

**EXCHANGE PLACE ALLIANCE
SPECIAL IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2018



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT

JUNE 30, 2018

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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 statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 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, 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.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
October 30, 2018

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS:

Cash	\$	2,058,190
Prepaid expenses		<u>26,447</u>
Total current assets		2,084,637

FURNITURE AND EQUIPMENT, NET

203,364

Total Assets

\$ 2,288,001

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$	242,844
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COMMITMENTS AND CONTINGENCIES

NET ASSETS:

Unrestricted		<u>2,045,157</u>
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Total Liabilities and Net Assets

\$ 2,288,001

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018

	Unrestricted
Revenues:	
City assessments	\$ 3,000,010
Event revenue	79,755
Donated facilities	10,312
Total Support and Revenues	3,090,077
Expenses:	
Program	879,232
Management and general	165,688
Total Expenses	1,044,920
Changes in Net Assets	2,045,157
NET ASSETS:	
Beginning of Year	-
End of Year	\$ 2,045,157

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program	Management and General	Total
Salaries	\$ 219,574	\$ 85,457	\$ 305,031
Payroll taxes and benefits	29,574	11,501	41,075
Total Salaries and Related Expenses	249,148	96,958	346,106
City Improvements	328,112	-	328,112
Advertising	28,615	-	28,615
Professional fees	56,334	21,908	78,242
Event expenses	178,176	-	178,176
Insurance	35,967	13,987	49,954
Office expenses	-	17,974	17,974
Occupancy	-	10,312	10,312
Miscellaneous expense	2,880	1,120	4,000
Depreciation and amortization	-	3,429	3,429
Total Expenses	\$ 879,232	\$ 165,688	\$ 1,044,920

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS PROVIDED BY (USED FOR):

OPERATING ACTIVITIES:

Changes in net assets	\$ 2,045,157
Depreciation	3,429
Change in operating assets and liabilities:	
Prepaid expenses	(26,447)
Accounts payable and accrued expenses	242,844
Net Cash Provided By Operating Activities	<u>2,264,983</u>

INVESTING ACTIVITIES:

Purchases of furniture and equipment	<u>(206,793)</u>
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NET INCREASE IN CASH 2,058,190

CASH:

Beginning of year	<u>-</u>
End of year	<u><u>\$ 2,058,190</u></u>

**EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 planned to be installed in coordination with PATH and PSE&G.

As a part of its mission, the Exchange Place Alliance will focus on communication with the membership and public regarding new organizations, events and businesses within our 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 revenues, 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:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Permanently Restricted Net Assets - 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 purpose

Currently, the Organization only has unrestricted net assets.

Cash:

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

Property 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
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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:

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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 year ended June 30, 2018, was approximately \$10,312.

Functional Expenses:

The costs of providing program services and support services to the Organization have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain operating costs have been allocated among the functional categories.

Advertising:

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expense was \$28,615 for the year ended June 30, 2018.

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 2018. At June 30, 2018, there are 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.

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Financial Statement Reporting for Not-for-Profits:

The Financial Accounting Standards Board issued an accounting pronouncement *Presentation of Financial Statements of Not-for-Profit Entities* that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ended June 30, 2019. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2018 through October 30, 2018, the date that the financial statements were available to be issued.

NOTE 3 - FURNITURE AND EQUIPMENT:

Furniture and equipment consists of the following:

	June 30, 2018
Furniture and equipment	\$ 206,793
Less: Accumulated depreciation	(3,429)
Furniture and Equipment, Net	<u>\$ 203,364</u>

Depreciation expense for the year ended June 30, 2018, was \$3,429 and is included in depreciation and amortization expense on the statement of functional expenses.

EXCHANGE PLACE ALLIANCE SPECIAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CONCENTRATION OF RISK:

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.