

**Atlantic Avenue Association Local
Development Corporation**

**Financial Statements
December 31, 2014**

Atlantic Avenue Association Local Development Corporation

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Independent Auditors' Report

To the Board of Directors of
Atlantic Avenue Association
Local Development Corporation
Brooklyn, New York

We have audited the accompanying statement of financial position of Atlantic Avenue Association Local Development Corporation (a nonprofit organization) as of December 31, 2014, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Atlantic Avenue Association Local Development Corporation as of December 31, 2014, 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.

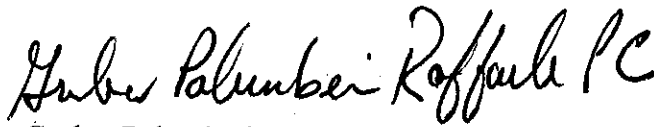
Other Matter

Prior Period Adjustment

As part of our audit of the December 31, 2014 financial statements, we audited the adjustment in Note 9 that were applied to restate the 2013 beginning net assets. In our opinion, such an adjustment is appropriate and have been properly applied.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on Schedule A is presented for purposes of additional analysis and is 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.


Gruber Palumberi Raffaele, P.C.

April 24, 2015
New York, NY

Atlantic Avenue Association Local Development Corporation
Statement of Financial Position
December 31, 2014

CURRENT ASSETS

Cash and cash equivalents	\$	61,663	
Cash - escrow		25,380	
Other receivable		15,816	
Prepaid expenses		8,034	
Total current assets	\$		110,893
Property and equipment (at cost, net of accumulated depreciation)			201,619
Land			91,404
Total assets	\$		<u>403,916</u>

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	11,500	
Tenant security deposits		14,750	
Mortgage payable-current portion		8,756	
Note payable-current portion		6,281	
Total current liabilities	\$		41,287

LONG-TERM LIABILITIES

Mortgage payable		180,734	
Note payable		56,526	
Total long-term liabilities			237,260
Total liabilities			278,547

NET ASSETS

COMMITMENT AND CONTINGENCIES

Net assets - unrestricted			125,369
Total liabilities and net assets	\$		<u>403,916</u>

The accompanying notes are an integral part of these statements

Atlantic Avenue Association Local Development Corporation
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE:			
Special events	\$ 204,232	\$ -	\$ 204,232
Contributions and grants	48,207	-	48,207
Rental income	137,266	-	137,266
Interest income	95	-	95
	<hr/>	<hr/>	<hr/>
Total support and revenue	389,800	-	389,800
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Program services	265,430	-	265,430
General and administrative	110,808	-	110,808
	<hr/>	<hr/>	<hr/>
Total expenses	376,238	-	376,238
	<hr/>	<hr/>	<hr/>
Change in net assets	\$ 13,562	-	\$ 13,562
	<hr/>	<hr/>	<hr/>
Net assets - December 31, 2013 as previously reported	23,878	-	23,878
	<hr/>	<hr/>	<hr/>
Prior period adjustment	87,929	-	87,929
	<hr/>	<hr/>	<hr/>
Net assets - December 31, 2013 as adjusted	111,807	-	111,807
	<hr/>	<hr/>	<hr/>
Net assets - December 31, 2014	\$ 125,369	\$ -	\$ 125,369
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these statements

Atlantic Avenue Association Local Development Corporation
Statement of Cash Flows
For the year ended December 31, 2014

Cash flows from operating activities:

Change in net assets \$ 13,562

Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation 15,473
Grant loan contribution (6,281)
(Increase) in other receivable (15,816)
Decrease in cash - escrow 12,714
(Increase) in prepaid expenses (3,509)
Increase in tenant security deposits 50

Net cash provided by operating activities 16,193

Cash flows used in financing activities:

Principal payment on note (9,581)

Net cash used in financing activities (9,581)

Increase in cash 6,612

Cash and cash equivalents -December 31, 2013 55,051

Cash and cash equivalents - December 31, 2014 \$ 61,663

Supplemental disclosure of cash flow information:

Interest paid 14,891

The accompanying notes are an integral part of these statements

Atlantic Avenue Association Local Development Corporation
Notes to Financial Statements
December 31, 2014

Note 1 - Summary of Significant Accounting Policies

Nature of operations

Atlantic Avenue Association Local Development Corporation, the "AALDC" is a not-for-profit organization formed for the purpose of fostering historical preservation, cultural enrichment, economic development and neighborhood revitalization in the Downtown Brooklyn area.

Basis of presentation

AALDC reports 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, depending on the existence and/or nature of any donor restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets- net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. At December 31, 2014, there were no temporarily restricted net assets.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit AALDC to use all or part of the income earned on any related investments for general or specified purposes. At December 31, 2014, there were no permanently restricted net assets.

Depreciation

AALDC's property and equipment are being depreciated over their respective estimated useful lives using the straight-line method over various useful lives.

Income taxes

AALDC is exempt from income tax under section 501(c)(3) of the Internal Revenue Code, and similar provisions of state law. The Organization accounts for income taxes in accordance with income tax accounting guidance in Financial Accounting Standards Board Accounting Standard Codification (ASC) 740, Income Taxes.

Atlantic Avenue Association Local Development Corporation
Notes to Financial Statements
December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Income taxes

The guidance for accounting standard for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the Organization's tax return, should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position 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. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There are no unrecognized tax benefits identified or recorded as liabilities for year ended December 31, 2014.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and general and administrative services benefited. The Organization has no fundraising expenses.

Fair value measurements

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair Value is required to be evaluated and adjusted according to the following valuation techniques.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.

Atlantic Avenue Association Local Development Corporation
Notes to Financial Statements
December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair measurement.

Cash and cash equivalents

The Organization considers cash equivalents to be all highly liquid debt instruments with a maturity of three months. Cash and cash equivalents consist of cash and money market funds and are valued using Level 1 inputs.

Cash - escrow

Cash held in escrow is set up by the mortgagor to pay for real estate tax, water charges, and insurance.

Revenue and expense recognition

Revenue and expenses are recognized in the period to which they apply. Advance receipts for fees and payments for expenses relating to specific events are deferred until the period to which they apply.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Note 2 – Contribution Receivable

The Organization recognizes the full amount of the contributions received in the period that they were made as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Atlantic Avenue Association Local Development Corporation
Notes to Financial Statements
December 31, 2014

Note 2 – Contribution Receivable (Cont'd)

AALDC uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made. There was no allowance for uncollectible promises to give at December 31, 2014.

Note 3 – Other receivable

The Organization received a reimbursement from the cancellation of a vendor's contract agreement at December 31, 2014 in the amount of \$15,816.

Note 4 – Concentration of Credit Risk

AALDC maintains its cash in bank deposit and money market accounts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such investments may be in excess of the FDIC limit. As of December 31, 2014, AALDC did not exceed the FDIC limit.

Note 5 – Property and Equipment

As of December 31, 2014, property and equipment are comprised of the following:

Building	\$365,614
Building Improvements	37,227
Building acquisition costs	34,559
Equipment	15,965
Furniture and fixtures	983
Total property and equipment	<u>454,348</u>
Less: accumulated depreciation	<u>(252,729)</u>
Net property and equipment	<u><u>\$201,619</u></u>

For the year ended December 31, 2014, depreciation expense amounted to \$15,473.

Atlantic Avenue Association Local Development Corporation
Notes to Financial Statements
December 31, 2014

Note 6 – Mortgage Payable

On August 27, 1999, AALDC entered into a promissory mortgage note in the amount of \$312,000 with the Community Preservation Corporation, a New York not-for-profit organization, to finance the purchase of the property located at 494 Atlantic Avenue, Brooklyn, New York. The note bears interest at a rate of 7.65% per annum and matures on September 1, 2029.

Maturities of the mortgage payable are as follows:

Year ending December 31	Amount
2015	8,756
2016	9,497
2017	9,444
2018	9,394
Thereafter	152,398

For the year ended December 31, 2014 interest expense amounted to \$14,891.

Note 7 – Notes Payable

On August 27, 1999, AALDC received two loans totaling \$157,018 from New York City's Department of Housing Preservation and Development to help subsidize the purchase of the property located at 494 Atlantic Avenue Brooklyn, NY. Per the loan agreements, the loans shall be standing obligations which shall be without interest and shall not require the payment of installments, except in the event of default or transfer of the property within three years of its initial purchase. If the building is sold after the three years of its initial purchase, the loan shall be payable to the extent of fifty percent of the appreciation less any portion of the appreciation paid in reduction of the remaining loan balance. The loan amounts are to be reduced by one twenty-fifth (1/25), which amounts to \$6,281 per annum on each anniversary date of the loans. This amount is recorded under the caption contributions and grants in the Statement of Activities and Changes in Net Assets. Upon the twenty-fifth anniversary date, AALDC shall be released from any further liability and the agreements shall no longer remain in force or effect. (See note 9)

Atlantic Avenue Association Local Development Corporation
Notes to Financial Statements
December 31, 2014

Note 8 – Commitments and Contingencies

Agreement with the City of New York Department of Transportation

Under a ten year agreement dated June 28, 1991, AALDC and the City of New York Department of Transportation (“DOT”), AALDC was to make payments towards energy, maintenance and repair costs of street lights along Atlantic Avenue.

AALDC has made certain payments under this agreement, but has withheld additional payments, pending resolution of disputed charges. AALDC and the DOT have had discussions regarding the settlement of this issue. As of the balance sheet date such talks have been terminated, and no further liability has been reflected on the books of AALDC.

Litigation

AALDC is a defendant in a legal action arising in the normal course of its operations. Although the outcome of such action cannot currently be determined, management is of the opinion that eventual liability, if any, will not have a material effect.

Note 9 – Prior Period Adjustment

AALDC restated its financial statement for the year ended December 31, 2013 to correct the notes payable balance to which the organization had met certain grant loan obligations of the New York City Department of Housing Preservation and Development. The effect of the restatement increased net assets at January 1, 2014 by \$87,929, which represents the portion of the prior period grant loan amount released.

Note 10 – Subsequent Events

Subsequent events have been evaluated through the date these financial statements were available to be issued – April 24, 2015.

Atlantic Avenue Association Local Development Corporation
Schedule of Functional Expenses
For the year ended December 31, 2014

Schedule A

	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>
Special events	\$ 166,578	\$ 166,578	\$ -
Sanitation	7,440	7,440	-
Officer's salary	65,649	12,470	53,179
Other salary	12,483	-	12,483
Payroll taxes	4,424	954	3,470
Employee benefit	2,829	-	2,829
Payroll services	1,290	-	1,290
Insurance	8,501	6,597	1,904
Mortgage interest	14,891	14,891	-
Depreciation	15,473	15,473	-
Maintenance & repairs	25,022	25,022	-
Professional fees	20,945	-	20,945
Utilities	5,433	5,433	-
Water	5,891	5,891	-
Supplies & materials	6,353	-	6,353
Equipment rental/lease	1,014	-	1,014
Telephone	2,701	-	2,701
Real estate tax	3,152	3,152	-
Pest control	700	700	-
BID tax	579	579	-
Printing	61	-	61
Office expenses	706	-	706
License and fees	410	-	410
Award	250	250	-
Miscellaneous	3,463	-	3,463
Total expenses	\$ 376,238	\$ 265,430	\$ 110,808