>Cash - beginning</i> | <u>82,303</u> | <u>101,037</u> |
| <i>Cash - end</i> | <u>\$ 80,047</u> | <u>\$ 82,303</u> |

CHURCH AVENUE DISTRICT MANAGEMENT ASSOCIATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Nature of Activities** - Church Avenue District Management Association, Inc., ("CADMA" or the "Organization") was formed in 1983 under the New York not-for-profit corporation law for the purposes of enhancing the Church Avenue commercial district for businesses, residents, and shoppers by making the area cleaner and safer by promoting the neighborhood as a shopping destination; and by providing development resources to Church Avenue merchants and property owners. CADMA contracts with the New York City Department of Small Business Services to provide and oversee the operation and maintenance of improvements in the described area.
- b. **Adoption of New Accounting Standard** - During the year ended June 30, 2019, the Organization implemented ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, previously reported unrestricted net assets as of June 30, 2018 have been re-characterized to be known as net assets without donor restrictions, and additional newly required disclosures have been made in Note 4 to present information about the Organization's liquidity. Additionally, ASU 2016-14 requires classification of investment expenses which are netted in investment return to include internal investment expenses. For the years ended June 30, 2019 and 2018, the Organization did not incur any internal investment expenses.
- c. **Basis of Accounting and Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows.
 - **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
 - **Net Assets With Donor Restrictions** - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019 and 2018, there were no net assets with donor restrictions.
- d. **Use of Estimates** - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

- e. **Fair Value Measurements** - The Organization accounts for its investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price), as opposed to the price that would be paid to acquire the asset or received to assume the liability at the measurement date (an entry price). A three-level hierarchy was established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Certificates of Deposit - Valued at fair value for amounts on deposit at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting dates.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019 and 2018

| June 30, 2019 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|------------------|----------------|----------------|------------------|
| Certificates of deposit | \$ 21,766 | \$ - | \$ - | \$ 21,766 |
| | <u>\$ 21,766</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 21,766</u> |
| June 30, 2018 | Level 1 | Level 2 | Level 3 | Total |
| Certificates of deposit | \$ 21,761 | \$ - | \$ - | \$ 21,761 |
| | <u>\$ 21,761</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 21,761</u> |

- f. **Property and Equipment** - Furniture and equipment are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of five years for furniture and equipment.
- g. **Grants - NYC Assessments** - CADMA receives all its assessment revenue from a special real property tax levy on community businesses, which is collected by the New York City Department of Revenue which is then remitted to CADMA in the form of a grant.

- h. **Advertising Revenue** - CADMA receives funds from local businesses for advertising in their annual wall calendar which promotes the Church Avenue commercial district as a shopping destination. Advertising revenue is recognized as the ads are run. At June 30, 2019 and 2018 there was no deferred advertising revenue.
- i. **Grants** - Government grant awards are conditional and classified as refundable advances until expended for the purposes of the grants. Grants revenue is recognized as the expenses are incurred. At June 30, 2019, there were no refundable advances due.
- j. **Cash and Cash Equivalents** - CADMA considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2019 and 2018, CADMA had no cash equivalents.
- k. **Functional Allocation of Expenses** - The costs of providing various programs and their administration has been summarized on a functional basis in the statements of activities. Accordingly, employee compensation, payroll taxes and benefits have been allocated to direct programs and supporting services based on management's estimate of time incurred by Organization employees. The functional classifications are defined as follows:
 - i. *Program Services* - Consists of costs incurred in connection with providing services and improving the business district.
 - ii. *Supporting Services* - Consists of costs incurred in connection with the overall activities of the Organization, which are not allocable to another functional expense category.
 - iii. *Fundraising* - Consists of costs incurred in connection with activities related to obtaining contributions and activities designated to generate revenue. There were no fundraising expenses incurred for the years ended June 30, 2019 and 2018.
- l. **Income Taxes** - CADMA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

CADMA may recognize the tax benefit from an uncertain tax position, including its tax-exempt status, only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2019 and 2018.

CADMA files an annual Form 990, Return of Organization Exempt from Income Tax, in the U.S. federal jurisdiction. CADMA files NYS CHAR in the New York State jurisdiction.

2 - CONCENTRATIONS OF CREDIT RISK

CADMA maintains its cash in bank deposit accounts primarily in two commercial banks located in New York. The deposited funds are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances, from time to time, exceed federal insured limits. As of June 30, 2019 and 2018, all cash balances were insured.

3 - SERVICE PROVIDER

CAMBA, Inc. ("CAMBA"), an unrelated third party, provides CADMA with office space, professional fees, certain insurance costs, computer usage, personnel, and other services pursuant to a month to month agreement. During the years ended June 30, 2019 and 2018, CADMA incurred approximately \$117,000 and \$113,000 for these administrative and personnel services, respectively. These amounts include payments made to CAMBA to its defined contribution plan for \$6,435 and \$5,300 for the years ended June 30, 2019 and 2018, respectively.

The amount due to CAMBA, Inc. at June 30, 2019 and 2018 was \$26,772 and \$27,173, respectively. The Organization makes payments as it has cash available, there are no set repayment terms and the amounts do not bear interest.

4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$80,047 of financial assets, consisting of cash, available to meet cash needs for general expenditures within one year of the statement of financial position. These financial assets are available for general expenditure and have no donor or other restrictions limiting their use.

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

The Organization has a Certificate of Deposit that matures within seven months of year end and could be used in the event of an unanticipated liquidity need.

5 - COMMITMENTS

The Organization has an agreement with a company to provide monthly maintenance services. The maintenance services are payable monthly, based upon an hourly billing rate through June 2020. For the year ended June 30, 2019 and 2018, the related maintenance fees amounted to \$65,349 and \$53,669, respectively.

6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2020, the date that the financial statements were available to be issued.