

**CHINATOWN DISTRICT MANAGEMENT
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2017 AND 2016

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Chinatown District Management Association, Inc.

We have audited the accompanying financial statements of Chinatown District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 of 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 Chinatown District Management Association, Inc. as of June 30, 2017 and 2016, 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.

Skody Scot & Company, CPAs, P.C.

New York, NY
November 29, 2017

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 489,114	\$ 533,127
Certificates of deposit	203,625	202,306
Government grants receivable	67,191	48,710
Other receivables	6,325	1,775
Prepaid expenses	9,897	12,794
Property and equipment, net	15,505	20,446
Security deposits	785	-
Total assets	<u>\$ 792,442</u>	<u>\$ 819,158</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 14,930	\$ 150,857
Due to affiliate	166,378	139,760
Total liabilities	<u>181,308</u>	<u>290,617</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	611,134	528,541
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	<u>611,134</u>	<u>528,541</u>
Total liabilities and net assets	<u>\$ 792,442</u>	<u>\$ 819,158</u>

See accompanying notes to the financial statements.

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Support and Revenues:		
Unrestricted:		
Assessments revenue	\$ 1,300,000	\$ 1,300,000
Contributions in-kind	72,000	36,000
Contributions	5,274	101
Government grants	55,881	71,710
Special events:		
Event income	55,666	-
Less: related direct costs	(15,818)	-
Net special event income	<u>39,848</u>	<u>-</u>
Interest income	1,813	1,615
Total support and revenues	<u>1,474,816</u>	<u>1,409,426</u>
Expenses:		
Program Expenses:		
Sanitation	792,192	837,593
Marketing and promotion	443,039	305,803
Total program expenses	<u>1,235,231</u>	<u>1,143,396</u>
Supporting Services:		
Management and general	131,381	231,055
Fundraising	25,611	-
Total expenses	<u>1,392,223</u>	<u>1,374,451</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	82,593	34,975
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>82,593</u>	<u>34,975</u>
Net assets, beginning of year	<u>528,541</u>	<u>493,566</u>
Net assets, end of year	<u>\$ 611,134</u>	<u>\$ 528,541</u>

See accompanying notes to the financial statements.

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 82,593	\$ 34,975
Adjustments for non-cash items included in operating activities		
Depreciation	4,941	1,998
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(135,927)	130,887
Due to affiliate	26,618	17,077
Government grants receivable	(18,481)	(48,710)
Other receivables	(4,550)	169
Prepaid expenses	2,897	(4,569)
Security deposits	(785)	-
Net cash provided/(used) by operating activities	<u>(42,694)</u>	<u>131,827</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(20,600)
Purchase of certificates of deposit	(203,625)	(202,306)
Redemption of certificates of deposit	202,306	201,048
Net cash provided/(used) by investing activities	<u>(1,319)</u>	<u>(21,858)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(44,013)	109,969
Cash and cash equivalents at beginning of year	<u>533,127</u>	<u>423,158</u>
Cash and cash equivalents at end of year	<u><u>\$ 489,114</u></u>	<u><u>\$ 533,127</u></u>

See accompanying notes to the financial statements.

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Association

Chinatown District Management Association, Inc. (Association), a not-for-profit organization, was incorporated in the State of New York on June 6, 2012. The Association primarily receives its support from a real estate special assessment levied by The City of New York (City) on properties located in the Chinatown Business Improvement District (BID). The BID's boundaries are approximately Broadway to Allen Street and Grand Street to Madison Street.

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Association does not believe its financial statements contain any uncertain tax positions.

The Association operates in coordination with the Chinatown Partnership Local Development Corporation, an affiliated charitable organization. The Association's programs include the following: Sanitation - maintaining clean streets/curbs and garbage and graffiti removal; and Marketing and promotion - promoting the district to residents and tourists and retaining and developing prospective businesses.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Association 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. In addition, the Association is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions 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.

Cash and Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Association considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposits, with an original maturity of three months or less.

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

The Association capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to ten years. Leasehold improvements are depreciated by the straight-line method over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are charged as an expense, and major renewals and betterments are capitalized.

Revenue Recognition

The real estate assessment levied by the City is recorded by the Association when earned. An allowance for doubtful accounts is not provided because all assessments have been subsequently received in the following year. Assessment billing errors are recorded as a direct reduction of assessment revenue.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Association receives grants from governmental agencies. In accordance with the grant provisions, the Association either receives grant funds following the disbursement of approved expenses or is authorized to receive funds in advance of anticipated expenditures. All unreimbursed expenses as of period-end are recorded as grant receivables and all advanced funds not expended are recorded as either refundable advances or deferred income.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Association allocates salaries based on estimated time and other expenses are allocated based on usage. The Association classifies expenses, which are not directly related to a specific program, as Management and General expenses.

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Checking and savings	\$196,913	\$241,555
Money market funds	<u>292,201</u>	<u>291,572</u>
	<u>\$489,114</u>	<u>\$533,127</u>

Note 3 - Due to/from Affiliate

The Association shares office facilities and employees with the Chinatown Partnership Local Development Corporation (Partnership LDC). The Partnership LDC is a corporation organized for the purpose of providing economic rehabilitation and preservation services to the Chinatown area. The Partnership LDC has a separate board of directors, sources of income and operational activities. During the years ended June 30, 2017 and 2016, costs were allocated to the Association from the Partnership LDC. Amounts due to the Partnership LDC represent amounts due to this cost-sharing arrangement. For the years ended June 30, 2017 and 2016, the Association had the following related transactions:

	<u>2017</u>	<u>2016</u>
Total costs allocated from the Partnership LDC	<u>\$ 376,319</u>	<u>\$ 351,582</u>
Amount due to the Partnership LDC	<u>\$ 166,378</u>	<u>\$ 139,760</u>

Note 4 - Government Grants

During the years ended June 30, 2017 and 2016, the Association was awarded several grants by The City of New York. Total grant revenue recognized under the grants amounted to \$55,881 and \$71,710 during the years ended June 30, 2017 and 2016.

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Commitments and contingencies

The Association leases office space under a non-cancelable operating lease. As of June 30, 2017, the minimum aggregate annual rental for the Association's portion is as follows:

Year ended June 30, 2018	\$ 38,615
2019	40,159
2020	41,765
2021	14,102

Total rent expense charged to operations for the years ended June 30, 2017 and 2016 was \$109,836 and \$103,467, respectively.

Note 6 - Concentrations

The Association maintains its cash, cash equivalents, and certificates of deposit with major financial institutions. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts exceeded the insured limits during the years ended June 30, 2017 and 2016.

Note 7 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 2,635	\$ 2,635
Leasehold improvements	<u>20,600</u>	<u>20,600</u>
	23,235	23,235
Less: Accumulated depreciation	(<u>7,730</u>)	(<u>2,789</u>)
	<u>\$ 15,505</u>	<u>\$ 20,446</u>

Note 8 - Contributions In-kind

The use of facilities were donated to the Organization by another organization and meet the criteria for being recognized as contributions in accordance with GAAP.

Total contributions in-kind reported on the accompanying statements of activities for the years ended June 30, 2017 and 2016 amounted to \$72,000 and \$36,000, respectively, and consisted solely of the free use of facilities.

**CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through November 29, 2017, which is the date the financial statements were available to be issued.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To: The Board of Directors of
Chinatown District Management
Association, Inc.

We have audited the financial statements of Chinatown District Management Association, Inc. as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon dated November 29, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses, and expenses and budget are presented for the purpose 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.

Skody Scot & Company, CPAs, PC

New York, NY
November 29, 2017

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017						2016
	Program Expenses			Supporting Services			
	Sanitation	Marketing and Promotion	Total Program Expenses	Management and General	Fundraising	Total Expenses	Total Expenses
Staff salaries	\$ 3,274	\$ 168,213	\$ 171,487	\$ 28,492	\$ 9,788	\$ 209,767	\$ 189,135
Payroll taxes and benefits	1,188	47,512	48,700	8,315	2,376	59,391	49,992
Outside contractors	712,500	28,250	740,750	-	-	740,750	758,236
Depreciation	-	-	-	4,941	-	4,941	1,998
Dues, books and subscriptions	130	3,040	3,170	912	260	4,342	1,780
Equipment	83	1,933	2,016	580	165	2,761	5,556
Event costs - other	-	-	-	-	6,991	6,991	-
Holiday decorations	-	101,998	101,998	-	-	101,998	101,910
Insurance	-	-	-	21,858	-	21,858	25,105
Office supplies and expenses	248	5,781	6,029	1,597	496	8,122	21,983
Postage	16	364	380	109	31	520	954
Printing and design	-	2,620	2,620	697	-	3,317	11,637
Professional fees	1,571	36,652	38,223	10,996	3,141	52,360	31,982
Program supplies and expenses	-	17,688	17,688	-	-	17,688	19,769
Promotion	72	3,092	3,164	502	144	3,810	6,577
Rent and utilities	72,140	3,258	75,398	38,814	279	114,491	111,232
Tech support	557	13,002	13,559	3,901	1,114	18,574	22,892
Telephone	259	6,043	6,302	1,813	518	8,633	8,628
Travel, hotels and meetings	154	3,593	3,747	1,079	308	5,134	5,085
Uncollectible receivables	-	-	-	6,775	-	6,775	-
Total expenses	<u>\$ 792,192</u>	<u>\$ 443,039</u>	<u>\$ 1,235,231</u>	<u>\$ 131,381</u>	<u>\$ 25,611</u>	<u>\$ 1,392,223</u>	<u>\$ 1,374,451</u>

CHINATOWN DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2017

	Total Expenses	Budget
Staff salaries	\$ 209,767	\$ 110,854
Payroll taxes and benefits	59,391	22,171
Outside contractors	740,750	799,546
Depreciation	4,941	10,000
Dues, books and subscriptions	4,342	1,500
Equipment	2,761	-
Event costs - other	6,991	-
Holiday decorations	101,998	80,000
Insurance	21,858	26,000
Office supplies and expenses	8,122	12,000
Postage	520	2,500
Printing and design	3,317	3,000
Professional fees	52,360	40,700
Program expenses	17,688	10,000
Promotion	3,810	12,500
Rent and utilities	114,491	41,165
Tech support	18,574	-
Telephone	8,633	6,000
Travel, hotels and meetings	5,134	3,500
Uncollectible receivables	6,775	-
Total expenses	<u>\$ 1,392,223</u>	<u>\$ 1,181,436</u>

Please note the budget does not include in-kind expenses, which totaled \$72,000.