

**EXCHANGE PLACE ALLIANCE
SPECIAL IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021 and 2020, 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors’ 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 auditors consider internal control relevant to the Organization’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 Organization’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 Exchange Place Alliance Special Improvement District as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Livingston, New Jersey
October 29, 2021

Sobel & Co, LLC

Certified Public Accountants

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

	Year Ended June 30,	
	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash	\$ 6,360,258	\$ 4,843,717
Accounts receivable, net	200	-
Prepaid expenses	35,945	9,630
Total Current Assets	<u>6,396,403</u>	<u>4,853,347</u>
FURNITURE AND EQUIPMENT, NET	<u>79,290</u>	<u>120,648</u>
Total Assets	<u>\$ 6,475,693</u>	<u>\$ 4,973,995</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 218,977	\$ 202,615
Deferred Revenue	<u>177,726</u>	<u>-</u>
Total Liabilities	<u>\$ 396,703</u>	<u>\$ 202,615</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	<u>6,078,990</u>	<u>4,771,380</u>
Total Liabilities and Net Assets	<u>\$ 6,475,693</u>	<u>\$ 4,973,995</u>

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

	Year Ended June 30	
	2021	2020
Revenues:		
City assessments	\$ 3,259,897	\$ 3,278,316
Event revenue	1,430	1,700
Donated facilities	11,250	11,250
Contributions	350,000	-
Miscellaneous revenue	-	38,971
Interest income	2,628	3,539
Total Support and Revenues	3,625,205	3,333,776
Expenses:		
Program	1,823,030	1,175,753
Management and general	494,565	234,358
Total Expenses	2,317,595	1,410,111
Changes in Net Assets	1,307,610	1,923,665
Beginning of Year	4,771,380	2,847,715
End of Year	\$ 6,078,990	\$ 4,771,380

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program	Management 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	-	41,358	41,358
Total Expenses	\$ 1,823,030	\$ 494,565	\$ 2,317,595

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program	Management and General	Total
Salaries	\$ 252,743	\$ 86,414	\$ 339,157
Payroll taxes and benefits	20,214	5,054	25,268
Total Salaries and Related Expenses	272,957	91,468	364,425
City improvements	709,107	-	709,107
Grants		236	236
Advertising	29,997	-	29,997
Professional fees		62,651	62,651
Event expenses	107,488	-	107,488
Insurance	56,203	14,051	70,254
Office expenses	-	9,114	9,114
Occupancy	-	11,250	11,250
Miscellaneous expense	-	4,231	4,231
Depreciation and amortization expense	-	41,358	41,358
Total Expenses	\$ 1,175,753	\$ 234,358	\$ 1,410,111

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

	Year Ended June 30,	
	2021	2020
CASH FLOWS PROVIDED BY (USED FOR):		
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	\$ 1,307,610	\$ 1,923,665
Change in operating assets and liabilities:	41,358	41,358
Accounts receivable	(200)	-
Prepaid expenses	(26,315)	-
Deferred revenue	177,726	-
Accounts payable and accrued expenses	16,362	9,363
Net Cash Provided By Operating Activities	<u>1,516,541</u>	<u>1,974,386</u>
 NET INCREASE IN CASH	 1,516,541	 1,974,386
 CASH:		
Beginning of year	<u>4,843,717</u>	<u>2,869,331</u>
End of year	<u>\$ 6,360,258</u>	<u>\$ 4,843,717</u>

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 - NATURE OF ORGANIZATION:

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 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.

The Alliance will hire a crew of workers that will be responsible for timely trash and snow removal, street cleaning, and litter removal, as well as landscaping and hardscaping. New bollards and lighting are in the process of being installed in coordination with PATH and PSE&G.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Financial Statement Presentation: (Continued)

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.

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.

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

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, 2021 and 2020, 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 \$24,567 and \$29,997 for the years ended June 30, 2021 and 2020, respectively.

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 2021 or 2020. At June 30, 2021 and 2020, there were no significant income tax uncertainties.

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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.

Recent Accounting Pronouncements:

The Financial Accounting Standards Board issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the consolidated financial statements as its date of initial application. The standard is effective for annual reporting periods beginning after December 15, 2021. Earlier adoption is permitted subject to certain limitations. The Organization is currently evaluating the effect the provisions of this pronouncement will have on the consolidated financial statements.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2021 through October 29, 2021, the date that the financial statements were available to be issued.

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 - FURNITURE AND EQUIPMENT:

Furniture and equipment consists of the following:

	June 30,	
	2021	2020
Furniture and equipment	\$ 206,793	\$ 206,793
Less: Accumulated depreciation	(127,503)	(86,145)
Furniture and Equipment, Net	<u>\$ 79,290</u>	<u>\$ 120,648</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$41,358, and is included in depreciation and amortization expense on the statement of functional expenses.

NOTE 4 - FUNCTIONAL EXPENSES:

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.

NOTE 5 - CONCENTRATION OF RISK:

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 year ended June 30, 2021, 43% of the Organization's total purchases were made from three vendors. During the year ended June 30, 2020, there were no concentrations.

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 - RETIREMENT PLANS:

The Organization is a covered entity participating under the Paychex Integrated 401(k) Plan (“Plan”), as defined under Section 401(k) of the U.S. Internal Revenue Code (“IRC”) for eligible employees. Eligible employee’s may make contributions up to the maximum amount allowed by the IRC. The Organization matches 100% of an employee’s contribution, up to 3% of an employee’s compensation for each payroll period. The Organization made matching contributions of approximately \$5,000 during the year ended June 30, 2021.

NOTE 7 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization’s financial assets at June 30, 2021:

	2021	2020
Cash	\$ 6,360,258	\$ 4,843,717
Accounts Receivable	200	-
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 6,360,458</u>	<u>\$ 4,843,717</u>

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

NOTE 8 - RISKS AND UNCERTAINTIES

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 we do not expect that the virus will have a material adverse effect on our operations or financial results at this time, we are 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.