

GOVERNORS ISLAND ALLIANCE, INC.
dba The Friends of Governors Island

Financial Statements
with Independent Auditor's Report

June 30, 2022 and 2021

GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND**

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Governors Island Alliance, Inc.
dba The Friends of Governors Island

Opinion

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 June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Friends and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Friends' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Friends' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Galleros Robinson CPAs, LLP

New York, New York
March 1, 2023

**GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,029,361	\$ 763,251
Contributions and grants receivable	241,477	135,849
Prepaid and other expenses	24,914	15,412
Property and equipment, net	<u>10,370</u>	<u>22,394</u>
Total Assets	<u>\$ 1,306,122</u>	<u>\$ 936,906</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 441,440	\$ 163,926
Deferred revenue	<u>14,355</u>	<u>57,233</u>
Total liabilities	<u>455,795</u>	<u>221,159</u>
Net Assets		
Without donor restrictions		
General	500,327	290,747
Board-designated	<u>350,000</u>	<u>350,000</u>
Total net assets without donor restrictions	850,327	640,747
With donor restrictions	<u>-</u>	<u>75,000</u>
Total net assets	<u>850,327</u>	<u>715,747</u>
Total Liabilities and Net Assets	<u>\$ 1,306,122</u>	<u>\$ 936,906</u>

**GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND**

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 539,429	\$ 509,900	\$ 1,049,329	\$ 1,046,073	\$ 16,500	\$ 1,062,573
Special events (net of related expenses of \$92,351)	765,018	-	765,018	-	-	-
Corporate event fees	498,737	-	498,737	208,625	-	208,625
Welcome Center sales and other income	36,238	-	36,238	11,077	-	11,077
Donated rent and services	19,992	-	19,992	15,800	-	15,800
Unrealized gain (loss) on investments						
Net assets released from restrictions	584,900	(584,900)	-	324,122	(324,122)	-
Total Support and Revenue	2,444,314	(75,000)	2,369,314	1,605,697	(307,622)	1,298,075
EXPENSES						
Program services	1,613,014	-	1,613,014	1,097,855	-	1,097,855
Management and general	238,869	-	238,869	218,043	-	218,043
Fundraising	382,851	-	382,851	272,735	-	272,735
Total Expenses	2,234,734	-	2,234,734	1,588,633	-	1,588,633
CHANGE IN NET ASSETS	209,580	(75,000)	134,580	17,064	(307,622)	(290,558)
NET ASSETS, BEGINNING OF YEAR	640,747	75,000	715,747	623,683	382,622	1,006,305
NET ASSETS, END OF YEAR	\$ 850,327	\$ -	\$ 850,327	\$ 640,747	\$ 75,000	\$ 715,747

**GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND**

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 303,609	\$ 103,757	\$ 204,213	\$ 611,579	\$ 257,316	\$ 99,944	\$ 205,020	\$ 562,280
Payroll taxes	28,039	8,814	18,095	54,948	21,040	7,587	15,284	43,911
Employee benefits	<u>47,974</u>	<u>17,567</u>	<u>38,444</u>	<u>103,985</u>	<u>85,493</u>	<u>19,069</u>	<u>50,898</u>	<u>155,460</u>
Total salaries and related costs	379,622	130,138	260,752	770,512	363,849	126,600	271,202	761,651
Program grants	945,825	-	-	945,825	585,000	-	-	585,000
Professional fees	1,954	41,476	2,300	45,730	2,074	44,852	-	46,926
Special events cost	-	-	204,662	204,662	-	-	-	-
Occupancy	-	15,800	-	15,800	-	15,800	-	15,800
Meetings and meals	-	2,049	930	2,979	530	1,253	-	1,783
Program expenses	236,455	734	6,558	243,747	102,366	-	-	102,366
Office supplies and expenses	4,276	15,394	-	19,670	2,163	9,727	-	11,890
Printing and publications	-	1,230	-	1,230	-	32	1,533	1,565
Insurance (non-employee related)	-	7,423	-	7,423	-	5,827	-	5,827
Depreciation	19,672	73	-	19,745	20,097	-	-	20,097
Equipment maintenance & leasing	9,277	4,550	-	13,827	15,294	-	-	15,294
Other	<u>15,933</u>	<u>20,002</u>	<u>-</u>	<u>35,935</u>	<u>6,482</u>	<u>13,952</u>	<u>-</u>	<u>20,434</u>
	1,613,014	238,869	475,202	2,327,085	1,097,855	218,043	272,735	1,588,633
Less: Expenses deducted directly from support and revenue on the statements of activities	<u>-</u>	<u>-</u>	<u>(92,351)</u>	<u>(92,351)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 1,613,014</u>	<u>\$ 238,869</u>	<u>\$ 382,851</u>	<u>\$ 2,234,734</u>	<u>\$ 1,097,855</u>	<u>\$ 218,043</u>	<u>\$ 272,735</u>	<u>\$ 1,588,633</u>

**GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND**

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 134,580	\$ (290,558)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	19,745	20,097
Paycheck Protection Program ("PPP") loan forgiveness	-	(282,290)
Changes in operating assets and liabilities:		
Contributions receivable	(105,628)	182,777
Prepaid and other expenses	(9,502)	1,093
Accrued expenses	277,514	25,800
Deferred revenue	<u>(42,878)</u>	<u>57,233</u>
Net cash provided by (used in) operating activities	<u>273,831</u>	<u>(285,848)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(7,721)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan proceeds	<u>-</u>	<u>141,100</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	266,110	(144,748)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>763,251</u>	<u>907,999</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,029,361</u>	<u>\$ 763,251</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

No taxes or interest were paid during the year ended June 30, 2022 and 2021.

**GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. ORGANIZATION AND TAX STATUS

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

The Friends is organized under the Not-for-Profit Corporation Law of the State of New York and has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Friends' principal sources of revenue are from contributions, grants and special events.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Friends have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Friends to report information regarding its financial position and activities according to the following net asset classifications:

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 Friends. These net assets may be used at the discretion of the Friends' management and the board of directors.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors and grantors. Those restrictions will be met by actions of the Friends or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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.

Cash and Cash Equivalents

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

GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions Receivable

The Friends' contributions receivable balance at June 30, 2022 and 2021 does not include an allowance for doubtful accounts. Such estimate is based on management's assessment of the creditworthiness of its contributors, current economic conditions and historical information.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided for utilizing the straight-line basis over the estimated useful lives of the assets. The Friends capitalizes property and equipment equal to or in excess of \$2,500 with a useful life of two years or more, unless such property and equipment are funded by a grantor, and the grantor retains title to the property and equipment.

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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Friends overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Expected to be collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

**GOVERNORS ISLAND ALLIANCE, INC.
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions - Continued

When a donor 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 statements of activities as net assets released from restrictions.

Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

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

Contributed Services

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

Functional Allocation of Expenses

The costs of the Friends' activities have been summarized on a functional basis. Accordingly, certain costs have been allocated to the programs and supporting services benefited. Program grants, program expenses, and certain other expenses are directly charged to program expenses. Expenses attributable to more than one functional expense category are allocated by management based on estimated effort.

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.

Accounting for Uncertainty in Income Taxes

The Friends applies the provisions pertaining to uncertain tax provisions, Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Friends believes it is no longer subject to income tax examinations for years prior to 2019. Currently, there are no audits in progress.

**GOVERNORS ISLAND ALLIANCE, INC.
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements

Accounting for Leases

On February 25, 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2021.

The Friends has not yet determined if this ASU will have a material effect on its financial statements.

3. CONCENTRATIONS

The Friends maintains bank accounts at a financial institution insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. From time to time, the total cash balance exceeds the insured amounts. Management believes that credit risk related to the accounts is minimal.

For the years ended June 30, 2022 and 2021, approximately 15% and 22% of the Friends' support and revenue was received from three foundations and one government source, respectively. For the year ended June 30, 2022, approximately 31% of the Friends' support and revenue was derived from one special event.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2022 and 2021 are all due within one year.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following at June 30:

	Estimated useful lives	2022	2021
Buildings	5 years	\$ 88,154	\$ 88,154
Computers	3 years	2,632	-
Furniture, fixtures, & equipment	5 years	<u>17,421</u>	<u>12,332</u>
		108,207	100,486
Less: Accumulated depreciation		<u>(97,837)</u>	<u>(78,092)</u>
		<u>\$ 10,370</u>	<u>\$ 22,394</u>

**GOVERNORS ISLAND ALLIANCE, INC.
DBA THE FRIENDS OF GOVERNORS ISLAND**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

6. DONATED RENT AND SERVICES

For the years ended June 30, 2022 and 2021, the Friends was provided office space on Governors Island at no charge and no restriction. The value of this contributed office space and services for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021	Usage in Programs / Activities
Rent of office space	\$ 15,800	\$ 15,800	Management and General
Professional services	4,192	-	Management and General
	<u>\$ 19,992</u>	<u>\$ 15,800</u>	

7. REVENUE FROM CARES ACT PROGRAMS

Included in contributions and grants are the following in accordance with Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") for the years ended June 30, 2022 and 2021:

	2022	2021
Employee Retention Tax Credit	\$ 56,000	\$ 85,277
Paycheck Protection Program Loan Forgiveness	-	283,937
	<u>\$ 56,000</u>	<u>\$ 369,214</u>

The Friends believed that it met the conditions for revenue recognition under the CARES Act, which is the basis for recording the revenue in these financial statements in accordance with the FASB ASC 958-605.

8. NET ASSETS

The Friends maintains a board-designated operating reserve. The use of this fund is subject to the approval of the board of directors.

Net assets with donor restrictions were subject to the following restrictions at June 30:

	2022	2021
Purpose and time restriction:		
Art program	<u>\$ -</u>	<u>\$ 75,000</u>

9. VOLUNTEER TIME (UNAUDITED)

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

**GOVERNORS ISLAND ALLIANCE, INC.
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

9. VOLUNTEER TIME (UNAUDITED) - CONTINUED

Volunteer time consists of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Number of volunteers	1,439	250
Total volunteer hours	7,047	5,130
Independent sector rate	\$34.59/hr	\$34.59/hr
Estimated in-kind value	<u>\$ 243,756</u>	<u>\$ 177,447</u>

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

10. PENSION PLAN

The Friends has a defined contribution 401(k) thrift retirement plan (the "Plan"). The Plan covers all eligible employees and allows for voluntary contributions by Plan participants. Employees are eligible after one year of service, and the Friends contributes 3% of employee compensation. The Friends' total contributions to the Plan for the years ended June 30, 2022 and 2021 were \$15,639 and \$16,374, respectively.

11. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Friends regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Friends has various sources of liquidity at its disposal, including cash and cash equivalents, and contributions and grants receivables.

12. FINANCIAL ASSETS AND LIQUIDITY RESOURCES - CONTINUED

The following reflects the Friends' financial assets as of June 30, 2022 and 2021 reduced by amounts not available for general use within one year of the statements of financial position dates because of contractual or donor-imposed restrictions or internal designations.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,029,361	\$ 763,251
Contributions and grants receivable	<u>241,477</u>	<u>135,849</u>
	1,270,838	899,100
Less: Board-designated funds*	<u>(350,000)</u>	<u>(350,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 920,838</u>	<u>\$ 549,100</u>

*The internal designations are subject to the board of directors' review, and these funds may be made available to fund the Friends' activities at their discretion.

**GOVERNORS ISLAND ALLIANCE, INC.
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

13. RISK AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Friends' operations and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Friends is currently unable to fully determine the extent of COVID-19's impact on its operations in future periods. The Friends' performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The Friends continues to monitor evolving economic conditions and the actual and potential impacts on its financial position and results of operations.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through March 1, 2023, the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.