

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

**FINANCIAL STATEMENTS  
(WITH INDEPENDENT AUDITORS' REPORT)**

**DECEMBER 31, 2018 AND 2017**

GOVERNORS ISLAND ALLIANCE, INC.  
DBA FRIENDS OF GOVERNORS ISLAND

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1-2
<u>Financial Statements</u>	
Statements of Financial Position at December 31, 2018 and 2017	3
Statements of Activities for the Years Ended December 31, 2018 and 2017	4
Statements of Functional Expenses for the Years Ended December 31, 2018 and 2017	5
Statements of Cash Flows for the Years Ended December 31, 2018 and 2017	6
Notes to Financial Statements	7-13



INDEPENDENT AUDITORS' REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Governors Island Alliance, Inc. dba The Friends of Governors Island (the "Friends"), which comprise the statement of financial position at December 31, 2018, and the related statements of activities, functional expenses and cash flows 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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

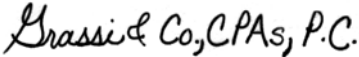
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Governors Island Alliance, Inc. dba The Friends of Governors Island at December 31, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Report on Prior Year Financial Statements

The financial statements as of and for the year ended December 31, 2017 were audited by Lederer, Levine & Associates, LLC, which merged with Grassi & Co. as of January 1, 2019, and whose report dated November 6, 2018 expressed an unmodified opinion on those financial statements.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, Governors Island Alliance, Inc. dba The Friends of Governors Island adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.



GRASSI & CO., CPAs, P.C.

White Plains, New York  
December 16, 2019

GOVERNORS ISLAND ALLIANCE, INC.  
 DBA THE FRIENDS OF GOVERNORS ISLAND  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 640,630	\$ 695,855
Contributions receivable	21,500	51,667
Prepaid and other expenses	20,261	16,558
Property and equipment, net	<u>72,637</u>	<u>72,057</u>
 TOTAL ASSETS	 <u>\$ 755,028</u>	 <u>\$ 836,137</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accrued expenses	<u>\$ 12,711</u>	<u>\$ 9,615</u>
 TOTAL LIABILITIES	 <u>12,711</u>	 <u>9,615</u>
Commitments		
Net Assets:		
Without donor restrictions:		
General	282,317	351,522
Board-designated	<u>350,000</u>	<u>350,000</u>
Total net assets without donor restrictions	<u>632,317</u>	<u>701,522</u>
With donor restrictions	<u>110,000</u>	<u>125,000</u>
 TOTAL NET ASSETS	 <u>742,317</u>	 <u>826,522</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 755,028</u>	 <u>\$ 836,137</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, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Special events	\$ 818,214	\$ -	\$ 818,214	\$ 983,167	\$ -	\$ 983,167
Less: Direct cost	<u>(217,182)</u>	<u>-</u>	<u>(217,182)</u>	<u>(400,680)</u>	<u>-</u>	<u>(400,680)</u>
Net revenue from special events	601,032	-	601,032	582,487	-	582,487
Contributions and grants	325,683	285,325	611,008	434,281	281,892	716,173
Welcome Center sales and other income	13,641	-	13,641	9,978	-	9,978
Donated rent and services	24,800	-	24,800	15,800	-	15,800
Net assets released from restrictions	<u>300,325</u>	<u>(300,325)</u>	<u>-</u>	<u>226,892</u>	<u>(226,892)</u>	<u>-</u>
Total Support and Revenue	<u>1,265,481</u>	<u>(15,000)</u>	<u>1,250,481</u>	<u>1,269,438</u>	<u>55,000</u>	<u>1,324,438</u>
Expenses:						
Program services	918,303	-	918,303	676,837	-	676,837
Management and general	185,494	-	185,494	187,766	-	187,766
Fundraising	<u>230,889</u>	<u>-</u>	<u>230,889</u>	<u>156,335</u>	<u>-</u>	<u>156,335</u>
Total Expenses	<u>1,334,686</u>	<u>-</u>	<u>1,334,686</u>	<u>1,020,938</u>	<u>-</u>	<u>1,020,938</u>
Change in Net Assets	(69,205)	(15,000)	(84,205)	248,500	55,000	303,500
Net Assets, Beginning of Year	<u>701,522</u>	<u>125,000</u>	<u>826,522</u>	<u>453,022</u>	<u>70,000</u>	<u>523,022</u>
Net Assets, End of Year	<u>\$ 632,317</u>	<u>\$ 110,000</u>	<u>\$ 742,317</u>	<u>\$ 701,522</u>	<u>\$ 125,000</u>	<u>\$ 826,522</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, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$365,640	\$ 88,273	\$170,608	\$ 624,521	\$273,489	\$ 77,739	\$ 96,137	447,365
Payroll taxes	32,321	6,570	13,281	52,172	24,298	4,416	5,699	34,413
Employee benefits	53,368	11,023	29,694	94,085	35,931	9,987	12,449	58,367
 Total salaries and related costs	 451,329	 105,866	 213,583	 770,778	 333,718	 92,142	 114,285	 540,145
 Program grants	 312,000	 -	 -	 312,000	 186,874	 -	 -	 186,874
Professional and programmer fees	42,878	43,711	10,100	96,689	92,667	56,644	30,000	179,311
Occupancy	9,250	2,233	4,317	15,800	9,659	2,746	3,395	15,800
Meetings and meals	30,941	1,568	107	32,616	12,815	7,775	378	20,968
Summer program supplies	21,714	-	-	21,714	9,368	-	-	9,368
Office supplies and expenses	5,173	12,110	1,974	19,257	10,258	12,516	1,899	24,673
Printing and copying	17,715	1,154	-	18,869	10,613	-	-	10,613
Insurance (non-employee related)	-	6,168	-	6,168	-	3,716	-	3,716
Indirect special event expenses	-	-	-	-	-	-	5,174	5,174
Depreciation	18,920	-	-	18,920	8,929	-	-	8,929
Other	8,383	12,684	808	21,875	1,936	12,227	1,204	15,367
 Total Expenses	 <u>\$918,303</u>	 <u>\$185,494</u>	 <u>\$230,889</u>	 <u>\$1,334,686</u>	 <u>\$676,837</u>	 <u>\$187,766</u>	 <u>\$156,335</u>	 <u>\$1,020,938</u>

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (84,205)	\$ 303,500
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	18,920	8,929
Changes in operating assets and liabilities:		
Contributions receivable	30,167	(26,667)
Prepaid and other expenses	(3,703)	(9,279)
Accrued expenses	3,096	(1,901)
	<u>3,096</u>	<u>(1,901)</u>
Net Cash (Used in) Provided by Operating Activities	<u>(35,725)</u>	<u>274,582</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	<u>(19,500)</u>	<u>(72,486)</u>
Net Cash Used in Investing Activities	<u>(19,500)</u>	<u>(72,486)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(55,225)	202,096
Cash and Cash Equivalents, Beginning of Year	<u>695,855</u>	<u>493,759</u>
Cash and Cash Equivalents, End of Year	<u>\$ 640,630</u>	<u>\$ 695,855</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, 2018 AND 2017

Note 1 - Nature and Purpose of Organization

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 special events.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Friends prepares its financial statements using the accrual basis of accounting. The Friends follows accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 Receivable

The Friends' contributions receivable balance at December 31, 2018 and 2017 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 is stated at cost, less accumulated depreciation and amortization. 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 is funded by a grantor, and the grantor retains title to the property and equipment.

GOVERNORS ISLAND ALLIANCE, INC.  
DBA THE FRIENDS OF GOVERNORS ISLAND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments

Fair value is defined as 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. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Friends' own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2018, the fair value of the Friends' financial instruments, including cash and cash equivalents, contributions receivable, and accrued expenses, approximated book value due to the short maturity of these instruments.

At December 31, 2018, the Friends does not have assets or liabilities required to be measured at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*.

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.

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, that 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, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Functional Reporting

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, summer program supplies 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' accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Reclassification

Certain items in the 2017 financial statements were reclassified to conform to the 2018 presentation. The reclassification had no impact on net assets.

Adoption of FASB ASU No. 2016-14

During 2018, the Friends adopted FASB Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and noted about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include presentation of two classes of net assets versus the previously required three, as well as enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expense by both their natural and functional classifications.

The adoption of ASU No. 2016-14 did not impact the Friends' December 31, 2017 net asset balances.

GOVERNORS ISLAND ALLIANCE, INC.  
 DBA THE FRIENDS OF GOVERNORS ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncement

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

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

Note 3 - Financial Assets and Liquidity Resources

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and purchases of property and equipment, were as follows:

Cash and cash equivalents	\$ 640,630
Accounts receivable	21,500
	662,130
Board-designated funds	(350,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 312,130

GOVERNORS ISLAND ALLIANCE, INC.  
DBA THE FRIENDS OF GOVERNORS ISLAND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

Note 3 - Financial Assets and Liquidity Resources (cont'd.)

The Friends regularly monitors liquidity in order to meet its operating needs and other contractual commitments, while also striving to maximize its investment of its available funds. This monitoring process includes forecasts of future cash flows. The Friends' expenses and special events revenue are seasonal in nature. The board-designated funds are available to cover immediate liquidity needs.

Note 4 - Contributions Receivable

Contributions receivable at December 31, 2018 and 2017 are all due within one year.

Note 5 - Property and Equipment

Property and equipment, net consisted of the following as of December 31:

	Estimated Useful <u>Lives</u>	<u>2018</u>	<u>2017</u>
Welcome Centers	5 years	\$ 88,154	\$ 72,486
Other	5 years	12,332	8,500
		100,486	80,986
Less: Accumulated depreciation		27,849	8,929
		\$ 72,637	\$ 72,057

Depreciation expense for the years ended December 31, 2018 and 2017 was \$18,920 and \$8,929, respectively.

Note 6 - Commitments

For the years ended December 31, 2018 and 2017, the Friends was provided office space on Governors Island at no charge. The value of this contributed office space amounted to approximately \$15,800 for each of the years ended December 31, 2018 and 2017.

Note 7 - 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 December 31, 2018 and 2017, approximately 49% and 44%, respectively, of the Friends' support and revenue was received from one special event.

GOVERNORS ISLAND ALLIANCE, INC.  
DBA THE FRIENDS OF GOVERNORS ISLAND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

Note 8 - Related Party Transactions

During the years ended December 31, 2018 and 2017, 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 \$92,150 and \$302,000, respectively, for the years ended December 31, 2018 and 2017.

Note 9 - 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.

Net assets with donor restrictions were subject to the following restrictions as of December 31:

	<u>2018</u>	<u>2017</u>
Time restrictions	\$ -	\$ 50,000
Horticulture program (a)	60,000	50,000
Volunteering program (a)	50,000	-
Internship (a)	-	25,000
	<u>\$ 110,000</u>	<u>\$ 125,000</u>

(a) Also subject to time restrictions.

Note 10 - 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 the Friends' 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>2018</u>	<u>2017</u>
Number of volunteers	2,539	1,871
Total volunteer hours	14,441	9,515
Independent sector rate	\$30.18/hr	\$ 29.19/hr
Estimated in-kind value	<u>\$ 435,829</u>	<u>\$ 277,743</u>

GOVERNORS ISLAND ALLIANCE, INC.  
DBA THE FRIENDS OF GOVERNORS ISLAND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

Note 10 - Volunteer Time (Unaudited) (cont'd.)

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

Note 11 - 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 December 31, 2018 and 2017 were \$10,349 and \$11,051, respectively.

Note 12 - Subsequent Events

Management has evaluated all events or transactions that occurred after December 31, 2018 through December 16, 2019, the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.