

Broadway Mall Association Inc.
(A Non-Profit Organization)
Financial Statements
December 31, 2018

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(A Non-Profit Organization)
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Independent Auditor's Report

To the Board of Directors of Broadway Mall Association, Inc.

We have audited the accompanying financial statements of Broadway Mall Association, Inc. (a non-profit organization), which comprise the statement of assets and net assets – cash basis as of December 31, 2018, and the related statement of support, revenue and expenses – cash basis, functional expenses – cash basis, and cash flows – cash basis for the year then ended, and the related cash basis notes to the financial statements.

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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also





includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Broadway Mall Association, Inc. as of December 31, 2018, and its support, revenue and expenses, functional expenses and its cash flows for the year then ended in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw your attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Broadway Mall Association, Inc. as of December 31, 2017, were audited by other auditors whose report dated June 19, 2018, expressed an unmodified opinion on those statements.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Coral Gables, Florida
November 6, 2019

Broadway Mall Association Inc.
(a Non-Profit Organization)
Statements of Assets, and Net Assets – Cash Basis
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 104,486	\$ 126,523
Property and equipment, net	1,199	-
Other assets		
Security deposit	1,500	1,500
Total assets	<u>\$ 107,185</u>	<u>\$ 128,023</u>
Net assets		
Without donor restrictions	<u>\$ 107,185</u>	<u>\$ 128,023</u>
Total net assets	<u>\$ 107,185</u>	<u>\$ 128,023</u>

See independent auditor's report and accompanying notes to financial statements.

Broadway Mall Association Inc.
(a Non-Profit Organization)
Statements of Support, Revenue and Expenses – Cash Basis
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Public support		
Contributions	\$ 517,731	\$ 451,535
Special events revenue	160,267	224,560
Interest and dividend income	41	99
	<u>678,039</u>	<u>676,194</u>
Functional expenses		
Program	503,425	434,943
Management and general	47,241	49,887
Fundraising	148,211	175,522
	<u>698,877</u>	<u>660,352</u>
Change in net assets	(20,838)	15,842
Net assets – beginning of year	<u>128,023</u>	<u>112,181</u>
Net assets – end of year	<u>\$ 107,185</u>	<u>\$ 128,023</u>

See independent auditor's report and accompanying notes to financial statements.

Broadway Mall Association Inc.
(a Non-Profit Organization)
Statements of Functional Expenses – Cash Basis
Year Ended December 31, 2018
(With Summarized Comparative Totals for 2017)

	Program	Management and General	Fundraising	Totals	
				2018	2017
Maintenance and landscaping	\$ 379,204			\$ 379,204	\$ 305,674
Compensation	71,972	\$ 12,870	\$ 74,095	158,937	167,386
Winter lighting	37,573			37,573	42,214
Real estate fundraiser			16,904	16,904	29,261
Rent expense	10,578	2,644	13,222	26,444	27,552
Bookkeeping and audit		17,867		17,867	18,547
Office expense	4,098	1,025	6,469	11,592	9,959
Gala			21,244	21,244	23,863
Other cultivation expenses			1,701	1,701	6,579
Signage			1,700	1,700	2,913
Printing			10,349	10,349	10,959
Insurance		6,983		6,983	6,708
Website			2,527	2,527	2,216
Payroll service		3,627		3,627	3,205
Bank and credit card charges		2,225		2,225	3,316
Total	\$ 503,425	\$ 47,241	\$ 148,211	\$ 698,877	\$ 660,352

See independent auditor's report and accompanying notes to financial statements.

Broadway Mall Association Inc.
(a Non-Profit Organization)
Statements of Cash Flows – Cash Basis
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from contributions	\$ 678,039	\$ 676,194
Cash paid for administrative expenses	<u>(698,877)</u>	<u>(660,352)</u>
Net cash provided by (used in) operating activities	(20,838)	15,842
 Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(1,199)</u>	<u>-</u>
 Net increase (decrease) in cash	(22,037)	15,842
 Cash and cash equivalents – beginning of year	<u>126,523</u>	<u>110,681</u>
 Cash and cash equivalents – end of year	<u>\$ 104,486</u>	<u>\$ 126,523</u>

See independent auditor's report and accompanying notes to financial statements.

Note 1 Organization and Purpose

Broadway Mall Association Inc. (the "Organization") is a non-profit organization incorporated in the State of New York. The Organization was formed for the purpose of providing program services to maintain the malls and median strips on the street called Broadway, located in the Borough of Manhattan, in New York City, for use by the general public. Broadway Mall Association Inc. is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Income is generated primarily from contributions.

Note 2 Summary of Significant Accounting Policies

Basis of Financial Statements Presentation

The Organization's financial statements have been prepared on the cash basis of accounting. The cash basis of accounting is a special purpose framework basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Under the cash basis of accounting, revenue is recognized when received rather than when earned, and expenses and purchases of assets are recognized when paid rather than when the obligation is incurred. Consequently, the Organization has not recognized receivables from earnings, accounts payable to vendors, and their related effects on the changes in net assets in the accompanying financial statements.

Net Assets without Donor Restrictions – consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor, they may, however, be subject to board designation.

Net Assets with Donor Restrictions – include funds with donor-imposed restrictions, which permit the Organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, contribution, and investment income earned on restricted funds. The Organization has no net assets with donor restrictions.

New Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Non-profit Entities, with the stated purpose of improving financial reporting by non-profit entities (NFP). Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. The new standard was effective for fiscal years beginning after December 31, 2017 with early adoption permitted. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 2 Summary of Significant Accounting Policies (continued)

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. In addition, the statement of functional expenses includes prior year summarized information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with the special purpose framework basis of accounting described in Note 2. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost when purchased or constructed, or at market value when donated. The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Expenditures for major renewals and betterment that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is calculated on a straight-line basis.

Special Events

The direct costs of special events include expenses for the benefit of the donor. For example, meals and rental facilities are considered direct costs of special events.

Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of support, revenue and expenses – cash basis. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the full-time employee equivalent.

Measurement of Operations

The statements of support, revenue and expenses – cash basis report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that

Note 2 Summary of Significant Accounting Policies (continued)

Measurement of Operations (continued)

generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes

The Organization is organized as a non-profit entity and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none for the years ended December 31, 2018 and 2017, would be subject to federal income taxes. The Organization's information returns filed with the Internal Revenue Service have not been examined in the past. The Organization is not aware of any uncertainties that could jeopardize its non-profit status. Therefore, no provision or liability for income taxes is deemed necessary.

Income Taxes (continued)

The Organization follows the provisions of uncertain tax provisions addressed by ASC 740-10 Accounting For Uncertainty in Income Taxes. The Organization has no uncertain tax positions at December 31, 2018, for which the ultimate deductibility is highly certain but for which there are uncertainty about the timing of such deductibility. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. The Organization has determined that no amount is required to be accrued for taxes or related penalties and interest for any tax position taken through December 31, 2018.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company will implement the new changes for the year ended December 31, 2021.

Revenue

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers. This guidance provides a five-step analysis in determining when and how revenue is recognized so that an entity will recognize revenue when it transfers promised goods and services to customers in an amount that reflects what it expects in exchange for the goods and services. It also requires more detailed disclosures. The effective date is for fiscal years beginning after December 15, 2018. The Company will implement the new changes for the year ended December 31, 2019.

Advertising and Signage Expenses

Advertising costs are expensed as incurred.

Note 3 Property and Equipment

		<u>Useful Lives (Years)</u>
Furniture and equipment	\$ 1,199	5
Less: accumulated depreciation	-	
	<u>\$ 1,199</u>	

Note 4 Commitments

The Organization is obligated under a rental agreement for their office space which expires in March 2020. Rental expense for the year ended December 31, 2018 amounted to \$26,444. The future minimum rental commitment under this agreement approximates the following:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 28,000
2020	<u>7,000</u>
Total	<u>\$ 35,000</u>

Note 5 Related Party Transactions

The Organization paid \$133 and \$140 to Menaker & Herrmann LLP for administrative services for the years ended December 31, 2018 and 2017, respectively. Mr. Robert Herrmann, Chairman of the Board of Directors, is a partner in Menaker & Herrmann LLP.

Note 6 Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of December 31, 2018 and 2017, reduced by the amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Note 6 Liquidity and Availability of Financial Assets (continued)

	<u>2018</u>	<u>2017</u>
Current assets, excluding non-financial assets	\$ 104,486	\$ 126,523
Less: donor restrictions for specific purposes	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 104,486</u>	<u>\$ 126,523</u>

Note 7 Subsequent Events

Subsequent events have been evaluated through November 6, 2019, which is the date the financial statements were available to be issued.