

**DOWNTOWN ALBANY RESTORATION  
PROGRAM, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**ROBERT J. PALMERINO**  
***CERTIFIED PUBLIC ACCOUNTANT***

## **TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Downtown Albany Restoration Program, Inc.  
Albany, New York

I have audited the accompanying financial statements of Downtown Albany Restoration Program, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown Albany Restoration Program, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Robert J. Palmerino*

September 27, 2017  
Albany, New York

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 430,671	\$ 503,911
Due from the City of Albany	104,240	157,528
Other receivables	3,715	1,390
Prepaid expenses	20,867	10,893
Investments-Certificates of Deposits	310,394	205,299
Property and equipment, net of accumulated depreciation	<u>13,467</u>	<u>18,509</u>
<b>TOTAL ASSETS</b>	<u>\$ 883,354</u>	<u>\$ 897,530</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 4,080	\$ 11,285
Accrued expenses	5,182	4,740
Reserve for assessment reductions	<u>94,000</u>	<u>128,000</u>
<b>TOTAL LIABILITIES</b>	<u>103,262</u>	<u>144,025</u>
 <b>NET ASSETS</b>		
Unrestricted:		
Investment in property and equipment	13,467	18,509
Board designated:		
Reserve for assessments	94,000	128,000
Special projects	152,505	129,602
Non assessment	347,577	303,621
Operating reserve	<u>172,543</u>	<u>173,773</u>
Total Unrestricted	<u>780,092</u>	<u>753,505</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 883,354</u>	<u>\$ 897,530</u>

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues and Support:		
Assessment revenue	\$ 703,032	\$ 747,236
PILOT properties	28,658	28,658
Interest income	1,225	760
Other income	86,925	62,350
Donated items and services	<u>26,293</u>	<u>35,510</u>
Total Unrestricted Revenues and Support	<u>846,133</u>	<u>874,514</u>
Expenses:		
Program Services:		
Business development	247,070	116,269
Clean and safe	179,831	186,232
Marketing	120,787	173,047
Visual improvements	<u>118,615</u>	<u>119,079</u>
Total Program Services	666,303	594,627
Supporting Services:		
Management and general	<u>80,731</u>	<u>78,945</u>
Total Program and Supporting Services	747,034	673,572
Assessment reductions	<u>72,512</u>	<u>25,551</u>
Total Expenses	<u>819,546</u>	<u>699,123</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>26,587</u>	<u>175,391</u>
<b>INCREASE IN NET ASSETS</b>	26,587	175,391
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>753,505</u>	<u>578,114</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 780,092</u>	<u>\$ 753,505</u>

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	<b>PROGRAM SERVICES</b>					<b>SUPPORTING SERVICES</b>	<b>2016 Program and Supporting Services</b>
	<u><b>Business Development</b></u>	<u><b>Clean and Safe</b></u>	<u><b>Marketing</b></u>	<u><b>Visual Improvements</b></u>	<u><b>Total Program</b></u>	<u><b>Management and General</b></u>	
Salaries and related	\$ 98,489	\$ 42,478	\$ 68,341	\$ 53,492	\$ 262,800	\$ 61,420	\$ 324,220
Subcontracts	37,427	122,268	500	28,390	188,585	-	188,585
Special events	75,361	-	17,800	-	93,161	-	93,161
Supplies	1,183	2,239	3,928	20,557	27,907	737	28,644
Occupancy	6,534	2,818	4,534	3,549	17,435	4,075	21,510
Annual meeting	5,576	2,405	3,869	3,028	14,878	3,477	18,355
Professional fees	4,105	1,770	2,848	2,229	10,952	2,560	13,512
Insurance	4,080	1,760	2,831	2,216	10,887	2,545	13,432
Advertising	-	-	9,551	-	9,551	-	9,551
Dues and subscriptions	2,402	1,036	1,667	1,305	6,410	1,498	7,908
Equipment lease and maintenance	2,000	863	1,388	1,086	5,337	1,247	6,584
Publications	1,548	668	1,074	841	4,131	965	5,096
Depreciation	1,532	661	1,063	832	4,088	955	5,043
Public relations	4,826	-	-	-	4,826	-	4,826
Telephone	674	291	468	366	1,799	420	2,219
Postage	578	249	401	314	1,542	361	1,903
Miscellaneous	474	204	329	257	1,264	296	1,560
Travel and entertainment	<u>281</u>	<u>121</u>	<u>195</u>	<u>153</u>	<u>750</u>	<u>175</u>	<u>925</u>
<b>TOTAL EXPENSES</b>	<u><b>\$ 247,070</b></u>	<u><b>\$ 179,831</b></u>	<u><b>\$ 120,787</b></u>	<u><b>\$ 118,615</b></u>	<u><b>\$ 666,303</b></u>	<u><b>\$ 80,731</b></u>	<u><b>\$ 747,034</b></u>

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

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

	<b>PROGRAM SERVICES</b>					<b>SUPPORTING SERVICES</b>	<b>2015 Program and Supporting Services</b>
	<b><u>Business Development</u></b>	<b><u>Clean and Safe</u></b>	<b><u>Marketing</u></b>	<b><u>Visual Improvements</u></b>	<b><u>Total Program</u></b>	<b><u>Management and General</u></b>	
Salaries and related	\$ 59,376	\$ 39,004	\$ 83,024	\$ 51,131	\$ 232,535	\$ 58,145	\$ 290,680
Subcontracts	10,205	132,275	14,506	30,000	186,986	-	186,986
Special events	18,587	-	34,838	-	53,425	-	53,425
Supplies	1,609	2,002	4,239	20,969	28,819	1,494	30,313
Occupancy	4,376	2,875	6,119	3,768	17,138	4,285	21,423
Annual meeting	2,694	1,769	3,766	2,319	10,548	2,637	13,185
Professional fees	2,583	1,696	3,610	2,223	10,112	2,528	12,640
Insurance	3,317	2,179	4,639	2,857	12,992	3,249	16,241
Advertising	-	-	8,874	-	8,874	-	8,874
Dues and subscriptions	1,364	896	1,907	1,175	5,342	1,336	6,678
Equipment lease and maintenance	1,103	724	1,541	949	4,317	1,079	5,396
Publications	1,413	929	1,977	1,218	5,537	1,385	6,922
Depreciation	999	656	1,397	861	3,913	979	4,892
Public relations	6,776	-	-	-	6,776	-	6,776
Telephone	798	525	1,116	688	3,127	782	3,909
Postage	389	255	543	335	1,522	380	1,902
Miscellaneous	302	198	422	260	1,182	295	1,477
Travel and entertainment	378	249	529	326	1,482	371	1,853
<b>TOTAL EXPENSES</b>	<b><u>\$ 116,269</u></b>	<b><u>\$ 186,232</u></b>	<b><u>\$ 173,047</u></b>	<b><u>\$ 119,079</u></b>	<b><u>\$ 594,627</u></b>	<b><u>\$ 78,945</u></b>	<b><u>\$ 673,572</u></b>

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

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 26,587	\$ 175,391
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Reserve for assessment reductions	(34,000)	-
Depreciation	5,042	4,892
Change in operating assets that provide (use) cash:		
Due from the City of Albany	53,288	(155,272)
Other receivables	(2,325)	3,068
Prepaid expenses	(9,974)	(2,444)
Change in operating liabilities that provide (use) cash:		
Accounts payable	(7,205)	602
Accrued expenses	<u>442</u>	<u>101</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>31,855</u>	<u>26,338</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Certificates of Deposit	(105,095)	(104,474)
Purchase of property and equipment	<u>-</u>	<u>(3,419)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(105,095)</u>	<u>(107,893)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(73,240)	(81,555)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>503,911</u>	<u>585,466</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 430,671</u>	<u>\$ 503,911</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Unrelated business taxes	<u>\$ 250</u>	<u>\$ 250</u>

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



**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Mission**

The Downtown Albany Restoration Program, Inc. d/b/a Downtown Albany Business Improvement District, Inc. (BID) was formed in 1996 under the Not-For-Profit Corporation Laws of New York State. The primary purpose of the BID is to restore, promote and maintain the character and viability of downtown Albany and to improve the quality of life and overall image for those who live, work and visit the Capital City.

The BID's four major programs within the specified boundaries of the improvement district include the following:

Business Development - Cultivate business development activities through partnerships with property owners, real estate community, and City, State and County representatives for recruitment and attraction.

Clean and Safe - Provide assistance in maintaining and augmenting clean streets/curbs, trash pickup and cleaning of snow and ice from crosswalk intersections; and working collaboratively with the Albany Police Department.

Marketing - Create and implement special events and programming and maintain a public relations campaign.

Visual Improvements - Collaborate with property owners and city officials to research, develop and implement streetscape improvement strategies.

**Economic Dependency**

The district was created pursuant to legislation passed by the Common Council of the City of Albany, New York. The City of Albany contracts with the BID to provide services within the district. Should the Common Council decide to terminate the contract, the BID would be required to pursue alternate funding sources since its revenues are derived almost exclusively from its contract with the City of Albany.

**Basis of Accounting Presentation**

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting Presentation (Continued)**

Non-profit organizations are required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets whose use by the BID is subject to donor-imposed restrictions that can be fulfilled by actions of the BID pursuant to those restrictions or that expire by the passage of time. It is the BID's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained by the BID.

**Management Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation allowances for receivables and reserves for assessment reductions. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ, significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Tax Status**

The BID qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable New York State laws and has been classified as an organization other than a private foundation. It is, however, subject to taxes on unrelated business income earned primarily through advertising placed in periodicals published by the BID.

The BID adopted the authoritative guidance on accounting for and disclosure of uncertainty in tax positions on January 1, 2010, as required by generally accepted accounting principles with no cumulative adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken on a tax return, only when it is deemed that the income tax position will be more likely than not sustained upon examination by taxing authorities. The BID believes that its income tax positions would be sustained under examination by taxing authorities. There are currently no examinations in progress, and the BID believes it is no longer subject to income tax examinations for the tax years prior to 2013.

**Functional Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Investments - Certificates of Deposits**

Certificates of deposit mature 8 months from December 31, 2016 and are stated at cost because that approximates market value.

**Property and Equipment**

Purchases of property and equipment are reported at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Assets are depreciated over periods of 3 to 10 years, which approximates estimated useful lives.

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

The BID has entered into a contract with the City of Albany (City) whereby, in exchange for managing programs in downtown Albany, the City levies a special real estate assessment on taxable and non-taxable (PILOT - payments in lieu of taxes) commercial properties within the Business Improvement District, collects the funds, and holds them for the BID. The BID recognizes revenue from the assessments when they are levied by the City, irrespective of whether the BID has received or expended the funds. The City remits monies to the BID based on vouchered amounts that are comprised of the BID's actual monthly expenditures incurred. Fees collected by the City but not yet drawn by the BID earn interest on the BID's behalf. If the fees are still unspent at year-end, they are carried forward for use in the next fiscal year. Assessments deemed uncollectible by the City are turned over to the County for collection. Although there is no formal agreement in place, the County has traditionally reimbursed the City for those assessments when it assumes collective action.

**Reclassifications**

Certain amounts for the year ended December 31, 2015, have been reclassified to conform to the presentation for the year ended December 31, 2016.

**Subsequent Events**

Management has evaluated subsequent events through September 27, 2017, the date on which the financial statements were available to be issued.

**NOTE 2 - RESERVE FOR ASSESSMENT REDUCTIONS**

There have been numerous grievances filed protesting the assessments of properties located within the BID's district. Any adjustments to the assessments could result in refunds to the property owners. Management has recorded a reserve for estimated refunds due to assessment reductions in the amount of \$94,000 and \$128,000 as of December 31, 2016 and 2015, respectively. The reserve is established at year end based on a continuous 3 year analysis of settlements and liabilities.

Assessment reductions of \$72,237 and \$25,551 for the years ended December 31, 2016 and 2015, respectively, were based on the settlement of excess assessments from prior years.

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3 - PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of December 31:

	<u>2016</u>	<u>2015</u>
Equipment, furniture and fixtures	\$ 58,004	\$ 58,004
Less accumulated depreciation	<u>44,537</u>	<u>39,495</u>
Total	<u>\$ 13,467</u>	<u>\$ 18,509</u>

**NOTE 4 - DONATED ITEMS AND SERVICES**

During 2016 and 2015, the BID recorded donated items and services as follows:

	<u>2016</u>	<u>2015</u>
<u>Revenues and Support</u>		
Contributions	<u>\$ 26,293</u>	<u>\$ 35,510</u>
<u>Expenses</u>		
Special events	\$ 3,793	\$ 12,470
Marketing	1,500	12,000
Annual meeting	16,500	8,975
Dues and subscriptions	<u>4,500</u>	<u>2,065</u>
	<u>\$ 26,293</u>	<u>\$ 35,510</u>

A substantial number of unpaid volunteers, mainly board members, have made significant contributions of their time to the organization. The value of their time is not reflected in these financial statements because it is not susceptible to objective measurement and valuation.

**NOTE 5 - PENSION PLAN**

The BID participates in a salary reduction pension plan, which is intended to conform to, and qualify under, Section 401(k) of the Internal Revenue Code. All employees are eligible to participate after 30 days of service. The BID matches a certain percentage of employee contributions after one year of service. The matching contributions were \$3,430 and \$4,550 and for the years ended December 31, 2016 and 2015, respectively.

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 6 - COMMITMENTS**

Effective December 31, 2014, the BID terminated its prior lease and relocated its offices. Base rental payments under the new lease are as follows:

<u>Year Ending</u>	
2017	\$ 17,645
2018	<u>17,645</u>
Total	<u>\$ 35,290</u>

The base rent will be increased on each January 1 subsequent to December 31, 2015 by the percentage based Consumer Price Index (CPI).

Total rent expense for the years ended December 31, 2016 and 2015, was \$17,645 and \$17,615, respectively.

Total equipment lease expense for the years ended December 31, 2016 and 2015, was \$2,897 and \$3,016, respectively.

**NOTE 7 - BOARD DESIGNATED NET ASSETS**

Reserve for assessments

Reflects the projected liability in property assessment challenges and Supreme Court Orders (SCOs).

Special projects

Assessment revenue set aside for special projects. Projects related to \$54,241 of the balance must be identified or committed to by December 31, 2017 and projects related to \$98,264 of the balance must be identified or committed to by December 31, 2018. Unidentified or uncommitted amounts will be returned to the BID property owners.

Non assessment

Revenue generated from advertising sales and sponsorships that has been set aside for economic development and business attraction projects.

Operating reserve

Net assets designated for future operating needs.

**DOWNTOWN ALBANY RESTORATION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 8 – CORRECTION OF AN ERROR**

The amount shown as Due from the City of Albany on the 2015 financial statements was overstated by \$44,496. The 2015 financial statements were restated to correct this error. The result was a reduction in net assets of \$44,496 as shown on the Statement of Financial Position and a reduction to the increase in net assets of \$44,496 as shown on the Statement of Activities as follows:

	<u>Net Assets</u>	<u>2015 Revenue and Support</u>	<u>Expenses</u>
Totals as previously stated	\$ 798,001	\$ 896,762	\$ 676,875
Correction of error - assessment revenue	-	(22,248)	-
Correction of error - assessment reductions	-	-	22,248
Correction of error - operating reserve	<u>(44,496)</u>	<u>-</u>	<u>-</u>
Totals as restated	<u>\$ 753,505</u>	<u>\$ 874,514</u>	<u>\$ 699,123</u>