

**GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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DBA: THE FRIENDS OF GOVERNORS ISLAND
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FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Governors Island Alliance, Inc.

We have audited the accompanying financial statements of Governors Island Alliance, Inc. DBA: The Friends of Governors Island (the "Friends"), which comprise the statements of financial position as of December 31, 2017 and 2016, 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

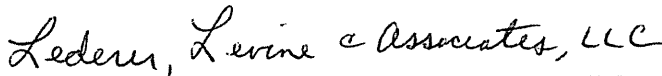
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Governors Island Alliance, Inc. as of December 31, 2017 and 2016, 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.



Lederer, Levine & Associates, LLC

Lyndhurst, NJ
November 6, 2018

**GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 695,855	\$ 493,759
Contributions receivable (Notes B and C)	51,667	25,000
Prepaid and other expenses	16,558	7,279
Property and equipment, net (Notes B and D)	<u>72,057</u>	<u>8,500</u>
TOTAL ASSETS	\$ <u>836,137</u>	\$ <u>534,538</u>
 LIABILITIES		
Accrued expenses	\$ <u>9,615</u>	\$ <u>11,516</u>
TOTAL LIABILITIES	<u>9,615</u>	<u>11,516</u>
 COMMITMENTS AND CONTINGENCIES (Note E)		
 NET ASSETS		
Unrestricted		
Unrestricted - operations	351,522	453,022
Board designated (Note G)	<u>350,000</u>	
Total unrestricted	<u>701,522</u>	<u>453,022</u>
Temporarily restricted (Note G)	<u>125,000</u>	<u>70,000</u>
TOTAL NET ASSETS	<u>826,522</u>	<u>523,022</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>836,137</u>	\$ <u>534,538</u>

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

GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE:				
Special event	\$ 983,167	\$	\$ 983,167	\$
Less: direct cost	(400,680)		(400,680)	
	<u>582,487</u>		<u>582,487</u>	
Net revenue from special event		281,892		207,500
Contributions and grants	434,281		110,555	
Interest and other income	9,978		1,860	
Donated rent (Notes B and E)	15,800		15,800	
Net assets released from restrictions	<u>226,892</u>	<u>(226,892)</u>	<u>179,167</u>	<u>(179,167)</u>
Total Support and Revenue	<u>1,269,438</u>	<u>55,000</u>	<u>1,324,438</u>	<u>28,333</u>
			<u>803,352</u>	<u>831,685</u>
EXPENSES:				
Program services	676,837		431,032	431,032
Management and general	187,766		142,158	142,158
Fundraising	156,335		147,842	147,842
Total Expenses	<u>1,020,938</u>		<u>721,032</u>	<u>721,032</u>
Change in Net Assets	248,500	55,000	82,320	28,333
Net Assets - Beginning of Year	<u>453,022</u>	<u>70,000</u>	<u>370,702</u>	<u>41,667</u>
Net Assets - End of Year	<u>\$ 701,522</u>	<u>\$ 125,000</u>	<u>\$ 453,022</u>	<u>\$ 70,000</u>
			<u>\$ 453,022</u>	<u>\$ 523,022</u>
			<u>\$ 826,522</u>	<u>\$ 523,022</u>

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

GOVERNORS ISLAND ALLIANCE, INC.
 DBA: THE FRIENDS OF GOVERNORS ISLAND
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 273,489	\$ 77,739	\$ 96,137	\$ 447,365	\$ 149,342	\$ 70,347	\$ 119,178	\$ 338,867
Payroll taxes	24,298	4,416	5,699	34,413	11,774	4,344	5,961	22,079
Employee benefits	35,931	9,987	12,449	58,367	15,923	5,904	8,080	29,907
Total salaries and related costs	333,718	92,142	114,285	540,145	177,039	80,595	133,219	390,853
Program grants (Note B)	186,874			186,874	123,000			123,000
Professional fees	49,826	56,644	30,000	136,470	76,825	37,584	90	114,499
Occupancy (Note E)	9,659	2,746	3,395	15,800	10,354	4,877	8,262	23,493
Indirect special event expenses			5,174	5,174			5,955	5,955
Meetings and meals	12,815	7,775	378	20,968	8,477	95		8,572
Summer program supplies	9,368			9,368	5,514			5,514
Telephone	2,860	813	1,005	4,678	471	1,484		1,955
Office supplies and expenses	7,398	11,703	894	19,995	784	5,933		6,717
Printing and copying	10,613			10,613	3,750	1,150	70	4,970
Summer Interns	42,841			42,841	23,282			23,282
Insurance		3,716		3,716		4,056		4,056
Depreciation and amortization	8,929			8,929				
Other	1,936	12,227	1,204	15,367	1,536	6,384	246	8,166
Total Expenses	\$ 676,837	\$ 187,766	\$ 156,335	\$ 1,020,938	\$ 431,032	\$ 142,158	\$ 147,842	\$ 721,032

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

**GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 303,500	\$ 110,653
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,929	
Changes in operating assets and liabilities:		
Contributions receivable	(26,667)	(25,000)
Prepaid and other expenses	(9,279)	573
Accrued expenses	(1,901)	11,316
Net Cash Provided by Operating Activities	<u>274,582</u>	<u>97,542</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(72,486)</u>	<u>(8,500)</u>
Net Cash Used by Investing Activities	<u>(72,486)</u>	<u>(8,500)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	202,096	89,042
Cash and cash equivalents - beginning of year	<u>493,759</u>	<u>404,717</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 695,855</u>	<u>\$ 493,759</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

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

**GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016**

Note A - Organization and Nature of Activities

Governors Island Alliance, Inc. (DBA: The Friends of Governors Island) (the "Friends") was founded in 1995 as a project of the Regional Plan Association. The Friends began to operate as an independent entity in September, 2014. The Friends is incorporated under the Not-For-Profit Laws of the State of New York, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Friends principal sources of revenue are from contributions, grants and one special event.

The Friends' mission is to support Governors Island, New York by ensuring its continued growth, vitality and accessibility as a vibrant public resource.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The Friends follows accounting principles generally accepted in the United States of America ("U.S. GAAP").

Cash and Cash Equivalents

The Friends considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

The Friends' contributions receivable balance at December 31, 2017 and 2016 includes no allowance for doubtful accounts. Such estimate is based on management's assessment of the credit worthiness of its contributors, current economic conditions and historical information.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for on the straight-line basis over the estimated useful lives of the assets. The Friends capitalizes property and equipment with a useful life of two years or more, unless such property and equipment is funded by a grantor, and the grantor retains title to the property and equipment.

Fair Value Measurements

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Contributions

Contributions are recognized when the donor makes a promise to give to the Friends that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donations other than cash are recorded in the financial statements at the fair value at the date of the donation. Donated investments are also reported at fair value at the date of receipt.

Donated rent is recorded based on the estimated value of the space provided.

Contributed Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, would typically need to be purchased if not provided by donation, and are recorded at their fair values in the period received.

**GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016
(Continued)**

Note B – Summary of Significant Accounting Policies (continued)

Program Grants

Grants expense is recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 6, 2018.

Accounting for Uncertainty in Income Taxes

The Friends has adopted the provisions of the Financial Accounting Standards Board's ("FASB") ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Management has determined that there are no material uncertain tax provisions that require recognition or disclosure in the financial statements.

Note C – Contributions Receivable

Contributions receivable at December 31, 2017 and 2016 are all due within a year.

Note D – Property and Equipment

At December 31, 2017 and 2016, property and equipment consisted of the following:

	Estimated Useful Lives	2017	2016
Welcome Center	5 years	\$ 72,486	\$
Other	5 years	8,500	8,500
		80,986	8,500
Less: accumulated depreciation and amortization		(8,929)	
		<u>\$ 72,057</u>	<u>\$ 8,500</u>

Furniture and equipment was purchased in 2016 with a cost of \$8,500, however the equipment was not placed into service until 2017.

Note E – Commitments and Contingencies

For the year ended December 31, 2016, the Friends leased office space under an operating lease that expired in August 31, 2016, at which time they leased office space on a month-to-month basis through December 31, 2016. For the year ended December 31, 2017, the Friends was provided office space on Governors Island at no charge.

Rent expense (including the contributed office space) amounted to approximately \$15,800 and \$23,500, respectively for the years ended December 31, 2017 and 2016.

GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016
(Continued)

Note F – Concentrations

- 1) The Friends maintains bank accounts at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. From time to time, the total cash balance exceeds the insured amounts. Management believes that credit risk related to the accounts is minimal.
- 2) For the years ended December 31, 2017 and 2016 approximately 44% and 61%, respectively, of the Friends' support and revenue was received from one special event.

Note G – Net Assets

During the year ended December 31, 2017, The Friends established a Board-Designated Operating Reserve in the amount of \$350,000. The use of this fund is subject to the approval of the Board of Directors.

Temporarily restricted net assets were subject to the following restrictions as of December 31:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 50,000	\$
Horticulture program (a)	50,000	35,000
Internship program (a)	25,000	35,000
	\$ 125,000	\$ 70,000

(a) Also subject to time restrictions.

Note H – Related Party Transactions

During the years ended December 31, 2017 and 2016, the Friends engaged an event production company which provided discounted event production services to produce the Friends' Gala. A member of the Friends' Board of Directors is a Principal in the company. The cost of these services amounted to approximately \$302,000 and \$93,000, respectively, for the years ended December 31, 2017 and 2016.

Note I – Volunteer Time (unaudited)

The Friends benefit from volunteers who perform activities related to horticultural maintenance, visitor services and event support. As volunteer coordination is a significant component of the organization's mission and activities, volunteer hours are tracked and valued using rates established by Independent Sector.

Volunteer time consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Number of Volunteers	1,871	1,774
Total Volunteer Hours	9,515	8,309
Independent Sector Rate	\$29.19/hr.	\$28.06/hr.
Estimated In-kind Value	\$ 277,743	\$ 233,165

These contributed services have not been reflected in these financial statements, as they do not meet the criteria for recognition.