

**FULTON MALL IMPROVEMENT
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

FULTON MALL IMPROVEMENT ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Fulton Mall Improvement Association, Inc.

We have audited the accompanying financial statements of Fulton Mall Improvement Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 Fulton Mall Improvement Association, Inc. as of June 30, 2018 and 2017, 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
October 26, 2018

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash - Unrestricted	\$ 874,253	\$ 947,145
Cash - Temporarily restricted	55,001	47,928
Certificates of deposit	57,687	57,675
Program revenue receivable	3,500	-
Prepaid expenses	121,675	107,734
Property and equipment, net	-	246
Security deposits receivable	5,545	5,545
	\$ 1,117,661	\$ 1,166,273
Total assets	\$ 1,117,661	\$ 1,166,273

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 235,756	\$ 89,143
Due to related organizations	140,612	216,700
User rights payable	67,553	60,642
Total liabilities	443,921	366,485
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	618,739	751,860
Temporarily restricted	55,001	47,928
Permanently restricted	-	-
Total net assets	673,740	799,788
Total liabilities and net assets	\$ 1,117,661	\$ 1,166,273

See accompanying notes to the financial statements.

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 2,004,500	\$ 1,904,500
User rights	6,911	6,810
Program service revenue	11,184	22,992
Interest income	215	216
Temporarily restricted:		
User rights	6,910	6,810
Interest income	163	163
Total support and revenues	2,029,883	1,941,491
Expenses:		
Program Expenses:		
Security	540,261	491,860
Sanitation	519,768	447,987
Public improvements	519,926	230,417
Marketing and promotion	104,619	98,337
Other mall operations	146,653	186,977
Total program expenses	1,831,227	1,455,578
Management and general	324,704	312,651
Total expenses	2,155,931	1,768,229
Increase/(Decrease) In Net Assets:		
Unrestricted	(133,121)	166,289
Temporarily restricted	7,073	6,973
Permanently restricted	-	-
Increase/(decrease) in net assets	(126,048)	173,262
Net assets, beginning of year	799,788	626,526
Net assets, end of year	\$ 673,740	\$ 799,788

See accompanying notes to the financial statements.

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (126,048)	\$ 173,262
Adjustments for non-cash items included in operating activities:		
Depreciation	246	19,735
Changes in assets and liabilities:		
Accounts payable and accrued expenses	146,613	(225,216)
Due to related organizations	(76,088)	(106,824)
User rights payable	6,911	6,810
Security deposits payable	-	(7,720)
Assessments receivable	-	292,000
Program revenue receivable	(3,500)	16,616
Prepaid expenses	(13,941)	5,638
Net cash provided/(used) by operating activities	(65,807)	174,301
Cash flows from investing activities:		
Purchase of certificate of deposit	(57,687)	(57,675)
Redemption of certificate of deposit	57,675	57,664
Net cash provided/(used) by investing activities	(12)	(11)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	(65,819)	174,290
Cash at beginning of year	995,073	820,783
Cash at end of year	\$ 929,254	\$ 995,073

See accompanying notes to the financial statements.

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Association

Fulton Mall Improvement Association, Inc. (Association), a not-for-profit organization, was incorporated in the State of New York on June 7, 1976. 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 provisions. Effective August 2008, the Association entered into a management agreement with the Downtown Brooklyn Partnership (DBP) for program and general administration.

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 Fulton Mall Special Assessment District. The district extends along Fulton Street on both the north and south sides of the street from Adams Street/Boerum Place to Flatbush Avenue, and DeKalb Avenue from Flatbush Avenue to Albee Square West, and generally extends the full length of the New York City tax lot onto the cross streets.

The Association's programs include the following: Security - providing increased public security through a combination of uniformed guards and a working relationship with the New York City Police Department; Sanitation - maintaining clean streets/curbs and garbage removal; Public Improvements - supplemental repair and maintenance of sidewalks, signage and public furniture and fixtures; Marketing and Promotion - promoting the district to residents and tourists and to retain and develop prospective businesses through printed materials; and Other Mall Operations - providing electricity to public fixtures and special mall insurance for the public spaces.

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.

FULTON MALL IMPROVEMENT 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 its 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. The City remits these assessments to the Association in two installments. An allowance for doubtful accounts is not provided because all assessments are received in the current 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 and mainly includes payments related to banner sponsorship and public plaza revenue. 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 Association'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 also receives revenue from collection of User Rights of which one-third of the net revenue, after provision for certain expenses, is to be paid to the City. The balance of User Rights net revenues is allocated to general unrestricted operations and to the Association's temporarily restricted fund. The temporarily restricted Reserve Fund is funded through one-third of User Right's net revenues retained by the Association. The funds are to be used for extraordinary mall expenses or plant maintenance approved by the City.

**FULTON MALL IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 and other expenses between affiliates based on revenues. The Association classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 11,428	\$ 11,428
Equipment	333,841	333,841
Leasehold improvements	<u>43,484</u>	<u>43,484</u>
	388,753	388,753
Accumulated depreciation	<u>(388,753)</u>	<u>(388,507)</u>
	<u>\$ -</u>	<u>\$ 246</u>

Note 3 - Public Plaza License

In December 2011, the Association signed a five-year license agreement, which was subsequently renewed through 2017 and includes two additional one-year renewal options, with the New York City Department of Transportation (DOT) to manage and maintain a public pedestrian plaza located within the district. The agreement allows the Association to collect special event concession fees, contributions and sponsorships which will be used to offset the cost of managing and maintaining the plazas. Any excess revenue derived from the plaza will be kept in an accrual fund. The accrual fund will be used for any future shortfall in revenue needed to provide the services set forth in the agreement. If at any time the accrual fund contains more than three times the public plaza budget, the excess amount of funds shall be used to provide any services and/or alterations in the public plaza. At the end of the term of the license agreement or at termination, the balance of the accrual fund shall be used to provide any services and/or alterations in the public plaza. During the year ended June 30, 2013, the Association signed two sublicense agreements for kiosks in the public plaza, which have since expired. The revenue from these and future sublicense agreements will go toward the cost of managing and maintaining the plaza.

**FULTON MALL IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Concentrations

The Association maintains its checking, savings, and certificate of deposit accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. At times, the balances of the accounts exceeded the insured limits during the years ended June 30, 2018 and 2017.

Note 5 - Related Parties

The Association shares office facilities and employees, with the Downtown Brooklyn Partnership, Inc. (DBP). DBP is a not-for-profit corporation organized for the purpose of providing economic development, as well as promoting business and tourism in Brooklyn.

During the years ended June 30, 2018 and 2017, the following related party transactions occurred:

	<u>2018</u>	<u>2017</u>
Direct staff and benefits	\$ 317,993	\$ 288,527
Subcontractors and program expenses	<u>133,547</u>	<u>31,735</u>
Total amount of program charges	<u>451,540</u>	<u>320,262</u>
Legal fees	18,127	21,288
Rent and related costs	26,691	19,531
Other office expenses	49,347	35,510
Administrative fee	<u>115,000</u>	<u>115,000</u>
Total amount of administrative charges	<u>209,165</u>	<u>191,329</u>
Total amount allocated from DBP	<u>\$ 660,705</u>	<u>\$ 511,591</u>

Amounts due to the related organization at June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Downtown Brooklyn Partnership	\$ 140,612	\$ 216,700

Note 6 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through October 26, 2018, 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
Fulton Mall Improvement Association, Inc.

We have audited the financial statements of Fulton Mall Improvement Association, Inc. as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated October 26, 2018, 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 user rights activities – temporarily restricted, functional expenses, expenses and budget, and public plaza activities and budget are presented for the 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.

Skody Scot & Company, CPAs, PC

New York, NY
October 26, 2018

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
SCHEDULES OF USER RIGHTS ACTIVITIES - TEMPORARILY RESTRICTED
(Supplemental Financial Information)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	<u>User Rights</u>	<u>Reserve</u>	<u>Total</u>	<u>User Rights</u>	<u>Reserve</u>	<u>Total</u>
Revenue:						
Junior's & sidewalk fees	\$ 20,732	\$ -	\$ 20,732	\$ 20,430	\$ -	\$ 20,430
Telephone fees	-	-	-	-	-	-
Interest	-	163	163	-	163	163
Distributions	(20,732)	6,910	(13,822)	(20,430)	6,810	(13,620)
Total revenues	<u>-</u>	<u>7,073</u>	<u>7,073</u>	<u>-</u>	<u>6,973</u>	<u>6,973</u>
Expenses:						
Mall maintenance	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>\$ -</u>	<u>\$ 7,073</u>	<u>\$ 7,073</u>	<u>\$ -</u>	<u>\$ 6,973</u>	<u>\$ 6,973</u>

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	2018							2017	
	Program Expenses					Supporting		Total	
	Security	Sanitation	Public	Marketing	Other	Total	Management		Expenses
			Improvements	and	Mall	Program	and	Expenses	
				Promotion	Operations	Expenses	General	Expenses	Expenses
Staff salaries	\$ 97,653	\$ -	\$ 85,283	\$ 38,609	\$ -	\$ 221,545	\$ 77,309	\$ 298,854	\$ 233,442
Payroll taxes and benefits	14,095	-	25,166	8,584	-	47,845	11,515	59,360	49,339
Management fees	-	-	-	-	-	-	115,000	115,000	115,000
Outside contractors	377,858	518,084	333,664	50,342	-	1,279,948	5,106	1,285,054	973,006
Depreciation	-	-	-	-	-	-	246	246	19,735
Equipment, maintenance & repair	40,719	394	37,111	-	-	78,224	2,430	80,654	55,760
Insurance	-	-	-	-	146,653	146,653	22,430	169,083	188,891
Office expenses & supplies	2,825	-	13,462	2,480	-	18,767	21,304	40,071	16,945
Printing	452	-	427	4,050	-	4,929	468	5,397	5,180
Professional fees	-	53	14,335	-	-	14,388	39,444	53,832	62,133
Rent and utilities	3,667	-	10,280	-	-	13,947	21,126	35,073	34,055
Telephone & communications	2,992	-	-	-	-	2,992	6,165	9,157	9,369
Travel, meetings & conferences	-	1,237	198	554	-	1,989	2,161	4,150	5,374
Total expenses	\$540,261	\$519,768	\$ 519,926	\$104,619	\$146,653	\$1,831,227	\$ 324,704	\$2,155,931	\$1,768,229

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018

	<u>Total Expenses</u>	<u>Budget</u>
Staff salaries	\$ 298,854	\$ 295,012
Payroll taxes and benefits	59,360	82,841
Management fees	115,000	115,000
Outside contractors	1,285,054	1,172,499
Depreciation	246	20,000
Equipment, maintenance & repair	80,654	110,756
Insurance	169,083	202,500
Office expenses & supplies	40,071	39,724
Printing	5,397	-
Professional fees	53,832	33,900
Rent and utilities	35,073	84,983
Telephone & communications	9,157	12,778
Travel, meetings & conferences	4,150	10,128
Total expenses	<u>\$ 2,155,931</u>	<u>\$ 2,180,121</u>

FULTON MALL IMPROVEMENT ASSOCIATION, INC.
SCHEDULE OF PUBLIC PLAZA
ACTIVITIES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018

	<u>Actual Activity</u>	<u>DOT Plaza Budget</u>
Support and Revenues:		
Concession fees, sponsorships and gifts	\$ 11,184	
Expenses:		
Direct expenses:		
Cleaning/trash removal (San)	16,805	\$ 26,600
Landscape maintenance (Pub Imp)	11,783	10,000
Repairs/replacements (Pub Imp)	2,520	20,000
Public safety (Sec)	64,064	64,064
Events, equipment and other (Pub Imp & Mark)	73,294	61,500
Improvements (Pub Imp)	36,237	50,000
Total direct expenses	<u>204,703</u>	<u>232,164</u>
Administrative costs:		
Administrative allocation	7,290	15,000
Total administrative costs	<u>7,290</u>	<u>15,000</u>
Total expenses	<u>211,993</u>	<u>247,164</u>
Excess/(deficit) revenues from plaza activities	<u>\$ (200,809)</u>	
Balance of Accrual Fund, at end of year	<u>\$ -</u>	

Note - The above information is prepared in accordance with agreement #CT 841 20128202041 with New York City Department of Transportation dated December 24, 2011. The above expenses are included on Page 11 in the (program) noted above.