

**LOCAL DEVELOPMENT CORPORATION
OF EAST NEW YORK**

FINANCIAL STATEMENTS

AS OF AND

FOR THE YEAR ENDED JUNE 30, 2015

TOGETHER WITH AUDITORS' OPINION



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LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

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INDEPENDENT AUDITORS' 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, 2015, 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, 2015, 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 January 8, 2016 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 CPA

New York, New York
January 8, 2016

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK
 STATEMENT OF FINANCIAL POSITION
 AS OF JUNE 30, 2015

ASSETS

Cash and Cash Equivalents	(Notes 2,3)	\$	178,673
Grants Receivable	(Note 4)		233,744
Furniture and Equipment	(Notes 2,5)		5,756
Revolving Loan			6,523
Total Assets		\$	<u>424,696</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accruals		\$	69,079
Deferred Revenue	(Note 6)		260,985
IDA Deposits Due to Citibank	(Note 7)		35,084
Revolving Loan			6,523
Other Liabilities			28,320
Net Assets			24,705
Total Liabilities and Net Assets		\$	<u>424,696</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, 2015

REVENUES AND OTHER SUPPORT

Grants		\$	419,017
Special Events			117,761
Other Income			9,766
In-kind Contribution - Facilities	(Notes 2,8)		31,250
Total Revenue			<u>577,794</u>

EXPENSES

Program and Services:			
Economic and Entrepreneur Development			420,805
Supporting Services:			
Management and General - (Includes In-Kind Contribution - Facilities (\$31,250))			108,344
Fundraising			54,434
Total Expenses			<u>583,583</u>
Change In Net Assets			(5,789)
Net Asset at Start of Year			30,494
Net Asset at End of Year		\$	<u>24,705</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, 2015

Net Cash Flows From Operating Activities:

Change in Net Assets	\$ (5,789)
Depreciation Expense	983
(Increase)/Decrease in Grants Receivable	(15,191)
(Increase)/Decrease in Revolving Loan	(199)
Increase/(Decrease) in Accounts Payable and Accruals	64,915
Increase/(Decrease) in Deferred Revenues	(1,718)

Net Cash provided by Operating Activities	<u>43,001</u>
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Cash Flow from Financing Activities:

Increase/(Decrease) in Revolving Loan	199
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Net Cash used by Investing Activities	<u>199</u>
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Net Increase/(Decrease) in Cash and Cash Equivalents	<u>43,200</u>
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Cash and Cash Equivalents at the Beginning of Year	135,473
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Cash and Cash Equivalents at the Year End	<u>\$ 178,673</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, 2015

EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	PROGRAM SERVICE	TOTAL
Salaries	\$ 42,556	\$ 2,837	\$ 238,313	\$283,706
Fringe Benefits	13,815	462	77,523	91,800
Insurance	980	-	4,054	5,034
Audit Expense	1,695	56	18,849	20,600
Accounting Expense	-	-	6,000	6,000
Consultants	-	7,201	37,758	44,959
Marketing and Promotions	-	150	850	1,000
Books, Subscriptions, and Reference	78	-	272	350
Supplies	273	357	3,212	3,842
Utilities	857	-	3,449	4,306
Payroll Expense	918	65	4,699	5,682
Maintenance and Repairs	601	-	2,341	2,942
License and Permits	1,035	-	170	1,205
Software, Website, & Technology	537	-	771	1,308
Printing, Postage and Reproduction	1,490	-	8,044	9,534
Telephone and Internet Expense	1,602	-	6,779	8,381
Depreciation	983	-	-	983
Travel and Meetings	17	513	2,581	3,111
Occupancy Costs	1,703	-	4,649	6,352
Events Expense	7,954	40,011	-	47,965
Bank Service Charges	-	2,782	491	3,273
In-Kind Service - Facilities	31,250	-	-	31,250
	<u>\$ 108,344</u>	<u>\$ 54,434</u>	<u>\$ 420,805</u>	<u>\$583,583</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, 2015

Note 1 - **Background**

In 1981, Local Development Corporation of East New York, (“LDCENY”) is 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:

- . Neighborhood Promotion
- . Advocacy
- . Trainings & Workshops
- . Marketing Assistance
- . Access to Capital
- . Business Counseling
- . Procurement
- . Minority and Women’s Business (“MWBE”) Certification
- . Technology & Computer Training
- . Mentoring
- . Financial Education
- . Rainy Day Fund
- . Housing Clinic
- . Neighborhood Challenge
- . Commercial Revitalization
- . Housing
- . Minority and Women Revolving Loan

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

SBA Women Business Center Program

SBA Women Business Center Program provides services to women business owners to help start, manage, and grow businesses owners and assists them in starting and expanding their businesses. The program is funded by the Small Business Administration.

NYS Entrepreneurial Assistance Program (“EAP”)

The EAP trains minorities and women to start and manage businesses. The training includes information on marketing, sales, management, operations, development of financial statements and practical information on starting and staying in business. Emphasis is placed upon developing effective business plans, loan packaging and obtaining financing. The program is funded by New York State Urban Development Corporation dba as Empire State Development, (“ESD”).

Citi-Mentoring Training Program

The Citi-Mentoring Training Program is a mentorship program where new entrepreneurs are paired with seasoned business owners. The seasoned business owners provide business advice, and industry information to guide and assist in helping the new entrepreneur’s business to develop, maintain and grow. The program is funded by Citi through its Citi Community Development Initiative.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Note 1 - **Background (Continued)**

Avenue NYC Avenue Program

The Avenue NYC Program facilitates commercial revitalization, business attraction, and reduce business vacancies through development tools “Are you Ready for Retail” workshop and “Roll Up the Gates Tours” that introduce prospective tenants to business opportunities in the area’s retail strip, and outreach actions by assisting entrepreneurs in starting locally owned retail ventures. The program is funded by New York City Department of Small Business Services (“SBS”).

Small Business Services - Technology Coalition Program

The Small Business Services - Technology Coalition Program trains business owners in the application of web based marketing technology including social media, Google Analytics, Search Engine Optimization, and other applications such as Quickbooks software to utilize the latest marketing strategies and enhance the effectiveness and productivity of the day to day business operations. The program is funded by SBS.

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.

Citi - Rainy Day Fund

The Rainy Day Fund is a program that encourages participants to cultivate good saving habits. In the course of the program, participants make monthly contributions to a savings account. At the end of the savings year, participants receive a cash match. Participants are required to attend financial management workshops and meet with a financial counselor. Program is funded by Citi.

The New York Women’s Foundation – RISE and Housing Readiness Programs

RISE program offers personal financial management training. The program includes money management and asset building workshops. The objective of the program is to assist participants to build credit, reduce debt and develop personal budgets. One-on-one counseling is provided to assist clients to resolve personal financial issues. Program is funded by New York Women's Foundation.

Housing Readiness

This program prepares and assists women to identify and qualify for housing. Assistance is given to women who are at risk of losing their housing. Participants attend workshops and meet with a housing counselor. This program is funded by New York Women's Foundation.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 - **Background (Continued)**

NYS Minority and Women Revolving Loan Program

The NYS Minority and Women Revolving Loan represents the balance outstanding by loan recipients and the balance due to the Empire State Development Corporation, ("the Agency") for funds received as a part of the Agency's Minority and Women Revolving Loan.

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 are prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America. LDCENY is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted - Financial resources available for support of its organizational purposes.
- Temporarily Restricted - Local Development Corporation of East New York reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, support whose restrictions are met within the same fiscal year are initially recorded and classified as unrestricted net assets.
- Permanently Restricted - Local Development Corporation of East New York reports contributions and other inflows of assets as restricted support if they are received with donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of LDCENY. This donor imposed restriction permits LDCENY to use up or expend part or all of the income derived from the donated assets.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets 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, 2015, 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, 2015

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. Property 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.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, and accounts payable and accruals is a reasonable estimate of their fair value due to their short-term nature.

Note 3- **Cash and Cash Equivalents**

Cash and Cash Equivalents at June 30, 2015 comprised of the following:

Operating Accounts	\$	44,219
Savings Account		1,743
Program Accounts		132,711
Total Cash and Cash Equivalents	\$	<u>178,673</u>

Note 4 - **Grants Receivable**

Grants Receivable represents amounts due from Government, Foundations, and Corporations that were expended by LDCENY on behalf of the programs. At June 30, 2015 Grants Receivable is \$233,744.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Furniture and Equipment, Net at June 30, 2015 consisted of the following:

Furniture and Equipment	\$ 134,093
Less: Accumulated Depreciation	(128,337)
Furniture and Equipment, Net	<u>\$ 5,756</u>

Depreciation Expense at December 31, 2014 is \$983.

Note 6 - **Deferred Revenue**

Deferred Revenue represents amounts received from Government, Foundation and Corporate Grantors that were not yet expended. As at June 30, 2015, Deferred Revenue is \$260,985.

Note 7 - **IDA deposits due to Citibank**

IDA Deposits Due to Citibank represents the balance on amounts funded by Citibank for its IDA savings program where the savings of low-income individuals are matched one to one by the LDCENY to promote long-term economic sufficiency that is outstanding. As of June 30, 2015, the IDA Deposits due to Citibank is \$35,084. The related deposit account set aside with the funds for the IDA savings program is (stated in the statement of financial position as an asset in Cash and Cash Equivalents).

Note 8 - **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, 2015. This value is recorded as In-kind Contributions - Facilities in the Statement of Activities Revenues and Expense section.

LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 9 - Concentrations of Revenue Sources

LDCENY receives seventy three percent (73%) of its revenue from grant income from government, foundations and corporations. Any significant change in the government's approach to funding or 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.

Note 10 - Related Party

Two members of the Board of Directors of the LDCENY are also members of the Board of Directors of East Brooklyn District Management Association, ("EBDMA").

LDCENY shares office space, equipment, management services, bookkeeping, and administrative services, and personnel with EBDMA, and East Brooklyn Housing Development Fund, ("EBHDF"). LDCENY has entered into agreements with both related parties to charge management fees as reimbursement to offset the shared costs.

Note 11 - Subsequent Events

LDCENY evaluated its June 30, 2015 financial statements for subsequent events through January 8, 2016, 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2016.

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 CPA

New York, New York
January 8, 2016