

George R. Kaminski
Certified Public Accountant

ROCKAWAY DEVELOPMENT
AND
REVITALIZATION CORPORATION

Financial Statements
(Including Supplemental Schedules)
June 30, 2018

(With Independent Auditor's Report Thereon)

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION

June 30, 2018

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- VI) Notes to the Financial Statements
- VII) Supplemental Schedule I – Workforce Investment Act (WIA)

George R. Kaminski

Certified Public Accountant

Independent Auditor's Report

Board of Directors and Management
Rockaway Development and Revitalization Corporation

I have audited the accompanying financial statements of Rockaway Development and Revitalization Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

5051 N Sabino Canyon Road, Unit 2241 Tucson, Arizona 85750-6482

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of I have audited the accompanying financial statements of Rockaway Development and Revitalization Corporation as of June 30, 2018, 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 Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information is the accompanying Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

George R. Hamish

February 6, 2019

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Statement of Financial Position
June 30, 2018

Exhibit I

Assets

Current Assets

Cash and cash equivalents-Operating and Programs	\$	41,871	
Grants receivable		333,665	
Deposits and other receivables		27,083	
		<u>27,083</u>	
Total Current Assets			\$ 402,619

Fixed Assets

Community Office Building	2,266,775	
Office Equipment	76,697	
	<u>2,343,472</u>	
Total Fixed Assets	2,343,472	
Less Accumulated Depreciation and Amortization	<u>(540,562)</u>	
Net Fixed Assets		<u>1,802,910</u>
Total Assets		<u>\$ 2,205,529</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$	146,986	
Line of credit payable		94,877	
Loans Payable		649,228	
Unexpended project advances-sponsored programs and development		<u>-</u>	
Total Current Liabilities			\$ 891,091

Long-term Liabilities

Total Liabilities		<u>277,616</u>	
Net Assets			1,168,707

Unrestricted

Temporarily Restricted

	548,865	
	<u>487,957</u>	
Total Net Assets		<u>1,036,822</u>
Total Liabilities and Net Assets		<u>\$ 2,205,529</u>

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

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Changes in Net Assets	Unrestricted	Temporarily Restricted	Totals
Revenues, Gains and Other Support			
Government grants - reimbursable sponsored projects \$	1,175,170	\$ -	\$ 1,175,170
Government grants - other sponsored projects	124,036	-	124,036
Grants - foundations and corporate	38,974	-	38,974
Special events revenue	110,468	-	110,468
Service fees and other revenues	12,045	-	12,045
Interest income	5	-	5
Total Revenues, Gains and Other Support	1,460,698	-	1,460,698
Net assets released from restrictions	-	-	-
Total Revenues, Gains and Other Support and Net assets released from restrictions	1,460,698	-	1,460,698
Functional Expenses			
Program services:			
Workforce and economic development programs	560,505	-	560,505
School based programs	582,849	-	582,849
Other supported programs	82,638	-	82,638
Total program services	1,225,992	-	1,225,992
Supporting services:			
Administrative Costs	132,650	-	132,650
Fund Raising Costs	66,462	-	66,462
Total supporting services	199,112	-	199,112
Total functional expenses	1,425,104	-	1,425,104
Increase (Decrease) in Net Assets	35,594	-	35,594
Net Assets at Beginning of Year	513,271	487,957	1,001,228
Net Assets at End of Year	\$ 548,865	\$ 487,957	\$ 1,036,822

The accompanying notes are an integral part of these financial state

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Statement of Cash Flows
Fiscal Year Ended June 30, 2018

Exhibit III

Cash Flows from Operating Activities

Increase (decrease) in net assets	\$	35,594
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization		77,778
Decrease (increase) in grants receivable		(54,134)
Decrease (increase) in deposits and other receivables		(4,585)
Increase (decrease) in accounts and accrued expenses		75,167
Increase (decrease) in line of credit payable		(400)
Increase (decrease) in project advances		<u>-</u>
Net cash provided (used) by operating activities	\$	129,420

Cash Flows from Financing Activities

Loan proceeds received	177,818
Loan principal payments	<u>(15,209)</u>
Net cash used by financing activities	162,609

Cash Flows from Investing Activities

Capitalized building improvements	<u>(256,886)</u>
Net cash used by investing activities	<u>(256,886)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 35,143

Cash and Cash Equivalents at Beginning of Year 6,728

Cash and Cash Equivalents at End of Year \$ 41,871

Note: Interest Paid \$ 65,683 (Includes \$ 54,024 in capitalized interest)

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

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION

Statement of Functional Expenses Fiscal Year Ended June 30, 2018

Exhibit IV

	Program Service Costs			Support Services			
	Job Readiness & Workforce, Economic Development Programs	School Based Programs	Other Programs	Total Program Service Costs	Administration	Fund Raising	Total Functional Expenses
\$	\$ 355,973	\$ 381,358	\$ 51,976	\$ 789,307	\$ 27,712	\$ 6,325	\$ 823,344
Salaries and payroll	29,005	31,569	5,738	66,312	1,469	337	68,118
Payroll taxes	29,549	38,375	3,175	71,099	2,856	345	74,300
Employee benefits	563	9,046	-	9,609	5,281	1,205	16,095
Program materials and supplies	10,375	-	-	10,375	733	167	11,275
Program consultants	12,967	45,918	6,500	65,385	17,016	3,884	86,285
Occupancy	800	8,068	-	8,868	4,144	946	13,958
Communications	-	117	49	166	618	141	925
Postage and shipping	190	1,302	1,391	2,883	3,316	757	6,956
Printing	12,750	39,175	5,900	57,825	4,466	209	62,500
Accounting and auditing	2,368	20	3,955	6,343	-	-	6,343
Program participant costs	-	-	-	-	407	93	500
Training and development	-	7,608	1,000	8,608	6,865	1,567	17,040
Insurance	-	2,000	-	2,000	15,857	3,619	21,476
Conferences and events	-	3,652	-	3,652	5,423	1,238	10,313
Travel	200	-	1,954	2,154	-	-	2,154
Program development	-	1,844	-	1,844	9,815	2,240	13,899
Fees, dues, software and subscriptions	4,295	12,797	1,000	18,092	7,285	1,663	27,040
Equipment leasing, maintenance	-	-	-	-	9,492	2,167	11,659
Interest	-	-	-	-	-	39,559	39,559
Other program costs	-	-	-	-	-	-	-
Real estate taxes	10,903	-	-	10,903	-	-	10,903
Other building costs	22,684	-	-	22,684	-	-	22,684
Depreciation and amortization	67,883	-	-	67,883	9,895	-	77,778
Totals:	\$ 560,505	\$ 582,849	\$ 82,638	\$ 1,225,992	\$ 132,650	\$ 66,462	\$ 1,425,104

The accompanying notes are an integral part of these financial statements

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Activities

Rockaway Development and Revitalization Corporation (the Organization) is a not-for-profit community based organization dedicated to providing an array of community initiatives and programs to improve and develop economic, social and educational opportunities and therefore improve quality of life of the residents, schools and businesses of the Rockaway Peninsula of Queens County in the City of New York.

Programs include related school based and community center initiatives, workforce training and development, economic improvement and development and programs and initiatives to support real estate development, affordable housing and business revitalization.

Funding consists primarily of Federal pass-through, State, City and affiliated organization government grants, plus foundation and corporate grants.

Income Tax Status and Uncertain Tax Positions

The Organization was founded and established under the New York State Not-for-profit Corporation Law. The Organization is a tax-exempt corporation under Section 501(c) (3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Significant accounting policies followed by the Organization in the preparation of its financial statements are presented below:

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. All of the Organization's revenue is derived from direct public or government sources. Net assets and changes in net assets are classified based on sponsor or donor-imposed restrictions.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 – Nature of Organization and Significant Accounting Policies (Continued)

Support and Expenses

Contracts, grants, other funds received are measured at their fair values and are reported as grant exchange transactions or an increase in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any restrictions. The Organization reports contracts, grants, gifts of cash and other funds as restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets, are not contractual exchange transactions and designated as support for future periods. 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.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of interest and non-interest bearing demand deposit and savings accounts and money market accounts.

Fixed Assets and Depreciation

Equipment is acquired under restrictive grant funding provisions or with general administrative funds. All equipment acquired under grantor restrictions is primarily the property of the grantor and is retained by the Organization with the requirement that all equipment acquired be utilized in the performance of the project or related activity.

Administrative equipment, under a capitalization policy of above \$ 2,500, is capitalized. It is stated at cost or, if donated, at the approximate fair market value at the date of contribution. The cost is depreciated and amortized over the useful lives of the assets.

Initial sponsor funded investments made in development properties were recorded at cost and correspondingly, as temporarily restricted net assets. When finally renovated and developed, the properties are to be returned to the active business community infrastructure. Annual building maintenance and operating costs are expended accordingly as operational expenses. Building improvements are capitalized and depreciated accordingly.

Unexpended Project Advances

Advances received to fund projects' expenditures to be made in a subsequent period are deferred, and revenue will be recognized during the period in which the expenses are incurred.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 – Nature of Organization and Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services and Goods

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Organization receives significant amounts of donated services for general program activity from community members and are not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

Note 2 - Grants Receivable

Rockaway Development and Revitalization Corporation has grants receivable funds due for agreements with government and non-government organizations.

At June 30, 2018 grants receivable were as follows:

City of New York - Department of Youth and Community Development	\$ 183,104
New York City Department of Probation	23,963
City of New York - Department of Small Business Services	10,000
New York City - RISE	10,291
New York State Department of Economic Development	67,500
New York State Governor's Office of Storm Recovery	<u>38,807</u>

Total:	\$ <u>333,665</u>
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Note 3 - Unexpended and Refundable Advances

The unexpended grant advances for committed grants and contracts received at June 30, 2018 were \$ -0-.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 4 – Community Office Building

During the fiscal year ended June 30, 2001 the Organization acquired an office building on Mott Avenue in Far Rockaway, NY to be refurbished and developed into a Community Office Building. The intent of the initiative is to provide affordable, stable office and business incubator space for local community economic, employment and business development. During the prior fiscal years further development of the building had been delayed pending refinancing and additional funding alternatives, necessitated by Superstorm Sandy damage. Insurance claims were received for building damage incurred from the effects of the storm allowing renovations to restart and proceed.

Background:

Initial funding for acquisition was provided by a \$ 300,000 grant from the US Department of Housing and Urban Development and a combination of unrecoverable and recoverable grants from Deutsche Bank of \$ 150,000. The recoverable grant component of \$ 75,000 was repaid in \$ 25,000 installments during fiscal years ended June 2003, 2004 and 2005. Additionally a seller financed mortgage in the amount of \$ 250,000 was secured.

During the Fiscal Year Ended June 30, 2016 a grant from the State of New York under social services and economic development was committed. During the Fiscal Year Ended June 30, 2016 a total of \$ 100,687 had been recorded and recognized.

Construction Loan # 1

At June 30, 2009 the Organization entered into a financing agreement with JP Morgan Chase Bank to settle the initial mortgage obligation and to provide funding for additional construction. During the Fiscal Year Ended June 30, 2010 the note was converted to an amortizable based term note with a 20 year repayment basis.

Construction Loan # 2

During the Fiscal Year Ended June 30, 2017 the Organization entered into a construction financing agreement with JP Morgan Chase Bank to provide funding for additional construction and finalization of the project. A total commitment of \$ 1,715,000 was approved.

At the June 30, 2018 year end a total of \$ 2,266,775 has been expended including \$ 286,887 in capitalized costs on the project during the Fiscal Year Ended June 30, 2018. Building depreciation been recorded in the current year ended in the amount of \$ 67,883.

Appraisal

As part of the Construction Loan #2 closing an appraisal report on the expected valuation of the completed building was performed. The report set as the *Prospective Value As Compete and Stabilized* as \$ 2,200,000.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 4 – Community Office Building-continued

Pending Grants

At the June 30, 2018 year end revitalization grants for the community office building project totaling \$ 800,000 under the New York State Technology and Development Program of the Dormitory Authority State of New York were pending. Approval was received during the subsequent review period.

Contractor Dispute

During the Fiscal Year Ended June 30, 2018 renovation work on the project by the prime outside contractor was suspended due to a dispute in scope and nature of the work completed. The dispute is in litigation and management expects a positive outcome.

Note 5 - Lease Commitments

Program Offices

Rockaway Development and Revitalization Corporation leases its primary program and office space in Far Rockaway, New York. The current leases were renewed during the Fiscal Year Ended June 30, 2017 for the period December 1, 2016 thru November 30, 2018. Annual base rental is \$ 59,582, plus escalation charges for changes in real estate taxes and other operating costs. During the fiscal year ended June 30, 2018 a total of \$ 77,470 in rental and related costs were incurred under this lease.

The following summarizes the minimum rental payments on these leases:

Due during the Fiscal Year Ended June 30, 2019	<u>\$ 24,826</u>
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Program Equipment

The Organization leases certain office equipment for use in the performance of government and non-government sponsored grants. Equipment is leased under restrictive funding provisions of the projects. Leased equipment is required to be utilized in the performance of the contract or after its completion in a subsequent affiliated program. The leased equipment costs are expensed when incurred under grant provisions and no depreciation is recorded thereon.

Note 6 – Line of Credit Payable

The Organization maintains an operating line of credit with JP Morgan Chase Bank with a limit of \$ 100,000. During the Fiscal Year Ended June 30, 2018 a total of \$ -0- was drawn on the line of credit and a total of \$ 400 repaid. The balance at June 30, 2018 of \$ 94,877 carried an interest rate of 6.50%.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 – Loans Payable

Construction Loan #1

As part of the acquisition of the Community Office Building the Organization entered into a deferred mortgage agreement with the seller to hold a mortgage note for \$ 250,000. The note had a rate of 9% interest deferred until November 28, 2003, when a principal payment of \$ 30,000 was made. The remaining balance at June 30, 2008 was \$ 190,000. As part of the JP Morgan Chase Bank financing agreement the remaining balance and capitalized interest of \$ 165,075 was paid to the lender.

The JP Morgan Chase Bank loan funds drawn at June 30, 2009 totaled \$ 407,463. Interest only payments are made. In May 2010 the note was converted to an amortizable term note with a 20 year repayment period. Current monthly payment is \$ 3,061 based on a variable interest rate, which was set at 7.13688% at June 30, 2018. The balance at June 30, 2018 was \$ 293,926. A total of \$ 15,209 in principal payments were remitted during the fiscal year ended.

The following summarizes the principal maturities on the loan:

Due during the Fiscal Year Ended June 30, 2019	\$ 16,310
Due during the Fiscal Year Ended June 30, 2020	17,512
Due during the Fiscal Year Ended June 30, 2021	18,801
Due during the Fiscal Year Ended June 30, 2022	20,186
Due during the Fiscal Year Ended June 30, 2023	21,672
Due after the Fiscal Year Ended June 30, 2023	<u>199,445</u>
Total	\$ <u>293,926</u>

Construction Loan #2

During the Fiscal Year Ended June 30, 2017 the Organization entered into a construction financing agreement with JP Morgan Chase Bank to provide funding for additional construction and finalization of the project. A total commitment of \$ 1,715,000 was approved. During the Fiscal Year Ended June 30, 2018 a total of \$ 177,818 was drawn on the commitment and expended on capital items. A total of \$ 632,918 has been drawn on the commitment. Current monthly payment is interest only during the open commitment draw period extended from the original ending February 1, 2019 to April 1, 2019. At that date it is expected a commitment extension or conversion to a term note, or combination of both. The variable interest rate of 8.26975% was set at June 30, 2018.

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 consisted of costs associated with the acquisition and development of the Community Office Building.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9 – Contingencies and Uncertainties

Substantially all government and foundation grants are subject to financial and compliance audits by the grantor. Disallowances, if any, as a result of these audits may become liabilities of the Organization. Management believes that no material disallowance will result from audits by grantors.

The Organization has committed considerable time and costs to the Community Office Building project. It has incurred significant collateralized debt in the project, requiring ready cash to service the debt. Subsequent project grants, other outside funding and loan negotiations are material to the successful completion of the project and meeting the cash flow needs. Management expects a positive outcome.

Note 10 – Grants Government

The majority of the Organization's funding is received through contractual agreements with the City of New York, State of New York and its agencies, with the majority of funding from the Department of Youth and Community Development (DYCD). Funding is primarily annual renewal or original agreements with state and city governmental agencies or entities, and they are subject to the competitive funding process and budgetary appropriations. Funding supports the majority of personnel operations of the Organization. Severe reduction or elimination of funding could jeopardize administrative operations of the organization.

Note 11 – Subsequent Events

Additional subsequent events were evaluated through February 6, 2019, which is the date the financial statements were available to be issued.

Note 12 - Functional Expenses

The costs of providing various programs and specific areas of activities have been summarized on a functional basis in the Statement of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and activities. Management and general expenses include those expenses that are not directly identifiable with any specific program or activity but provide for the overall support and direction of the Organization.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 13 – State of New York Division for Housing and Community Renewal Neighborhood Preservation Program Funds Received

The fiscal year ended June 30, 2018 the Organization received and expended the following Neighborhood Preservation Program sourced funds in the Housing Programs:

Personnel	\$	68,915
Payroll taxes and fringe benefits		8,914
Occupancy		6,500
Printing and postage		1,440
Insurance		1,000
Accounting		5,900
Equipment lease and maintenance		<u>1,000</u>
Total:	\$	<u>93,669</u>

Schedule I
ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Schedule of Program Expenses Workforce Investment Act (WIA)
City of New York Department of Youth and Community Development - Out of School Time (OST)
Fiscal Year Ended June 30, 2018

	<u>Program Service Costs</u>			<u>Total</u> Program <u>Service Costs</u>
	<u>Award Period: September 1, 2015 -</u> August 31, 2017	<u>Award Period: September 1, 2016 -</u> August 31, 2018	<u>Award Period: September 1, 2017 -</u> August 31, 2019	
Salaries and payroll	\$ 1,389	\$ 51,339	\$ 107,463	\$ 160,191
Payroll taxes	139	4,148	8,827	13,114
Employee benefits	49	6,665	14,082	20,796
Program materials and supplies	-	-	563	563
Occupancy	-	-	7,467	7,467
Accounting and auditing	-	1,100	6,250	7,350
Communications	-	-	800	800
Program participant costs	-	-	2,368	2,368
Subtotal:	1,577	63,252	147,820	212,649
Indirect costs	-	6,215	13,037	19,252
Totals:	\$ 1,577	\$ 69,467	\$ 160,857	\$ 231,901

The accompanying notes are an integral part of these financial statements

George R. Kaminski
Certified Public Accountant

ROCKAWAY DEVELOPMENT
AND
REVITALIZATION CORPORATION

Financial Statements

June 30, 2019

(With Independent Auditor's Report Thereon)

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION

June 30, 2019

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George R. Kaminski

Certified Public Accountant

Independent Auditor's Report

Board of Directors and Management
Rockaway Development and Revitalization Corporation

I have audited the accompanying financial statements of Rockaway Development and Revitalization Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

5051 N Sabino Canyon Road, Unit 2241 Tucson, Arizona 85750-6482

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of I have audited the accompanying financial statements of Rockaway Development and Revitalization Corporation as of June 30, 2019, 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.

George R. Hamish

December 9, 2019

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Statement of Financial Position
June 30, 2019

Exhibit I

Assets

Current Assets

Cash and cash equivalents-Operating and Programs	\$	198,861	
Grants receivable		257,602	
Deposits and other receivables		<u>23,838</u>	
Total Current Assets			\$ 480,301

Fixed Assets

Community Office Building	2,330,387	
Office Equipment	<u>76,697</u>	
Total Fixed Assets	2,407,084	
Less Accumulated Depreciation and Amortization	<u>(618,294)</u>	
Net Fixed Assets		<u>1,788,790</u>
Total Assets		\$ <u>2,269,091</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$	109,927	
Line of credit payable		94,877	
Loans Payable		111,350	
Unexpended project advances-sponsored programs and development		<u>21,327</u>	
Total Current Liabilities			\$ 337,481

Long-term Liabilities

Total Liabilities	<u>168,754</u>
	506,235

Net Assets

Without Donor Restrictions	474,899	
With Donor Restrictions	<u>1,287,957</u>	
Total Net Assets		<u>1,762,856</u>
Total Liabilities and Net Assets		\$ <u>2,269,091</u>

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

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains and Other Support			
Government grants - reimbursable sponsored projects	\$ 1,453,078	\$ -	\$ 1,453,078
Government grants - other sponsored projects	2,000	800,000	802,000
Grants - foundations and corporate	24,950	-	24,950
Special events revenue	78,311	-	78,311
Contributions	10,125	-	10,125
Service fees and other revenues	2,995	-	2,995
Interest income	12	-	12
Total Revenues, Gains and Other Support	<u>1,571,471</u>	<u>800,000</u>	<u>2,371,471</u>
Net assets released from donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support and Net assets released from donor restrictions	<u>1,571,471</u>	<u>800,000</u>	<u>2,371,471</u>
Functional Expenses			
Program services:			
Job readiness, workforce and economic development programs	629,388	-	629,388
School based programs	719,264	-	719,264
Other supported programs	123,866	-	123,866
Total program services	<u>1,472,518</u>	<u>-</u>	<u>1,472,518</u>
Supporting services:			
Administrative Costs	114,428	-	114,428
Fund Raising Costs	58,491	-	58,491
Total supporting services	<u>172,919</u>	<u>-</u>	<u>172,919</u>
Total functional expenses	<u>1,645,437</u>	<u>-</u>	<u>1,645,437</u>
Increase (Decrease) in Net Assets	<u>(73,966)</u>	<u>800,000</u>	<u>726,034</u>
Net Assets at Beginning of Year	<u>548,865</u>	<u>487,957</u>	<u>1,036,822</u>
Net Assets at End of Year	<u>\$ 474,899</u>	<u>\$ 1,287,957</u>	<u>\$ 1,762,856</u>

The accompanying notes are an integral part of these financial statements

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Statement of Cash Flows
Fiscal Year Ended June 30, 2019

Exhibit III

Cash Flows from Operating Activities

Increase (decrease) in net assets	\$	726,034	
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities			
Depreciation and amortization		77,732	
Decrease (increase) in grants receivable		76,063	
Decrease (increase) in deposits and other receivables		3,245	
Increase (decrease) in accounts and accrued expenses		(37,059)	
Increase (decrease) in line of credit payable		-	
Increase (decrease) in project advances		<u>21,327</u>	
Net cash provided (used) by operating activities	\$		867,342

Cash Flows from Financing Activities

Loan proceeds received	-	
Loan principal payments	<u>(646,740)</u>	
Net cash used by financing activities		(646,740)

Cash Flows from Investing Activities

Capitalized building improvements	<u>(63,612)</u>	
Net cash used by investing activities		<u>(63,612)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	156,990
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Cash and Cash Equivalents at Beginning of Year	<u>41,871</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$ 198,861</u></u>
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Note: Interest Paid \$ 70,952 (Includes \$ 57,762 in capitalized interest)

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

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Statement of Functional Expenses
Fiscal Year Ended June 30, 2019

Exhibit IV

	Program Service Costs			Support Services			Total Functional Expenses
	Job Readiness & Workforce, Economic Development Programs	School Based Programs	Other Programs	Total Program Service Costs	Administration	Fund Raising	
Salaries and payroll	\$ 354,997	\$ 456,569	\$ 60,952	\$ 872,518	\$ 33,097	\$ 6,325	\$ 911,940
Payroll taxes	29,054	35,782	5,027	69,863	2,654	507	73,024
Employee benefits	26,020	29,599	9,373	64,992	3,075	589	68,656
Program materials and supplies	-	4,976	-	4,976	3,747	716	9,439
Expendable equipment	-	7,845	-	7,845	-	-	7,845
Program consultants	77,016	-	2,000	79,016	900	-	79,916
Occupancy	13,500	59,745	7,000	80,245	10,736	2,052	93,033
Communications	-	10,356	1,000	11,356	3,136	599	15,091
Postage and shipping	-	266	-	266	408	78	752
Printing	-	5,661	57	5,718	50	10	5,778
Accounting and auditing	5,728	46,985	2,000	54,713	9,788	-	64,501
Program participant costs	1,480	26,763	5,906	34,149	-	-	34,149
Training and development	12,648	-	-	12,648	-	-	12,648
Insurance	-	12,687	1,500	14,187	6,544	-	20,731
Conferences and events	-	-	16,571	16,571	4,614	44,156	65,341
Travel	-	3,956	8,353	12,309	-	-	12,309
Program development	-	-	2,906	2,906	-	-	2,906
Fees, dues, software and subscriptions	-	2,618	1,100	3,718	7,643	1,058	12,419
Equipment leasing, maintenance	2,564	11,161	121	13,846	8,348	-	22,194
Interest	-	-	-	-	11,074	2,116	13,190
Other program costs	-	-	-	-	2,173	-	2,173
Real estate taxes	16,660	-	-	16,660	-	-	16,660
Other building costs	16,937	4,295	-	21,232	1,493	285	23,010
Depreciation and amortization	72,784	-	-	72,784	4,948	-	77,732
Totals:	\$ 629,388	\$ 719,264	\$ 123,866	\$ 1,472,518	\$ 114,428	\$ 58,491	\$ 1,645,437

The accompanying notes are an integral part of these financial statements

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Activities

Rockaway Development and Revitalization Corporation (the Organization) is a not-for-profit community based organization dedicated to providing an array of community initiatives and programs to improve and develop economic, social and educational opportunities and therefore improve quality of life of the residents, schools and businesses of the Rockaway Peninsula of Queens County in the City of New York.

Programs include related school based and community center initiatives, workforce training and development, economic improvement and development and programs and initiatives to support real estate development, affordable housing and business revitalization.

Funding consists primarily of Federal pass-through, State, City and affiliated organization government grants, plus foundation and corporate grants.

Income Tax Status and Uncertain Tax Positions

The Organization was founded and established under the New York State Not-for-profit Corporation Law. The Organization is a tax-exempt corporation under Section 501(c) (3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Significant accounting policies followed by the Organization in the preparation of its financial statements are presented below:

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. All of the Organization's revenue is derived from direct public or government sources. Net assets and changes in net assets are classified based on sponsor or donor-imposed restrictions.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 – Nature of Organization and Significant Accounting Policies (Continued)

Support and Expenses

Contracts, grants, other funds received are measured at their fair values and are reported as grant exchange transactions or an increase in donor restricted net assets, depending on the existence and/or nature of any restrictions. The Organization reports contracts, grants, gifts of cash and other funds as restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets, are not contractual exchange transactions and designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to and reported in the statement of activities.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of interest and non-interest bearing demand deposit and savings accounts and money market accounts.

Fixed Assets and Depreciation

Equipment is acquired under restrictive grant funding provisions or with general administrative funds. All equipment acquired under grantor restrictions is primarily the property of the grantor and is retained by the Organization with the requirement that all equipment acquired be utilized in the performance of the project or related activity.

Administrative equipment, under a capitalization policy of above \$ 2,500, is capitalized. It is stated at cost or, if donated, at the approximate fair market value at the date of contribution. The cost is depreciated and amortized over the useful lives of the assets.

Initial sponsor funded investments made in development properties were recorded at cost and correspondingly, as donor restricted net assets. When finally renovated and developed, the properties are to be returned to the active business community infrastructure. Annual building maintenance and operating costs are expended accordingly as operational expenses. Building improvements are capitalized and depreciated accordingly.

Unexpended Project Advances

Advances received to fund projects' expenditures to be made in a subsequent period are deferred, and revenue will be recognized during the period in which the expenses are incurred.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 – Nature of Organization and Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services and Goods

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Organization receives significant amounts of donated services for general program activity from community members and are not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

Note 2 - Grants Receivable

Rockaway Development and Revitalization Corporation has grants receivable funds due for agreements with government and non-government organizations.

At June 30, 2019 grants receivable were as follows:

City of New York - Department of Youth and Community Development	\$ 203,787
New York City Department of Probation	25,657
City of New York - Department of Small Business Services	13,158
New York City - RISE	<u>15,000</u>

Total:	\$ <u>257,602</u>
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Note 3 - Unexpended and Refundable Advances

The unexpended grant advances for committed grants and contracts received from City of New York - Department of Youth and Community Development at June 30, 2019 were \$21,327.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 – Community Office Building

During the fiscal year ended June 30, 2001 the Organization acquired an office building on Mott Avenue in Far Rockaway, NY to be refurbished and developed into a Community Office Building. The intent of the initiative is to provide affordable, stable office and business incubator space for local community economic, employment and business development. During the prior fiscal years further development of the building had been delayed pending refinancing and additional funding alternatives, necessitated by Superstorm Sandy damage. Insurance claims were received for building damage incurred from the effects of the storm allowing renovations to restart and proceed.

Background:

Initial funding for acquisition was provided by a \$ 300,000 grant from the US Department of Housing and Urban Development and a combination of unrecoverable and recoverable grants from Deutsche Bank of \$ 150,000. The recoverable grant component of \$ 75,000 was repaid in \$ 25,000 installments during fiscal years ended June 2003, 2004 and 2005. Additionally a seller financed mortgage in the amount of \$ 250,000 was secured.

During the Fiscal Year Ended June 30, 2016 a grant from the State of New York under social services and economic development was committed. During the Fiscal Year Ended June 30, 2016 a total of \$ 100,687 had been recorded and recognized.

Construction Loan # 1

At June 30, 2009 the Organization entered into a financing agreement with JP Morgan Chase Bank to settle the initial mortgage obligation and to provide funding for additional construction. During the Fiscal Year Ended June 30, 2010 the note was converted to an amortizable based term note with a 20 year repayment basis.

Construction Loan # 2

During the Fiscal Year Ended June 30, 2017 the Organization entered into a construction financing agreement with JP Morgan Chase Bank to provide funding for additional construction and finalization of the project. A total commitment of \$ 1,715,000 was approved.

At the June 30, 2019 year end a total of \$ 2,330,387 has been expended including \$ 63,612 in capitalized costs on the project during the Fiscal Year Ended June 30, 2019, including capitalized interest. Total building depreciation recorded in the current year ended was \$ 72,971.

Appraisal

As part of the Construction Loan #2 closing , during the Fiscal Year Ended June 30, 2017, an appraisal report on the expected valuation of the completed building was performed. The report set as the *Prospective Value As Compete and Stabilized* as \$ 2,200,000.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 – Community Office Building-continued

Grants

During the Fiscal Year Ended June 30, 2019 revitalization grants for the community office building project totaling \$ 800,000 under the New York State Technology and Development Program of the Dormitory Authority State of New York were finalized and received.

Contractor Dispute

During the Fiscal Year Ended June 30, 2019 renovation work on the project by the prime outside contractor remained suspended due to a dispute in scope and nature of the work completed. The dispute is in litigation and management expects a positive outcome.

Note 5 - Lease Commitments

Program Offices

Rockaway Development and Revitalization Corporation leases its primary program and office space in Far Rockaway, New York. The leases were renewed during the Fiscal Year Ended June 30, 2017 for the period December 1, 2016 thru November 30, 2018. Additionally, during the Fiscal Year Ended June 30, 2019 the leases were renewed for the period December 1, 2018 thru November 30, 2020. Monthly base rental at year end is \$ 5,110. During the Fiscal Year Ended June 30, 2019 a total of \$ 83,577 in rental plus escalation charges for changes in real estate taxes and other operating costs were incurred under the leases.

The following summarizes the minimum rental payments on these leases:

Due during the Fiscal Year Ended June 30, 2020	\$ 61,320
Due during the Fiscal Year Ended June 30, 2011	25,550

Program Equipment

The Organization leases certain office equipment for use in the performance of government and non-government sponsored grants. Equipment is leased under restrictive funding provisions of the projects. Leased equipment is required to be utilized in the performance of the contract or after its completion in a subsequent affiliated program. The leased equipment costs are expensed when incurred under grant provisions and no depreciation is recorded thereon.

Note 6 – Line of Credit Payable

The Organization maintains an operating line of credit with JP Morgan Chase Bank with a limit of \$ 100,000. During the Fiscal Year Ended June 30, 2019 a total of \$ -0- was drawn on the line of credit and a total of \$ -0- repaid. The balance at June 30, 2019 of \$ 94,877 carried an interest rate of 7.00%.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 – Loans Payable

Construction Loan #1

As part of the acquisition of the Community Office Building the Organization entered into a deferred mortgage agreement with the seller to hold a mortgage note for \$ 250,000. The note had a rate of 9% interest deferred until November 28, 2003, when a principal payment of \$ 30,000 was made. The remaining balance at June 30, 2008 was \$ 190,000. As part of the JP Morgan Chase Bank financing agreement the remaining balance and capitalized interest of \$ 165,075 was paid to the lender.

The JP Morgan Chase Bank loan funds drawn at June 30, 2009 totaled \$ 407,463. Interest only payments are made. In May 2010 the note was converted to an amortizable term note with a 20 year repayment period. Current monthly payment is \$ 3,061 based on a variable interest rate, which was set at 7.4305% at June 30, 2019. The balance at June 30, 2019 was \$ 280,104. A total of \$ 13,822 in principal payments were remitted during the fiscal year ended.

The following summarizes the principal maturities on the loan:

Due during the Fiscal Year Ended June 30, 2020	\$ 16,472
Due during the Fiscal Year Ended June 30, 2021	17,739
Due during the Fiscal Year Ended June 30, 2022	19,103
Due during the Fiscal Year Ended June 30, 2023	20,572
Due during the Fiscal Year Ended June 30, 2024	22,154
Due after the Fiscal Year Ended June 30, 2024	<u>184,064</u>
Total	\$ <u>280,104</u>

Construction Loan #2

During the Fiscal Year Ended June 30, 2017 the Organization entered into a construction financing agreement with JP Morgan Chase Bank to provide funding for additional construction and finalization of the project. A total commitment of \$ 1,715,000 was approved. During the Fiscal Year Ended June 30, 2018 a total of \$ 177,818 was drawn on the commitment and expended on capital items. A total of \$ 632,918 has been drawn on the commitment. Current monthly payment is interest only during the open commitment draw period extended from the original ending February 1, 2019 to April 1, 2019. During the Fiscal Year Ended June 30, 2019 upon the receipt of the revitalization grant the outstanding balance was satisfied. There was no balance due at June 30, 2019.

Note 8 – Donor Restricted Net Assets

Donor restricted net assets at June 30, 2019 consisted of costs associated with the acquisition and development of the Community Office Building.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Contingencies and Uncertainties

Substantially all government and foundation grants are subject to financial and compliance audits by the grantor. Disallowances, if any, as a result of these audits may become liabilities of the Organization. Management believes that no material disallowance will result from audits by grantors.

The Organization has committed considerable time and costs to the Community Office Building project. It had incurred significant collateralized debt in the project, requiring ready cash to service the debt. Subsequent project grants, other outside funding and loan negotiations are material to the successful completion of the project and meeting the cash flow needs. Management expects a positive outcome.

Note 10 – Grants Government

The majority of the Organization's funding is received through contractual agreements with the City of New York, State of New York and its agencies, with the majority of funding from the Department of Youth and Community Development (DYCD). Funding is primarily annual renewal or original agreements with state and city governmental agencies or entities, and they are subject to the competitive funding process and budgetary appropriations. Funding supports the majority of personnel operations of the Organization. Severe reduction or elimination of funding could jeopardize administrative operations of the organization.

Note 11 – Subsequent Events

Additional subsequent events were evaluated through December 9, 2019, which is the date the financial statements were available to be issued.

Note 12 - Functional Expenses

The costs of providing various programs and specific areas of activities have been summarized on a functional basis in the Statement of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and activities. Management and general expenses include those expenses that are not directly identifiable with any specific program or activity but provide for the overall support and direction of the Organization.

ROCKAWAY DEVELOPMENT AND REVITALIZATION CORPORATION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 – State of New York Division for Housing and Community Renewal Neighborhood Preservation Program Funds Received

The fiscal year ended June 30, 2019 the Organization received and expended the following Neighborhood Preservation Program sourced funds in the Housing Programs:

Personnel	\$	60,952
Payroll taxes and fringe benefits		14,400
Occupancy		7,000
Communications		1,000
Printing and postage		57
Insurance		1,500
Accounting		2,000
Fees, dues, software and subscriptions		1,100
Conferences and meetings		485
Travel		56
Equipment lease and maintenance		<u>121</u>
Total:	\$	<u>88,671</u>

Note 14 – Liquidity and Availability of Financial Assets – Operating Funds

The Organization has no donor restricted net assets that would reduce the availability of financial assets that would be available for general expenditures within one year of June 30, 2019. The financial assets of the Organization consist of:

Cash held in bank accounts	\$	198,861
Sponsored programs receivable		<u>257,602</u>
Total:	\$	<u>456,463</u>

There were no board designations of net assets at June 30, 2019. The Organization is primarily supported by cost reimbursement and performance deliverable contracts and grants. Contracts and grants are generally invoiced monthly for reimbursement or performance deliverables.