

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

Financial Statements  
with Independent Auditor's Report

June 30, 2023 and 2022

**GALLEROS ROBINSON**  
**CERTIFIED PUBLIC ACCOUNTANTS, LLP**

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

**JUNE 30, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

**Galleras Robinson CPAs, LLP**

New York, New York  
February 12, 2024

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

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 527,870	\$ 1,029,361
Contributions and grants receivable, net	318,382	241,477
Prepaid expenses	64,156	24,914
Property and equipment, net	<u>4,650</u>	<u>10,370</u>
Total Assets	<u>\$ 915,058</u>	<u>\$ 1,306,122</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued expenses	\$ 114,462	\$ 441,440
Deferred revenue	<u>70,082</u>	<u>14,355</u>
Total liabilities	<u>184,544</u>	<u>455,795</u>
Net Assets		
Without donor restrictions		
General	380,514	500,327
Board-designated	<u>350,000</u>	<u>350,000</u>
Total net assets without donor restrictions	730,514	850,327
Total net assets	<u>730,514</u>	<u>850,327</u>
Total Liabilities and Net Assets	<u>\$ 915,058</u>	<u>\$ 1,306,122</u>

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

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>			<b>2022</b>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and grants	\$ 774,429	\$ 410,000	\$ 1,184,429	\$ 539,429	\$ 509,900	\$ 1,049,329
Special events (net of related expenses of \$183,345 and \$92,351 for 2023 and 2022, respectively)	883,735	-	883,735	765,018	-	765,018
Corporate event fees	318,057	-	318,057	498,737	-	498,737
Welcome Center sales and other income	20,728	-		36,238	-	36,238
Donated rent and services	19,692	-	19,692	19,992	-	19,992
Net assets released from restrictions	410,000	(410,000)	-	584,900	(584,900)	-
Total Support and Revenue	2,426,641	-	2,426,641	2,444,314	(75,000)	2,369,314
<b>EXPENSES</b>						
Program services	2,021,943	-	2,021,943	1,613,014	-	1,613,014
Management and general	263,270	-	263,270	238,869	-	238,869
Fundraising	261,241	-	261,241	382,851	-	382,851
Total Expenses	2,546,454	-	2,546,454	2,234,734	-	2,234,734
<b>CHANGE IN NET ASSETS</b>	(119,813)	-	(119,813)	209,580	(75,000)	134,580
<b>NET ASSETS, BEGINNING OF YEAR</b>	850,327	-	850,327	640,747	75,000	715,747
<b>NET ASSETS, END OF YEAR</b>	\$ 730,514	\$ -	\$ 730,514	\$ 850,327	\$ -	\$ 850,327

**GOVERNORS ISLAND ALLIANCE, INC.  
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**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>				<b>2022</b>			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 428,571	\$ 100,507	\$ 195,313	\$ 724,391	\$ 303,609	\$ 103,757	\$ 204,213	\$ 611,579
Payroll taxes	43,036	13,209	17,999	74,244	28,039	8,814	18,095	54,948
Employee benefits	<u>65,750</u>	<u>13,518</u>	<u>27,275</u>	<u>106,543</u>	<u>47,974</u>	<u>17,567</u>	<u>38,444</u>	<u>103,985</u>
Total salaries and related costs	537,357	127,234	240,587	905,178	379,622	130,138	260,752	770,512
Program grants	1,138,434	-	-	1,138,434	945,825	-	-	945,825
Program expenses	310,044	-	-	310,044	236,455	734	6,558	243,747
Special events	-	-	203,999	203,999	-	-	204,662	204,662
Professional fees	1,438	69,966	-	71,404	1,954	41,476	2,300	45,730
Office supplies and expenses	6,584	19,588	-	26,172	4,276	15,394	-	19,670
Advertising and marketing	16,099	-	-	16,099	-	-	-	-
Occupancy	-	15,800	-	15,800	-	15,800	-	15,800
Other expenses	2,832	12,617	-	15,449	15,933	20,002	-	35,935
Meetings and meals	-	6,007	-	6,007	-	2,049	930	2,979
Equipment maintenance & leasing	4,312	2,782	-	7,094	9,277	4,550	-	13,827
Insurance (non-employee related)	-	7,000	-	7,000	-	7,423	-	7,423
Depreciation	4,843	877	-	5,720	19,672	73	-	19,745
Printing and publications	<u>-</u>	<u>1,399</u>	<u>-</u>	<u>1,399</u>	<u>-</u>	<u>1,230</u>	<u>-</u>	<u>1,230</u>
	2,021,943	263,270	444,586	2,729,799	1,613,014	238,869	475,202	2,327,085
Less: Expenses deducted directly from support and revenue on the statements of activities	<u>-</u>	<u>-</u>	<u>(183,345)</u>	<u>(183,345)</u>	<u>-</u>	<u>-</u>	<u>(92,351)</u>	<u>(92,351)</u>
Total Expenses	<u>\$ 2,021,943</u>	<u>\$ 263,270</u>	<u>\$ 261,241</u>	<u>\$ 2,546,454</u>	<u>\$ 1,613,014</u>	<u>\$ 238,869</u>	<u>\$ 382,851</u>	<u>\$ 2,234,734</u>

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (119,813)	\$ 134,580
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,720	19,745
Changes in operating assets and liabilities:		
Contributions receivable, net	(76,905)	(105,628)
Prepaid and other expenses	(39,242)	(9,502)
Accrued expenses	(326,978)	277,514
Deferred revenue	<u>55,727</u>	<u>(42,878)</u>
Net cash (used in) provided by operating activities	<u>(501,491)</u>	<u>273,831</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>-</u>	<u>(7,721)</u>
Net cash used in investing activities	<u>-</u>	<u>(7,721)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(501,491)	266,110
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,029,361</u>	<u>763,251</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 527,870</u>	<u>\$ 1,029,361</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

No taxes or interest were paid during the year ended June 30, 2023 and 2022.



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

**JUNE 30, 2023 AND 2022**

**1. ORGANIZATION AND TAX STATUS**

Governors Island Alliance, Inc. dba The Friends of Governors Island (the "Friends") was founded in 1995. 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**

***Change in Accounting Principle***

The Friends adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* for the year ended June 30, 2023. The ASU requires lessees to recognize the present value of the assets and liabilities for the rights and obligations arising from leases. The Friends adopted Topic 842 for the fiscal year ended June 30, 2023.

The adoption of Topic 842 had no effect on the change in net assets for the year ended June 30, 2022 as previously reported.

***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. Included in net assets without donor restrictions is a board designated operating reserve. At June 30, 2023 and 2022, the balance in this reserve was \$350,000 for both years.

*Net assets with donor restrictions.* Net assets subject to stipulations imposed by donors and grantors. Those restrictions will be met when the purpose restriction is accomplished 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 and disclosures. Accordingly, 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.

***Contributions and Grants Receivable***

The Friends' contributions and grants receivable balance at June 30, 2023 and 2022 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:

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Contributions - Continued***

<b>Nature of Gift</b>	<b>Value Recognized</b>
<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.

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 non-cash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 (FASB 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 2020. Currently, there are no audits in progress.

**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, 2023 and 2022, approximately 20% and 15% of the Friends' support and revenue was received from three donors in 2023 and three donors and one government source in 2022, respectively. For the years ended June 30, 2023 and 2022, approximately 40% and 31% respectively of the Friends' support and revenue was derived from one special event.

**4. CONTRIBUTIONS AND GRANT RECEIVABLE, NET**

Contributions receivable as of June 30, 2023 and 2022 are all due within one year.

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

**5. PROPERTY AND EQUIPMENT, NET**

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

	Estimated useful lives	2023	2022
Buildings	5 years	\$ 88,154	\$ 88,154
Computers	3 years	2,632	2,632
Furniture, fixtures, & equipment	5 years	<u>17,421</u>	<u>17,421</u>
		108,207	108,207
Less: Accumulated depreciation		<u>(103,557)</u>	<u>(97,837)</u>
		<u>\$ 4,650</u>	<u>\$ 10,370</u>

**6. DONATED RENT AND SERVICES**

For the years ended June 30, 2023 and 2022, 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, 2023 and 2022 are as follows:

	2023	2022	Usage in Programs / Activities
Rent of office space	\$ 15,800	\$ 15,800	Management and General
Professional and other services	<u>3,892</u>	<u>4,192</u>	Management and General
	<u>\$ 19,692</u>	<u>\$ 19,992</u>	

**7. REVENUE FROM CARES ACT PROGRAMS**

Included in contributions and grants is \$56,000 in accordance with Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") for the year ended June 30, 2022.

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. 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**8. VOLUNTEER TIME (UNAUDITED) - CONTINUED**

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

	<u>2023</u>	<u>2022</u>
Number of volunteers	2,313	1,439
Total volunteer hours	10,892	7,047
Independent sector rate	\$34.59/hr	\$34.59/hr
Estimated in-kind value	<u>\$ 376,754</u>	<u>\$ 243,756</u>

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

**9. 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, 2023 and 2022 were \$11,322 and \$15,639, respectively.

**10. 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.

The following reflects the Friends' financial assets as of June 30, 2023 and 2022 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 527,870	\$ 1,029,361
Contributions and grants receivable, net	<u>318,382</u>	<u>241,477</u>
	846,252	1,270,838
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>\$ 496,252</u>	<u>\$ 920,838</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**

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through February 12, 2024, the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.