

***DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.***

**Financial Statements
for the Year Ended June 30, 2015
and Independent Auditors' Report**

**DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Downtown Flushing Transit Hub District Management Association, Inc.

We have audited the accompanying financial statements of the Downtown Flushing Transit Hub District Management Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities 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.

Auditors' 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 the Downtown Flushing Transit Hub District Management Association, Inc. as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Downtown Flushing Transit Hub District Management Association Inc.'s June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 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 taken as a whole.

Weiwei & Co. LLP
Flushing, New York
December 15, 2015

**DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)**

| ASSETS | 2015 | 2014 |
|---|-------------------|-------------------|
| Current assets: | | |
| Cash (<i>Notes 2 and 3</i>) | \$ 327,963 | \$ 287,870 |
| Accounts receivable (<i>Note 2</i>) | - | 20,500 |
| Prepaid expenses | 4,355 | 5,292 |
| Total current assets | 332,318 | 313,662 |
| Property and equipment, at cost (<i>Note 2</i>): | | |
| Furniture and fixtures | 2,024 | 1,865 |
| Machinery and equipment | 40,000 | 40,000 |
| Computers | 7,711 | 6,655 |
| Computer software | 1,080 | 1,080 |
| | 50,815 | 49,600 |
| Less: accumulated depreciation | (48,452) | (47,692) |
| Property and equipment, net | 2,363 | 1,908 |
| Other assets: | | |
| Security deposits | 1,250 | 1,250 |
| Total other assets | 1,250 | 1,250 |
| TOTAL ASSETS | \$ 335,931 | \$ 316,820 |

See accompanying notes to financial statements.

**DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)**

| LIABILITIES AND NET ASSETS | 2015 | 2014 |
|---|-------------------|-------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 8,715 | \$ 29,153 |
| Payroll and payroll taxes payable | 5,556 | 3,022 |
| Total liabilities | 14,271 | 32,175 |
| Net assets: | | |
| Unrestricted - general | 309,560 | 276,595 |
| Temporarily restricted | 12,100 | 8,050 |
| Total net assets | 321,660 | 284,645 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 335,931 | \$ 316,820 |

See accompanying notes to financial statements.

**DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)**

| | Unrestricted | Temporarily Restricted | Total | |
|---|-------------------|---------------------------|-------------------|-------------------|
| | | | 2015 | 2014 |
| SUPPORT AND REVENUE: | | | | |
| Special assessments (<i>Note 4</i>) | \$ 380,000 | \$ - | \$ 380,000 | \$ 380,000 |
| Grants (<i>Note 5</i>) | 55,000 | - | 55,000 | 20,500 |
| Fundraising programs (<i>Notes 2 and 6</i>) | 85,583 | 12,100 | 97,683 | 75,915 |
| Net assets released from restrictions | 8,050 | (8,050) | - | - |
| Interest income | 592 | - | 592 | 660 |
| TOTAL SUPPORT AND REVENUE | 529,225 | 4,050 | 533,275 | 477,075 |
| EXPENSES: | | | | |
| Program services: | | | | |
| Banner program | 8,624 | - | 8,624 | 8,761 |
| Holiday Lighting program | 27,718 | - | 27,718 | 28,163 |
| Sanitation Services program (<i>Note 7</i>) | 368,172 | - | 368,172 | 328,880 |
| Promotional program | 35,614 | - | 35,614 | 27,440 |
| Support services: | | | | |
| Management and general | 56,132 | - | 56,132 | 44,179 |
| TOTAL EXPENSES | 496,260 | | 496,260 | 437,423 |
| CHANGE IN NET ASSETS | 32,965 | 4,050 | 37,015 | 39,652 |
| NET ASSETS - BEGINNING OF YEAR | 276,595 | 8,050 | 284,645 | 244,993 |
| NET ASSETS - END OF YEAR | \$ 309,560 | \$ 12,100 | \$ 321,660 | \$ 284,645 |

See accompanying notes to financial statements.

**DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)**

| | 2015 | 2014 |
|--|-------------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 37,015 | \$ 39,652 |
| Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 759 | 745 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 20,500 | (2,389) |
| Decrease (increase) in prepaid expenses | 937 | (2,852) |
| (Decrease) increase in accounts payable and accrued expenses | (20,438) | 3,572 |
| Increase in payroll and payroll taxes payable | 2,535 | 859 |
| Net cash provided by operating activities | 41,308 | 39,587 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (1,215) | (327) |
| Net cash (used in) investing activities | (1,215) | (327) |
| NET CHANGE IN CASH | 40,093 | 39,260 |
| CASH - BEGINNING OF YEAR | 287,870 | 248,610 |
| CASH - END OF YEAR | \$ 327,963 | \$ 287,870 |

**SUPPLEMENTAL DISCLOSURE OF
CASH FLOW INFORMATION:**

| | | |
|------------------------|------|------|
| Cash paid for interest | \$ - | \$ - |
|------------------------|------|------|

See accompanying notes to financial statements.

DOWNTOWN FLUSHING TRANSIT HUB DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. NATURE OF ORGANIZATION

The Downtown Flushing Transit Hub District Management Association, Inc. (the “Organization”) was incorporated under section 402 of the Not-for-Profit Corporation Law of the State of New York on October 31, 2003. The Organization was established exclusively for charitable and public purposes including promoting the general welfare of the people of the City of New York generally, and specifically in the area known as the Downtown Flushing Transit Hub Business Improvement District (the “District”) to: improve neighborhood conditions within the City of New York and the District; provide public education services on the environment and improving the environment of the City of New York and the District; and supplement municipal services within the District (see Note 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

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

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization.

During the year ended June 30, 2015, the Organization released \$8,050 received in the prior year from temporarily restricted net assets as such amount was used as required promotional program in fiscal year 2015. At June 30, 2015, the Organization had \$12,100 of restricted net assets to be used for the security program in fiscal years 2016 and 2017.

DOWNTOWN FLUSHING TRANSIT HUB DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Contributed services

The Organization receives donated services and materials from unpaid volunteers who assist in fund-raising and running of the Organization's activities and events. No amounts have been recognized in the statement of activities since the criteria for recognition under FASB ASC 958-605, *Revenue Recognition*, have not been satisfied.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Organization considers all demand deposits and money market funds with original maturities of three months or less to be cash equivalents.

Income tax status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This code section enables the Organization to accept donations, which qualify as charitable contributions for the donor. Accordingly, no provision has been made for income taxes in the financial statements. There was no unrelated business income for the year ended June 30, 2015.

DOWNTOWN FLUSHING TRANSIT HUB DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

The Organization follows the provisions of FASB ASC 740-10-25. The provisions prescribe a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns and require that uncertain tax positions are evaluated in a two-step process. As of and during the year ended June 30, 2015, the Organization did not have a liability for any unrecognized tax benefits. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date.

The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed Internal Revenue Service Form 990, Return of Organization Exempt from Income Tax, as required. Currently, the 2012, 2013, and 2014 tax years are open and subject to examination by the taxing authorities. However, the Organization is not currently under audit nor has the Organization been contacted by any of the taxing authorities.

Accounts receivable

On a periodic basis, the Organization evaluates receivable balances and establishes an allowance for doubtful accounts, when necessary, based on the history of past write-offs, the age of the receivable, collections and current economic conditions. Contributions and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June, 2015, the Organization did not have any accounts receivable, and accordingly, no allowance for doubtful accounts has been recorded.

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.

For year ended June 30, 2015, 80% of joint costs have been allocated among the programs based on their percentage of exclusive program expenses.

DOWNTOWN FLUSHING TRANSIT HUB DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, equipment and depreciation

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded at their approximate fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the use of the assets to a specific purpose or time period. If the donor requires the property and equipment to be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-------------------------|---------|
| Furniture and fixtures | 7 years |
| Machinery and equipment | 5 years |
| Computers | 5 years |
| Computer software | 3 years |

Depreciation expense charged to operations for the year ended June 30, 2015 was \$759.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative financial information

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, 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 Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

DOWNTOWN FLUSHING TRANSIT HUB DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts at several commercial banks. Cash accounts at each bank are insured by the Federal Deposit Insurance Corporation for up to \$250,000. As of June 30, 2015, the Organization had cash balances in excess of the FDIC insurance limit. The Organization performs ongoing evaluations of these commercial banks to limit its concentration of risk exposure.

4. CONTRACT WITH THE CITY OF NEW YORK

On December 23, 2003, the Organization entered into a contract with the City of New York to receive funds specially assessed for the operation and maintenance of the improvements; for providing supplemental maintenance; and to enter into contracts with other entities for the purposes of providing services and carrying out the maintenance and operation of the improvements within the District.

The contract expires on June 30, 2018.

As of June 30, 2015, the Organization has received \$380,000 from the City of New York, representing payment for the fiscal year ended June 30, 2015.

5. GRANTS

The Organization received a grant from the City of New York, Department of Small Business Services (the "NYC DSBS") to carry out various commercial revitalization programs in the District. The NYC DSBS grant is a reimbursement contract. Under expense reimbursement contracts, the Organization recognizes grant revenue as expenses are incurred to a maximum of the grant award.

DOWNTOWN FLUSHING TRANSIT HUB DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5. GRANTS (continued)

Government-supported programs are subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when the audits occur. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements. Management is of the opinion that disallowances, if any, would not be material to the accompanying financial statements.

As of June 30, 2015, the Organization has received \$55,000 from the NYC DSBS, representing payment for the fiscal year ended June 30, 2015.

6. FUNDRAISING PROGRAMS

The Organization raises funds principally through its Banner and Holiday Lighting programs. The Banner program allows members to sponsor and display advertising on lampposts within the District. The Holiday Lighting program promotes the local businesses and attracts shoppers to remain local and support the District. For the year ended June 30, 2015, the funds raised through the Banner and Holiday Lighting programs were \$56,942 and \$28,641, respectively. The Organization during the year ended June 30, 2015 also received \$12,100 to be used for the security program in fiscal years 2016 and 2017. This amount has been shown as temporarily restricted funds.

**DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7. CONTRACTED SERVICES

The Organization had a contract with the Atlantic Maintenance Corporation for the provision of street maintenance services within the District. The annual cost of providing services to the Organization under the agreement was \$245,940, payable in monthly installments of 20,495. The contract expired on February 28, 2015 and was not renewed.

One March 1, 2015, the Organization entered into a contract with EMA Plus Services Corporation for the provision of street maintenance services in the District. The contract term is for one year, with a renewal option for an additional two years. The annual cost of providing services under the agreement is \$270,000, payable in monthly installments of \$22,500.

8. LEASES

The Organization had an operating lease for office space which expired on December 31, 2014. On January 1, 2015, the Organization entered into a new operating lease, expiring on December 31, 2015. The new office lease requires the Organization to pay, as additional rent, cost of living and real estate escalation adjustments. Future minimum rental commitments under the new lease are as follows:

| | |
|---------------|----------|
| Year Ending | |
| June 30, 2016 | \$ 8,690 |

Rent expense for the year ended June 30, 2015 was \$17,045.

DOWNTOWN FLUSHING TRANSIT HUB DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

9. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

As of June 30, 2015, none of the assets and liabilities was required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including prepaid expenses, accounts payable and accrued expenses, and payroll and payroll taxes payable, approximated their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the year ended June 30, 2015.

10. SUBSEQUENT EVENTS

The Organization's management has performed subsequent events procedures through December 15, 2015, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to or disclosure in the financial statements.

**DOWNTOWN FLUSHING TRANSIT HUB DISTRICT
MANAGEMENT ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)**

| | Program Services | | | | Sub Total | Support Services | Total | |
|------------------------------------|------------------|------------------|---------------------|---------------------|------------|------------------------|-------------------|------------|
| | Banner Program | Holiday Lighting | Sanitation Services | Promotional Program | | Management and General | 2015 | 2014 |
| Salaries and payroll taxes | \$ 1,695 | \$ 5,450 | \$ 72,361 | \$ 6,998 | \$ 86,504 | \$ 21,626 | \$ 108,130 | \$ 98,970 |
| Rent | 267 | 859 | 11,407 | 1,103 | 13,636 | 3,409 | 17,045 | 16,465 |
| Telephone | 40 | 130 | 1,722 | 166 | 2,058 | 515 | 2,573 | 2,220 |
| Office expenses | - | - | - | - | - | 6,718 | 6,718 | 2,360 |
| Banner, flag, and sign | 6,600 | - | - | - | 6,600 | - | 6,600 | 6,600 |
| Lighting and decorating | - | 21,210 | - | - | 21,210 | - | 21,210 | 21,226 |
| Street maintenance | - | - | 259,956 | - | 259,956 | - | 259,956 | 247,852 |
| Graffiti removal | - | - | 5,726 | - | 5,726 | - | 5,726 | - |
| Additional cleaning services | - | - | 16,079 | - | 16,079 | - | 16,079 | - |
| Promotional materials | - | - | - | 27,258 | 27,258 | - | 27,258 | 20,678 |
| Professional fees | - | - | - | - | - | 6,266 | 6,266 | 6,082 |
| Insurance expense | - | - | - | - | - | 17,322 | 17,322 | 11,515 |
| Other | 10 | 31 | 413 | 40 | 494 | 124 | 618 | 2,710 |
| Total expenses before depreciation | 8,612 | 27,680 | 367,664 | 35,565 | 439,521 | 55,980 | 495,501 | 436,678 |
| Depreciation | 12 | 38 | 508 | 49 | 607 | 152 | 759 | 745 |
| TOTAL EXPENSES | \$ 8,624 | \$ 27,718 | \$ 368,172 | \$ 35,614 | \$ 440,128 | \$ 56,132 | \$ 496,260 | \$ 437,423 |

See independent auditors' report and accompanying notes to the financial statements.