

Report

**LOCAL DEVELOPMENT CORPORATION
OF EAST NEW YORK**

FINANCIAL STATEMENTS

AS OF AND

FOR THE YEAR ENDED JUNE 30, 2019

TOGETHER WITH AUDITOR'S OPINION



Aston Bell & Associates

Certified Public Accountants

17 Academy Street, Suite 1008
Newark, N.J. 07102

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>Pages</u>
Independent Auditor's Report	3 - 4
Statement of Financial Position as of June 30, 2019	5
Statement of Activities for the year ended June 30, 2019	6
Statement of Cash Flows for the year ended June 30, 2019	7
Statement of Functional Expenses for the year ended June 30, 2019	8
Notes to Financial Statements	9 - 15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16 - 17



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Local Development Corporation of East New York
80 Jamaica Avenue, 3rd Floor
Brooklyn, NY 11207

Report on the Financial Statements

We have audited the accompanying statement of financial position of Local Development Corporation of East New York, (the "Organization") as of June 30, 2019, and the related statements of activities, cash flows and functional expenses 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 financial position of Local Development Corporation of East New York as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2020 on our consideration of Local Development Corporation of East New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering Local Development Corporation of East New York's internal control over financial reporting and compliance.

Aston Bell & Associates

New York, New York
May 15, 2020

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

ASSETS

Cash and Cash Equivalents	(Notes 2,3)	\$	92,322
Receivables	(Note 4)		91,784
Revolving Loan			6,523
Furniture and Equipment	(Notes 2,5)		17,825
Total Assets		\$	<u>208,454</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accruals		\$	75,930
Deferred Revenue	(Note 6)		27,500
Revolving Loan			6,523
Net Assets			98,501
Total Liabilities and Net Assets		\$	<u>208,454</u>

The accompanying notes are an integral part of the financial statements.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES AND OTHER SUPPORT

Grants		\$	522,829
Program Revenue			2,224
Special Events			98,290
Other Income			27,006
In-kind Contribution - Facilities	(Notes 2,7)		31,250
Total Revenue			<u>681,599</u>

EXPENSES

Program Services:			
Economic and Entrepreneur Development			517,315
Supporting Services:			
Management and General			100,025
Fundraising			78,710
Total Expenses- (Includes In-Kind Contribution - Facilities (\$31,250))			<u>696,050</u>
Change In Net Assets			(14,451)
Net Asset at Start of Year			107,584
Prior Year Adjustment			5,368
Net Asset at End of Year		\$	<u>98,501</u>

The accompanying notes are an integral part of the financial statements.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Net Cash Flows From Operating Activities:

Change in Net Assets	\$ (14,451)
Depreciation Expense	4,020
(Increase)/Decrease in Grants Receivable	58,769
Increase/(Decrease) in Accounts Payable and Accruals	6,525

Net Cash provided by Operating Activities	<u>44,763</u>
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Cash Flow from Investing Activities:

(Purchase)/Sale of Property and Equipment	(2,133)
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Net Cash used by Investing Activities	<u>(2,133)</u>
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Net Increase/(Decrease) in Cash and Cash Equivalents	<u>42,630</u>
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Prior Year Adjustment	5,368
Cash and Cash Equivalents at the Beginning of Year	44,324

Cash and Cash Equivalents at the Year End	<u>\$ 92,322</u>
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The accompanying notes are an integral part of the financial statements.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	PROGRAM SERVICE	TOTAL
Salaries	\$ 62,169	\$ 3,108	\$ 245,567	\$ 310,844
Fringe Benefits	15,741	-	67,104	82,845
Insurance	490	-	2,087	2,577
Audit Expense	1,140	-	4,860	6,000
Accounting Expense	-	-	2,500	2,500
Consultants	-	12,724	24,699	37,423
Marketing and Promotions	-	-	260	260
Memberships, Subscriptions, and Reference	304	-	1,386	1,690
Supplies	1,945	-	756	2,701
Utilities	-	-	3,754	3,754
Payroll Expense	1,225	68	5,514	6,807
Maintenance and Repairs	363	-	1,656	2,019
License and Permits	14	-	62	76
Software, Website, & Technology	-	-	3,039	3,039
Printing, Postage and Reproduction	49	-	225	274
Telephone and Internet Expense	1,884	-	8,580	10,464
Depreciation	-	-	4,020	4,020
Travel and Meetings	1,283	72	5,779	7,134
Food and Beverages	-	-	1,270	1,270
Occupancy Costs	1,740	458	6,962	9,160
Program Expense	-	-	100,143	100,143
EAP NxLevel Books for Class	-	-	854	854
Events Expense	-	57,546	-	57,546
Bank Service Charges	560	3,172	2,488	6,220
Other Expense	5,180	-	-	5,180
In-kind Service Facilities	5,938	1,562	23,750	31,250
	<u>\$ 100,025</u>	<u>\$ 78,710</u>	<u>\$ 517,315</u>	<u>\$ 696,050</u>

The accompanying notes are an integral part of the financial statements.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Note 1 - **Background**

In 1981, Local Development Corporation of East New York, (the “LDCENY,” the “Organization”) was organized under the Laws of the State of New York and is exempt from taxation under Section 501 (c) (3) of the Internal Revenue Code.

The mission of LDCENY is to empower low-to-moderate income women and minorities with programs that promote economic sufficiency, build assets and improve their lives and those of their families. LDCENY works with local businesses to retain and build industry and commerce, create jobs and improve economic opportunities for local residents and neighborhood enterprises within East New York community. LDCENY addresses this objective through the administration of a number of economic and entrepreneurial development activities as follows:

Procurement – The LDCENY assists clients to identify new markets and revenue streams, and to obtain contracts with new companies and government agencies.

Minority and Women’s Business Enterprise – The LDCENY offers certification workshops and work with clients individually to prepare applications for certification with the New York City and New York State Minority and Women's Business Enterprise programs. They work with companies to obtain the 8A certification through the U.S. Small Business Administration.

Marketing Assistance – The LDCENY provides hands-on assistance to clients to develop marketing materials. These include a full range of graphic design services including the design and development of logos, business cards, brochures and website development.

Neighborhood Promotion – The LDCENY works with various city and state government agencies to promote East Brooklyn as a viable area for business location, relocation and expansion. An important aspect of this work is identifying and securing economic development incentives and tax abatements for companies making capital investments and bringing jobs to the community.

Advocacy - The LDCENY is an advocate for businesses, large and small. By playing a middleman's role between business owners and various city and state agencies, the LDCENY acts to deflect the nuisance aspects of many city and state regulations as they affect business people occupied with the demands of managing their businesses and staying competitive in today's global environment.

In addition, LDCENY provides services in the following areas:

- . Trainings & Workshops
- . Access to Capital
- . Business Counseling
- . Neighborhood Revitalization
- . Technology & Computer Training
- . Financial Education
- . Housing Readiness
- . Commercial Revitalization

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Note 1 - **Background (Continued)**

These economic and entrepreneurial development activities are provided by the following programs:

Women's Business Center Program (WBC)

The Women's Business Center initiative provides small business development services to women. This program provides training, workshops and one-on-one counseling on a variety of business topics and issues. The goal is to assist women to start, implement and operate businesses from concept to turnkey. The Women's Business Center program is funded by SBA.

Entrepreneurial Assistance Program ("EAP")

The EAP initiative trains minorities and women to start and manage businesses. Emphasis is placed upon developing effective business plans, obtaining business financing and MWBE certification. The program is funded by Empire State Development Corporation ("ESD").

Minority and Women's Business Enterprises ("MWBE")

The program offers certification workshops and works with clients individually to prepare applications for certification with the New York City, New York State Minority and Women's Business Enterprise and the SBA's 8A programs.

HSBC-Money Management Program

The HSBC-Money Management Program provides personal financial literacy training with the objective of assisting participants in building credit, reducing debt, developing family budgets, and building assets. This objective is accomplished by providing workshops supplemented with one-on-one counseling to assist persons in resolving personal financial issues and implementing personal financial strategies. The program is funded by HSBC.

Financial Wellness

This program provides personal financial wellness training with the objective of assisting clients in building credit, reducing debt, and building assets. The objective is accomplished by providing workshops supplemented with one-on-one counseling to assist clients to resolve personal financial issues and implementing financial strategies. The program is funded by Santandar Bank, HSBC and Valley National Bank.

Housing Readiness

The housing program prepares and assists community residents to identify, qualify and find affordable housing. Emphasis is placed in financial wellness and assisting apartment seekers to improve credit scores and have sufficient savings. Participants work one-on-one with a housing counselor. This program is funded by Citibank.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Note 1 - **Background (Continued)**

Neighborhood 360 Program (N360)

This program is designed to identify, develop and launch commercial revitalization projects in partnership with local stakeholders within East New York. Through proactive planning and targeted investments in placemaking, marketing and beautification, N360 aims to strengthen and revitalize streets, small businesses and community-based organizations that anchor East New York. The program is funded by NYC Department of Small Business Services.

Note 2 - **Summary of Significant Accounting Policies**

Financial Statement Accounting Basis and Presentation

The financial statements of the Local Development Corporation of East New York have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective for financial statements issued for fiscal years beginning after December 15, 2017. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Contributions

Local Development Corporation of East New York reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are to be reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, Local Development Corporation of East New York reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income Taxes - Local Development Corporation of East New York is exempt from Federal income taxes under Section 501 (c) (3) of the US Internal Revenue Code.

Revenue Recognition

Revenues are received from grants, program income, contributions, and fundraising. Revenues received are recorded as Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions support depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in Net Assets With Donor Restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), Net Assets With Donor Restrictions are reclassified to Net Assets Without Donor Restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions.

In-Kind Contributed Facilities

In-Kind Contributed Facilities are recognized in accordance with FASB ASC 958-605. Donations of property and the use of property are recorded as In-kind Contributed Facilities in the Statement of Activities at estimated fair value at date of receipt.

For the year ended June 30, 2019, In-kind Contributed Facilities was \$31,250.

Depreciation

Depreciation is provided over the useful life of Furniture and Equipment on a straight - line basis. The estimated useful lives for Furniture and Equipment range from 3-5 years.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 2 - **Summary of Significant Accounting Policies (Continued)**

Financial Statement Presentation (Continued)

Capitalization Policy

Furniture and Equipment is recorded at cost, if purchased, or fair value, if donated. Furniture and Equipment of less than one thousand (\$1,000) dollars is expensed.

Cash Equivalents

For the purposes of the statement of cash flows, LDCENY considers all highly liquid debt instruments purchased within maturity of three months or less to be cash equivalents.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3- **Cash and Cash Equivalents**

Cash and Cash Equivalents at June 30, 2019 comprised of the following:

Operating Accounts	\$ 63,971
Program Accounts	28,351
Total Cash and Cash Equivalents	<u>\$ 92,322</u>

Note 4 - **Receivables**

Receivables represents amounts due from Government that were expended by LDCENY on behalf of the programs, and balances owed from East Brooklyn District Management Association, (“EBDMA”) for shared costs incurred by LDCENY. At June 30, 2019 Receivables is \$91,784.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 5 - **Furniture and Equipment, Net**

Furniture and Equipment, Net at June 30, 2019, consisted of the following:

Furniture and Equipment	\$ 156,015
Less: Accumulated Depreciation	(138,190)
Furniture and Equipment, Net	<u>\$ 17,825</u>

Depreciation Expense at December 31, 2019 is \$4,020.

Note 6 - **Deferred Revenue**

Deferred Revenue represents amounts received from Government, Foundation and Corporate Grantors that were not yet expended. As at June 30, 2019, Deferred Revenue is \$27,500.

Note 7 - **In-kind Contribution - Facilities**

LDCENY occupies office space owned by Citibank located at 80 Jamaica Avenue, Brooklyn, New York. As per the terms of the agreement LDCENY does not pay any rent. The rental value of the space is estimated at \$31,250 for the year ended June 30, 2019. This value is recorded as In-kind Contributions - Facilities in the Statement of Activities, Revenues and Expense section.

Note 8 - **Concentrations of Revenue Sources**

LDCENY receives seventy-seven percent (77%) of its revenue from grant income from government, foundations and corporations. Any significant change in the government's approach to funding or changes to the foundations and corporations decisions relating to funding could significantly affect the Organization's revenues and its ability to function. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with a change.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 9 - **Related Party**

One member of the Board of Directors of the LDCENY is also a member of the Board of Directors of EBDMA, and one member of the Board of Directors of the LDCENY is also a member of the Board of Directors of East Brooklyn Housing Development Corporation.

LDCENY shares office space, equipment, management services, bookkeeping, and administrative services, and personnel with EBDMA. LDCENY has entered into agreement with EBDMA to charge management fees as reimbursement to offset the shared costs.

Note 10 - **Subsequent Events**

LDCENY evaluated its June 30, 2019 financial statements for subsequent events through May 15, 2020, the date the financial statements were available to be issued. LDCENY is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Board of Directors
Local Development Corporation of East New York
80 Jamaica Avenue, 3rd Floor
Brooklyn, NY 11207

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Local Development Corporation of East New York, as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2020.

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, we considered Local Development Corporation of East New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Local Development Corporation of East New York's internal control. Accordingly, we do not express an opinion on the effectiveness of Local Development Corporation of East New York's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Local Development Corporation of East New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aston Bell & Associates

New York, New York
May 15, 2020