

**Sunset Park
District Management Association, Inc.**

Financial Statements

**Years Ended
June 30, 2022 and 2021**

Sunset Park District Management Association, Inc.

June 30, 2022 and 2021

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Independent Auditor's Report

**To the Board of Directors
Sunset Park District Management Association, Inc.
Brooklyn, New York**

Opinion

We have audited the financial statements of Sunset Park District Management Association, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sunset Park District Management Association, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunset Park District Management Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunset Park District Management Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards (GAAS), we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sunset Park District Management Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunset Park District Management Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cipriani & Bauer

Cipriani & Bauer Certified Public Accountants, LLC
Brooklyn, New York
December 16, 2022

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Financial Position
June 30, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 192,678	\$ 257,391
Cash - restricted	9,231	8,290
Accounts receivable	9,434	15,000
Prepaid expenses	<u>2,017</u>	<u>5,512</u>
Total Current Assets:	<u>213,360</u>	<u>286,193</u>
 Depreciable Property:		
Depreciable property	274,305	274,305
Accumulated depreciation	<u>(273,390)</u>	<u>(273,130)</u>
Net Depreciable Property	<u>915</u>	<u>1,175</u>
 Other Assets:		
Security deposits	<u>4,861</u>	<u>4,674</u>
 Total Assets	 <u>\$ 219,136</u>	 <u>\$ 292,042</u>
 <u>Liabilities and Net Assets</u>		
 Current Liabilities:		
Accounts payable and accrued expenses	\$ 9,525	\$ 7,522
Prepaid assessment	<u>-</u>	<u>150,000</u>
Total Current Liabilities	<u>9,525</u>	<u>157,522</u>
 Net Assets:		
Without donor restrictions	200,380	126,230
With donor restrictions	<u>9,231</u>	<u>8,290</u>
Total Net Assets	<u>209,611</u>	<u>134,520</u>
 Total Liabilities and Net Assets	 <u>\$ 219,136</u>	 <u>\$ 292,042</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2022</u>	<u>2021</u>
Support and Revenue:				
Assessment revenue	\$ 300,000	\$ -	\$ 300,000	\$ 300,000
Grants and donations	<u>153,933</u>	<u>15,957</u>	<u>169,890</u>	<u>15,000</u>
Total Support and Revenue	<u>453,933</u>	<u>15,957</u>	<u>469,890</u>	<u>315,000</u>
Expenses:				
Program services	269,694	15,016	284,710	269,738
Management and general	49,685	-	49,685	48,414
Fundraising	<u>60,143</u>	<u>-</u>	<u>60,143</u>	<u>13,068</u>
Total Expenses Before Depreciation	<u>379,522</u>	<u>15,016</u>	<u>394,538</u>	<u>331,220</u>
Changes in Net Assets Before Depreciation	74,411	941	75,352	(16,220)
Depreciation expense	<u>(261)</u>	<u>-</u>	<u>(261)</u>	<u>(10,301)</u>
Changes in Net Assets After Depreciation	74,150	941	75,091	(26,521)
Net Assets, Beginning	<u>126,230</u>	<u>8,290</u>	<u>134,520</u>	<u>161,041</u>
Net Assets, Ending	<u>\$ 200,380</u>	<u>\$ 9,231</u>	<u>\$ 209,611</u>	<u>\$ 134,520</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities:		
Changes in net assets	\$ 75,091	\$ (26,521)
Adjustments to reconcile increase (decrease) to cash provided (used) by operating activities		
Provision for amortization/depreciation	261	10,301
 (Increase) decrease in operating assets:		
Accounts receivable	5,566	5,000
Prepaid expenses	3,495	32,792
Security deposit	(187)	2,406
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,002	(3,928)
Prepaid assessment	<u>(150,000)</u>	<u>150,000</u>
Net cash (used in) provided by operating activities:	<u>(63,772)</u>	<u>170,050</u>
 Investing Activities:		
Purchase of office equipment	<u>-</u>	<u>(1,306)</u>
 Financing Activities:		
None	<u>-</u>	<u>-</u>
 Net (decrease) increase in cash	 (63,772)	 168,743
 Cash - beginning of period	 <u>265,681</u>	 <u>96,938</u>
 Cash - end of period	 <u>\$ 201,909</u>	 <u>\$ 265,681</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statements of Functional Expenses
For the Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2022</u>	<u>Total 2021</u>
Expenses:					
Payroll and related expenses	\$ 89,543	\$ 25,584	\$ 12,792	\$ 127,919	\$ 102,825
Consultants	42,820	-	-	42,820	36,135
Holiday lighting and related programs	36,975	-	-	36,975	37,870
Sanitation	56,228	-	-	56,228	77,090
Outside services	-	-	31,345	31,345	-
Rent	20,030	5,723	2,861	28,614	27,514
Graffiti removal services	7,950	-	-	7,950	7,400
Permits, dues, and filing fees	-	-	3,965	3,965	-
Insurance	-	3,269	3,000	6,269	2,905
Office supplies and expenses	-	4,483	6,106	10,589	6,280
Professional fees	-	4,575	-	4,575	4,325
Telephone	-	2,666	-	2,666	5,139
Meeting expenses	593	74	74	741	343
Banner and sign expenses	150	-	-	150	1,400
Advertising and promotions	13,896	-	-	13,896	17,660
Utilities	-	3,016	-	3,016	2,913
Donations	15,056	-	-	15,056	-
Website expenses	1,469	-	-	1,469	672
Miscellaneous	-	295	-	295	750
Total expenses before depreciation	<u>284,710</u>	<u>49,685</u>	<u>60,143</u>	<u>394,538</u>	<u>331,220</u>
Depreciation expense	<u>-</u>	<u>261</u>	<u>-</u>	<u>261</u>	<u>10,301</u>
Total expenses after depreciation	<u>\$ 284,710</u>	<u>\$ 49,946</u>	<u>\$ 60,143</u>	<u>\$ 394,799</u>	<u>\$ 341,521</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
(a not-for-profit organization)
Statement of Functional Expenses
For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2021</u>
Expenses:				
Payroll and related expenses	\$ 71,977	\$ 20,565	\$ 10,282	\$ 102,825
Consultants	36,135	-	-	36,135
Holiday lighting and related programs	37,870	-	-	37,870
Sanitation	77,090	-	-	77,090
Outside services	-	-	-	-
Rent	19,260	5,503	2,751	27,514
Graffiti removal services	7,400	-	-	7,400
Permits, dues, and filing fees	-	-	-	-
Insurance	-	2,905	-	2,905
Office supplies and expenses	-	6,280	-	6,280
Professional fees	-	4,325	-	4,325
Telephone	-	5,139	-	5,139
Meeting expenses	275	34	34	343
Banner and sign expenses	1,400	-	-	1,400
Advertising and promotions	17,660	-	-	17,660
Utilities	-	2,913	-	2,913
Donations	-	-	-	-
Website expenses	672	-	-	672
Miscellaneous	-	750	-	750
Total expenses before depreciation	<u>269,738</u>	<u>48,414</u>	<u>13,068</u>	<u>331,220</u>
Depreciation expense	<u>-</u>	<u>10,301</u>	<u>-</u>	<u>10,301</u>
Total expenses after depreciation	<u>\$ 269,738</u>	<u>\$ 58,715</u>	<u>\$ 13,068</u>	<u>\$ 341,521</u>

See accompanying notes to financial statements

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Organization

The Sunset Park District Management Association, Inc. (the BID) was incorporated in New York State and began operations in 1995 to promote the economic growth and well-being of the businesses in the Sunset Park area by enlightening the public, improving environmental conditions, increasing public safety and supplementing social services in the area.

The BID receives its annual budget through a special assessment New York City places primarily on commercial property owners within the district’s boundaries, which is then collected by the City of New York. A fixed amount based on the approved budget is turned over to the BID by the City on a bi-annual basis. The BID is designated a District Management Association (“DMA”) and is made up of property owners and commercial and residential tenants.

Note 2 – Date of Management’s Review

In preparing the financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through December 16, 2022, the date the financial statements were available to be issued.

Note 3 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Sunset Park District Management Association, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the BID to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the BID. These net assets may be used at the discretion of the BID’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the BID or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 3 – Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

The organization considers all highly liquid investments financial instruments purchased with a maturity of three months or less to be cash equivalents. Board designated cash consists of cash that has been earmarked for special projects.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

Equipment and Improvements

Purchases of furniture, equipment and streetscape improvements which have a useful life of greater than one year and which exceed certain established dollar levels are capitalized and recorded at cost. Donations of the same are valued at fair market at the time of the donation. Depreciation is provided for annually, based on the useful lives of the assets.

Functional Allocation of Expenses

The costs of providing the Sunset Park District Management Association's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status

The Sunset Park District Management Association, Inc. has received a determination from the Internal Revenue Service that they are exempt from federal income taxes as an organization under section 501(c)(3) of the Internal Revenue Code and is a publicly supported charity as provided in Section 509(a)(1). The organization is also registered with the New York State Charities Bureau. As a result, no provision for income taxes has been made in these financial statements.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organizations financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 4 – Concentration of Credit Risk

The federal deposit insurance coverage (FDIC) insures deposit accounts for up to \$250,000 per depositor, per insured bank for each ownership category. At June 30, 2022 and 2021, the organization did not have any deposits which exceeded the coverage.

Note 5 – Contract with the City of New York

The City of New York, acting through its Department of Small Business Services, has entered into a contract with the Sunset Park District Management Association to provide the Sunset Park area with programs to enhance the economic and business conditions of the area by improving environmental conditions, increasing public safety and supplementing social services. The City shall pay a set sum of assessments collected based on a formula related to the amount of real property owned within the District.

The contract was renewed for another five-year term which began July 1, 2017 and extends until June 30, 2022. The total assessments awarded by the City of New York, for the fiscal years ended June 30, 2022 and 2021, were \$300,000 and \$300,000, respectively.

Note 6 – Contingency

Sunset Park District Management Association is dependent on assessments against property in the district collected by the NYC Department of Finance. Any change in this level of support could materially impact the ability of the Sunset Park District Management Association to continue to provide its services.

Note 7 – Liquidity and Funds Available

The following reflects the BID’s financial assets as of the statement of financial position date available to meet cash needs for general expenditures within one year.

Financial assets at year-end:	June 30, 2022	June 30, 2021
Cash	\$ 201,909	\$ 257,391
Accounts receivable	<u>9,434</u>	<u>15,000</u>
Total assets available for general expenditure	<u>\$ 211,343</u>	<u>\$ 272,391</u>

As part of the BID’s liquidity management plan, budgets are created annually and reviewed. Upon observing any potential budget deficits, the BID will review the expenses for any refinement or adjustment of services, review the assessment for potential increase and/or pursue additional grant/funding options.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 8 – Depreciable Property

Depreciable property at June 30, 2022 and 2021 consists of:

	2022	2021
Office furniture, fixtures and equipment	\$ 76,648	\$ 76,648
Streetscape improvements - trash receptacles	125,237	125,237
Equipment	60,000	60,000
Leasehold improvements	<u>12,420</u>	<u>12,420</u>
Total depreciable property	274,305	274,305
Less accumulated depreciation	<u>(273,390)</u>	<u>(273,130)</u>
Net depreciable property	<u>\$ 915</u>	<u>\$ 1,175</u>

Depreciation expense for June 30, 2022 and 2021 was \$261 and \$10,301 respectively.

Note 9 – Contracts

Sanitation Services

Sunset Park District Management Association had a contract for street/sidewalk cleaning services within the Sunset Park Business improvement district with JBS Cleaning & Maintenance Corporation. A monthly fee of \$3,395 will be paid with additional services available upon request. The contract renews itself automatically each month with either party being able to cancel the contract with written notification and at least 30 days' notice.

On February 15, 2022, the Sunset Park District Management Association hired Mydatt Services Inc., d/b/a Block by Block, for supplemental sanitation services. A new contract was signed for the period February 15, 2022 through February 15, 2023, which can be renewed for a maximum of four one-year subsequent terms. Services are billed monthly at \$4,166.67 per month for a maximum annual fee of \$50,000.

Sanitation services for the year ended June 30, 2022 and 2021 were \$56,228 and \$77,090, respectively.

Note 10 – Lease Agreement

On July 12, 2006, Sunset Park District Management Association entered into a lease agreement to relocate their office space to 5116 Fifth Avenue in Brooklyn, New York. The lease term began January 1, 2007 and extended for five years. On December 1, 2010 the organization exercised its renewal option for another five-year term. The current lease ended on December 31, 2017 but was extended for another five-year term ending on December 31, 2021. On January 1, 2022, the organization renewed its lease for an additional 18-month term, with the option to renew yearly thereafter, with a 4% increase annually.

The organization paid rent of \$28,614 and \$27,514 for the years ending June 30, 2022 and 2021, respectively.

Sunset Park District Management Association, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note 11 – Related Parties

The organization leases its office space from a building owned by a member of the board. Rent paid for the year ended June 30, 2022 and 2021 was \$28,614 and \$27,514, respectively.

Note 12 – Accounts Receivable

Accounts receivable consists of monies paid out in advance for certain cost-reimbursement grants where the funds have been spent but the reimbursements have not yet been received as of the end of the fiscal year.

Note 13 - Corona Virus Outbreak

In December 2019, a novel strain of coronavirus was reported and has subsequently spread around the world. The World Health Organization has declared the spread an outbreak which has impacted financial markets around the world. The extent of the impact of COVID-19 on the BID's operations has not been positive and will continue to depend on certain developments, including the duration and spread of the outbreak. At this point, the extent to which COVID-19 may impact the BID's future financial condition or its operations remains uncertain.

Note 14 – Subsequent Events

FASB issued guidance in ASC 855 *Subsequent Events*. ASC 855 established general standards for accounting and disclosure of events occurring subsequent to the statement of financial position due date but prior to issuance of the financial statements. The organization has evaluated subsequent events through December 16, 2022, the date on which the financial statements were available to be issued.

Renewal of Contract with the City of New York

The City of New York, acting through its Department of Small Business Services, renewed its contract with the Sunset Park District Management Association, Inc. for another five-year term. The new contract began July 1, 2022 and extends through June 30, 2027.