

**Atlantic Avenue Association Local  
Development Corporation**

**Financial Statements  
December 31, 2018**

**Atlantic Avenue Association Local  
Development Corporation**

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**GRUBER PALUMBERI RAFFAELE FRIED, P.C.**

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**Independent Auditor's 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, 2018, and the related statements of activities and changes in net assets, functional expenses 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, 2018, 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.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018, Atlantic Avenue Association Local Development Corporation adopted Financial Accounting Board Accounting Standards Update ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). Our opinion is not modified with respect to these matters.



Gruber Palumberi Raffaele Fried, P.C.

New York, NY  
July 17, 2019

**Atlantic Avenue Association Local Development Corporation**  
**Statement of Financial Position**  
**December 31, 2018**

**CURRENT ASSETS**

Cash and cash equivalents	\$	139,762	
Cash - escrow		22,923	
Prepaid expenses		8,249	
<b>Total current assets</b>			<b>\$ 170,934</b>
Property, equipment, furniture and fixtures at cost, net of accumulated depreciation of \$314,906			150,219
Land			91,404
<b>Total assets</b>			<b>\$ 412,557</b>

**CURRENT LIABILITIES**

Tenant security deposits	\$	17,400	
Mortgage payable - current portion		9,588	
Note payable - current portion		6,281	
<b>Total current liabilities</b>			<b>\$ 33,269</b>

**LONG-TERM LIABILITIES**

Mortgage payable - less current portion		142,043	
Note payable - less current portion	\$	31,404	
<b>Total long-term liabilities</b>			<b>173,447</b>
<b>Total liabilities</b>			<b>206,716</b>

**NET ASSETS**

**COMMITMENT AND CONTINGENCIES**

Net assets - without donor restrictions			205,841
<b>Total liabilities and net assets</b>			<b>\$ 412,557</b>

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, 2018**

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Totals</u>
<b>SUPPORT AND REVENUE:</b>			
Special events	\$ 210,824	\$ -	\$ 210,824
Contributions and grants	165,884	5,000	170,884
Rental income	151,744	-	151,744
Interest income	239	-	239
Net assets released from restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
<b>Total support and revenue</b>	<u>533,691</u>	<u>-</u>	<u>533,691</u>
<b>EXPENSES:</b>			
Program services	439,161	-	439,161
General and administrative	44,204	-	44,204
Fundraising	<u>37,004</u>	<u>-</u>	<u>37,004</u>
<b>Total expenses</b>	<u>520,369</u>	<u>-</u>	<u>520,369</u>
<b>Change in net assets</b>	<b>\$ 13,322</b>	<b>\$ -</b>	<b>\$ 13,322</b>
<b>Net assets - December 31, 2017</b>	<u>\$ 192,519</u>	<u>-</u>	<u>192,519</u>
<b>Net assets - December 31, 2018</b>	<u><u>\$ 205,841</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 205,841</u></u>

The accompanying notes are an integral part of these statements

**Atlantic Avenue Association Local Development Corporation**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2018**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 173,587	\$ 10,211	\$ 20,422	\$ 204,220
Special events	116,407	-	12,934	129,341
Awards	26,104	-	-	26,104
Maintenance & repairs	20,189	-	-	20,189
Professional fees	-	18,850	-	18,850
Payroll taxes	15,474	1,658	1,289	18,421
Depreciation	15,758	-	-	15,758
Insurance	9,356	4,071	-	13,427
Mortgage interest	11,987	-	-	11,987
Sanitation	8,518	-	-	8,518
Real estate tax	8,206	-	-	8,206
Promotion & advertising	5,407	-	625	6,032
Water	5,483	-	-	5,483
Utilities	5,129	-	-	5,129
Telephone	4,123	242	485	4,850
Employee benefit	4,061	435	338	4,834
Supplies & materials	4,015	236	472	4,724
Equipment rental/lease	3,428	201	403	4,032
Miscellaneous	-	3,154	-	3,154
Conferences & meetings	-	2,966	-	2,966
Office expenses	-	1,152	-	1,152
Payroll services	-	983	-	983
BID tax	886	-	-	886
Pest control	625	-	-	625
Printing	418	45	35	498
<b>Total expenses</b>	<b>\$ 439,161</b>	<b>\$ 44,204</b>	<b>\$ 37,004</b>	<b>\$ 520,369</b>

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, 2018**

**Cash flows from operating activities:**

Change in net assets	\$ 13,322	
 <b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	15,758	
Non-cash contribution	(6,281)	
Increase in cash - escrow	2,467	
Increase in prepaid expenses	3,244	
Increase in tenant security deposits	200	
Net cash provided by operating activities		28,710

**Cash flows from investing activities:**

Building improvements	(10,200)	
Equipment purchase	(577)	
Net cash used in investing activities		(10,777)

**Cash flows used in financing activities:**

Principal payment on mortgage	(9,388)	
Net cash (used in) financing activities		(9,388)

**Increase in cash** 8,545

**Cash and cash equivalents - beginning of year** 131,217

**Cash and cash equivalents - end of year** \$ 139,762

**Supplemental disclosure of cash flow information:**

Interest paid 11,987

The accompanying notes are an integral part of these statements



**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**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

Financial accounting standards require nonprofit organizations to classify net assets in the accompanying statement of financial position and statement of activities in the two classes of net assets based on the existence or absence of donor-imposed restrictions. The significant accounting policies are described below.

The net assets of AALDC are reported as follows:

Net Assets Without Donor Restrictions

These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions. These net assets are intended for use by management and the Board of Directors for general operations.

Net Assets With Donor Restrictions

Net assets whose use is limited by donor-imposed time and/or purpose restrictions result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends, or the purpose of the restriction is accomplished, the net assets are restricted.

Depreciation

AALDC's property and equipment are being depreciated over their respective estimated useful lives using the straight-line method over various useful lives ranging from 3 to 30 years.

**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Liquidity and availability of financial resources

AALDC regularly monitors liquidity to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designation, the nature of the underlying assets, external limitations exposed by donors or contracts with others.

Income taxes

AALDC is exempt from income tax under section 501(c)(3) of the Internal Revenue Code, and similar provisions of New York 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.

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, 2018.

Functional allocation of expenses

The costs of providing the various programs and other activities of AALDC have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis. The salary of the executive director is allocated based on estimated time spent for each function.

**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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, ASC 820. 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 AALDC 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.
- 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.

**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Grants and contributions

AALDC records contributions and grants when an unconditional promise to give such assets is received from a donor. Contributions and grants are recorded at the fair market value of the assets received and are classified as either net assets without donor restriction, or net assets with donor restriction, depending on whether the donor has imposed a restriction on the use of such assets. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions.

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, 2018.

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.

Implementation of FASB ASU 2016-14

During the year ended December 31, 2018, AALDC implemented Financials Accounting Standards Board Accounting Standards Update ("FASB ASU) 2016-14. FASB ASU 2016-14 provides new and expanded guidance for financial reporting for not-for-profit entities. The implementation of FASB ASU 2016-14 has resulted in multiple changes to AALDC's financial reporting. Net assets are now categorized in two categories; net assets with donor restrictions and net assets without donor restrictions. AALDC had added additional disclosures related to its financial liquidity and the availability of financial assets for general expenditure within one year from each statement of financial statement date.

**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

New authoritative pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs or- Contracts with Customers (Subtopic 340-40). This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2018. AALDC is evaluating the impact on the organization’s financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842). The new ASU establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months.

The ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permissible. AALDC is evaluating the impact of the new standard on the organization’s financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. The ASU amends the financial reporting requirements in Topic 230, Statement of Cash Flows. Changes include revisions to the presentation of cash flows related to the settlement of debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing and distributions received from equity method investees. The ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permissible. The Organization is evaluating the impact of the new standard on the organization’s financial statements.

**Note 2 – Contribution Receivable**

The Organization recognizes the full amount of the contributions received in the period that they were made as without donor restriction or with donor restriction support depending on the existence and/or nature of any donor restrictions.

**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 3 – 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, 2018, AALDC did not exceed the FDIC limit.

**Note 4 – Liquidity and Availability of Financial Resources**

AALDC has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

AALDC's primary sources of support are contributions from the annual Atlantic Antic event and rental income. Most of that support is to be used without restrictions by the donors.

AALDC's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 180 days of program expenditures. AALDC can adjust the timing of disbursements to the programs and supporting activities when necessary.

Also, in the event of an unanticipated liquidity need, the Organization also can draw upon a \$60,000 reserve fundraising savings account.

A summary of financial assets available to meet cash needs for general expenditures within 180 days as of December 31, 2018 is as follows:

Cash and cash equivalents	\$ 139,762
Cash Escrow	<u>22,923</u>
Financial assets available to meet cash needs for general expenditures within 180 days	<u>\$ 162,685</u>

**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 5 – Property, Equipment, Furniture and Fixtures**

At December 31, 2018, property, equipment, furniture and fixtures are comprised of the following:

Building	\$ 365,614
Building Improvements	47,429
Building acquisition costs	34,557
Equipment	16,542
Furniture and fixtures	983
	<u>465,125</u>
Less: accumulated depreciation	<u>(314,906)</u>
Net fixed assets	<u>\$ 150,219</u>

For the year ended December 31, 2018, depreciation expense amounted to \$15,758.

**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
2019	9,588
2020	10,348
2021	11,167
2022	12,052
2023	13,007
Thereafter	95,469

For the year ended December 31, 2018 interest expense amounted to \$11,987.

**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**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 ("HPD") to help subsidize the purchase of the property located at 494 Atlantic Avenue. 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) on each anniversary date of the loans, which amounts to \$6,281 annually. This loan reduction 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.

**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.

**Note 9 – Commitments and Contingencies**

On March 29, 2018, a Summons and a Complaint at Law was filed in the Supreme Court of the State of New York County of Kings against AALDC and their commercial tenant.

This litigation is in its early stages and AALDC is represented by a law firm appointed by the general liability insurance carrier of the organization. Due to the nature of this litigation and its early stages, the organization is unable to determine the amount of the loss, if any, it may sustain. However, the organization believes it has adequate general liability insurance coverage to pay potential claims.



**Atlantic Avenue Association Local Development Corporation**  
**Notes to Financial Statements**  
**December 31, 2018**

**Note 10 – Subsequent Events**

Subsequent events have been evaluated through the date these financial statements were available to be issued – July 17, 2019.