

**EXCHANGE PLACE ALLIANCE  
SPECIAL IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**



**SobelCo**  
Certified Public Accountants & Advisors

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT**

JUNE 30, 2022 AND 2021

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Exchange Place Alliance Special Improvement District  
Jersey City, New Jersey

### **Opinion**

We have audited the accompanying financial statements of Exchange Place Alliance Special Improvement District ("Organization"), a New Jersey nonprofit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets, its functional expenses, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' 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 auditors' 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, including omissions, 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, 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 Organization'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 the Organization'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.



Certified Public Accountants

Livingston, New Jersey  
October 28, 2022

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT**  
**STATEMENTS OF FINANCIAL POSITION**

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	June 30,	
	2022	2021
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 5,921,796	\$ 6,360,258
Accounts receivable, net	-	200
Prepaid expenses	281,027	35,945
Total Current Assets	6,202,823	6,396,403
FURNITURE AND EQUIPMENT, NET	37,932	79,290
Total Assets	<u>\$ 6,240,755</u>	<u>\$ 6,475,693</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 229,688	\$ 218,977
Due to Jersey City	251,940	177,726
Total Liabilities	<u>\$ 481,628</u>	<u>\$ 396,703</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	5,759,127	6,078,990
Total Liabilities and Net Assets	<u>\$ 6,240,755</u>	<u>\$ 6,475,693</u>

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

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	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Revenues:		
City assessments	\$ 3,500,013	\$ 3,250,497
Event revenue	4,180	1,430
Donated facilities	11,250	11,250
Contributions	-	350,000
Miscellaneous revenue	30,180	9,400
Interest income	3,110	2,628
Total Support and Revenues	<u>3,548,733</u>	<u>3,625,205</u>
Expenses:		
Program	3,218,234	1,823,030
Management and general	650,362	494,565
Total Expenses	<u>3,868,596</u>	<u>2,317,595</u>
Changes in Net Assets	(319,863)	1,307,610
Beginning of Year	<u>6,078,990</u>	<u>4,771,380</u>
End of Year	<u>\$ 5,759,127</u>	<u>\$ 6,078,990</u>

# EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT

## STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2022		
		Management	
	Program	and General	Total
Salaries	\$ 370,911	\$ 92,728	\$ 463,639
Payroll taxes and benefits	68,653	17,163	85,816
Total Salaries and Related Expenses	439,564	109,891	549,455
City improvements	2,541,169	-	2,541,169
Grants	-	169,532	169,532
Advertising	16,312	-	16,312
Professional fees	-	212,905	212,905
Event expenses	185,631	-	185,631
Insurance	35,558	8,889	44,447
Office expenses	-	15,974	15,974
Occupancy	-	11,250	11,250
Miscellaneous expense	-	6,349	6,349
Depreciation and amortization expense	-	41,358	41,358
Other expenses	-	74,214	74,214
Total Expenses	\$ 3,218,234	\$ 650,362	\$ 3,868,596

	Year Ended June 30, 2021		
		Management	
	Program	and General	Total
Salaries	\$ 316,023	\$ 79,006	\$ 395,029
Payroll taxes and benefits	53,461	13,365	66,826
Total Salaries and Related Expenses	369,484	92,371	461,855
City improvements	1,336,919	-	1,336,919
Grants	-	245,000	245,000
Advertising	24,567	-	24,567
Professional fees	-	74,140	74,140
Event expenses	64,946	-	64,946
Insurance	27,114	6,778	33,892
Office expenses	-	14,231	14,231
Occupancy	-	11,250	11,250
Miscellaneous expense	-	9,437	9,437
Depreciation and amortization expense	-	41,358	41,358
Total Expenses	\$ 1,823,030	\$ 494,565	\$ 2,317,595

## EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT STATEMENTS OF CASH FLOWS

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	Year Ended June 30,	
	2022	2021
CASH FLOWS (USED FOR) PROVIDED BY:		
Adjustments to reconcile changes in net assets		
to net cash (used for) provided by operating activities:	\$ (319,863)	\$ 1,307,610
Depreciation	41,358	41,358
Change in operating assets and liabilities:		
Accounts receivable	200	(200)
Prepaid expenses	(245,082)	(26,315)
Due to Jersey City	74,214	177,726
Accounts payable and accrued expenses	10,711	16,362
Net Cash (Used for) Provided By Operating Activities	(438,462)	1,516,541
NET (DECREASE) INCREASE IN CASH	(438,462)	1,516,541
CASH:		
Beginning of year	6,360,258	4,843,717
End of year	\$ 5,921,796	\$ 6,360,258
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 148	\$ 2



# EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### JUNE 30, 2022 AND 2021

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#### NOTE 1 - NATURE OF ORGANIZATION:

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Exchange Place Alliance Special Improvement District (“Organization”) was incorporated October 7, 2016, and began operations July 10, 2017. The Organization aims to promote economic growth while also attracting new retail, commercial, and other businesses to the area. The Exchange Place Alliance will elevate the neighborhood through capital improvements, repairs and maintenance, landscaping, cleaning, and programming. Previously untapped sources of revenue will be utilized for improvements, including the restoration of, and upgrades to, Exchange Place Plaza, Christopher Columbus Drive, and other areas in the district.

The Alliance will also work to enhance the sense of arrival for the area. New amenities will include wayfinding signage and informational kiosks to help direct the public, comfort stations, tables and chairs along the Hudson River Waterfront Walkway, Citi Bike stations, and public Wi-Fi.

As a part of its mission, the Alliance will focus on communication with the membership and public regarding new organizations, events, and businesses within the district.

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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##### ***Basis of Accounting:***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### ***Financial Statement Presentation:***

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - 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. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Currently, the Organization only has net assets without donor restrictions.

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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***Cash:***

Cash includes all liquid cash currently held in a single financial institution.

***Furniture and Equipment:***

Furniture and fixtures in excess of \$1,000 are capitalized as assets and recorded at cost, except for donated items, which are recorded at the fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

Furniture and equipment    5 years

When assets are retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Repairs and maintenance that do not extend the useful lives of the related assets are expensed as incurred.

***City Assessments:***

City assessment revenue is derived from a special assessment imposed and collected by Jersey City with the regular property tax payment, or payment in lieu of taxes, for designated properties deemed to be within the district. Amounts are recorded as received in accordance with the approved budget.

***Revenue Recognition:***

The Organization derives its revenues from appropriations provided by the Jersey City Municipality in exchange for services provided within the area zoned as a special improvement district. Revenues are recognized over time as the year progress and services are performed and fully recognized. There is no variable consideration or discounts due to the nature of the transaction.

***Donated Facilities:***

Donated facilities provided by a board member are recorded at the estimated fair value and reflected as donated facilities in the accompanying financial statements. The value of donated facilities for the years ended June 30, 2022 and 2021, was approximately \$11,250.

***Advertising:***

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expenses were \$16,312 and \$24,567 for the years ended June 30, 2022 and 2021, respectively.

# EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### JUNE 30, 2022 AND 2021

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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##### ***Income Taxes:***

The Organization is exempt from income taxes under the Internal Revenue Code and applicable state law for governmental units. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2022 or 2021. At June 30, 2022 and 2021, there were no significant income tax uncertainties.

##### ***Use of Estimates:***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimate and judgment. Actual results could differ from those estimates.

##### ***Adoption of New Accounting Standard:***

In July 2020, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU"), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets apart from contributions of cash or other financial assets. Additional disclosure is required regarding the valuation techniques used, as well as any donor restrictions for the contributed nonfinancial assets. The Organization adopted this ASU on July 1, 2021.

##### ***Recent Accounting Pronouncements:***

In February 2016, the FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An organization may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The pronouncement is effective for annual periods beginning after December 15, 2021. Earlier adoption is permitted subject to certain limitations. The Organization is currently evaluating the effect the new pronouncement will have on its combined financial statements.

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Subsequent Events:***

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2022, through October 28, 2022, the date that the financial statements were available to be issued.

**NOTE 3 - FURNITURE AND EQUIPMENT:**

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Furniture and equipment consists of the following:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Furniture and equipment	206,793	206,793
Less: Accumulated depreciation	(168,861)	(127,503)
Furniture and Equipment, Net	<u>\$37,932</u>	<u>\$79,290</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$41,358, and is included in depreciation and amortization expense on the statement of functional expenses.

**NOTE 4 - DUE TO JERSEY CITY:**

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During the year ended June 30, 2022, the Organization was notified by Jersey City that it had received funds in excess of its fiscal year 2021 assessment. As of June 30, 2022 and 2021, the Organization has recorded \$251,940 and \$177,726, respectively, as due to Jersey City on the statements of financial position. For the year ended June 30, 2022, the Organization has recorded \$74,214 as other expenses on the statements of functional expenses.

**NOTE 5 - FUNCTIONAL EXPENSES:**

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Program services, management and general expenses have been recorded in the statements of activities and changes in net assets and on the statements of functional expenses based on both a direct costing method for those expenses directly attributable to a particular function or special event or on an allocation basis for costs attributable to all functions. Management and general expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Organization. Salaries and insurance are allocated based on a time study. The remaining expenses are direct costs.

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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**NOTE 6 - DONATED GOODS AND SERVICES:**

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The Organization received in-kind contributions of facilities from a board member. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation.

During the fiscal year ended June 30, 2022 and 2021, the Organization received donated facilities for office space.

	<b>Year Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Facilities	\$ 11,250	\$ 11,250

All donated services and assets were utilized by the Organization’s management and administrative services. There were no donor-imposed restrictions associated with the donated services and assets.

**NOTE 7 - CONCENTRATION OF RISK:**

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**Cash Balances:**

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash. The Organization maintains its cash in an account with federally insured institutes. At times, the balances in these accounts may be in excess of federally insured limits.

**Purchases:**

During the years ended June 30, 2022 and 2021, 42% and 43% of the Organization’s total purchases were made from one and three vendor(s), respectively.

**NOTE 8 - RETIREMENT PLANS:**

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The Organization is a covered entity participating under the Paychex Integrated 401(k) Plan, as defined under Section 401(k) of the U.S. Internal Revenue Code (“IRC”), for eligible employees. Eligible employees may make contributions up to the maximum amount allowed by the IRC. The Organization matches 100% of an employee’s contribution, up to 4% of an employee’s compensation for each payroll period. The Organization made matching contributions of \$13,500 and \$5,262 for the years ended June 30, 2022 and 2021, respectively, and are included as payroll taxes and benefits on the statements of functional expenses.

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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**NOTE 9 - LIQUIDITY AND AVAILABILITY:**

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The following represents the Organization’s financial assets at:

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Cash	\$5,921,796	\$6,360,258
Accounts Receivable	-	200
Financial assets available to meet general expenditures over the next 12 months	<u>\$5,921,796</u>	<u>\$6,360,458</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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**NOTE 10 - RISKS AND UNCERTAINTIES**

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***Coronavirus (“COVID-19”) Impact on Operations:***

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on its employees, consumers, and operations. While it does not expect that the virus will have a material adverse effect on its operations or financial results at this time, the Organization is unable to predict the impact that COVID-19 will have due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.