

**GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

**GOVERNORS ISLAND ALLIANCE, INC.
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FINANCIAL STATEMENTS
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FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Governors Island Alliance, Inc.

We have audited the accompanying financial statements of Governors Island Alliance, Inc. DBA: The Friends of Governors Island (the "Friends"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Governors Island Alliance, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Lederer, Levine & Associates, LLC

Lyndhurst, NJ
September 15, 2017

**GOVERNORS ISLAND ALLIANCE, INC.
DBA: THE FRIENDS OF GOVERNORS ISLAND
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and cash equivalents (Notes B and E)	\$ 493,759	\$ 404,717
Contributions receivable (Notes B and C)	25,000	
Prepaid expenses	2,591	2,652
Security deposits	4,688	5,200
Property and equipment, net (Notes B and D)	8,500	
TOTAL ASSETS	\$ 534,538	\$ 412,569
 LIABILITIES		
Accrued expenses	\$ 11,516	\$ 200
TOTAL LIABILITIES	11,516	200
 COMMITMENTS AND CONTINGENCIES (Note E)		
 NET ASSETS		
Unrestricted	453,022	370,702
Temporarily restricted (Note G)	70,000	41,667
TOTAL NET ASSETS	523,022	412,369
TOTAL LIABILITIES AND NET ASSETS	\$ 534,538	\$ 412,569

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, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Special event	\$ 680,850	\$	\$ 680,850	\$ 473,750	\$	\$ 473,750
Special event related expenses	(169,080)		(169,080)	(66,823)		(66,823)
Net revenue from special event	511,770		511,770	406,927		406,927
Contributions	110,555	207,500	318,055	245,746	70,000	315,746
Legacies and bequests				100,000		100,000
Interest and other income	1,860		1,860	221		221
Net assets released from restrictions	179,167	(179,167)		28,333	(28,333)	
Total Support and Revenue	803,352	28,333	831,685	781,227	41,667	822,894
EXPENSES:						
Program services	431,032		431,032	304,830		304,830
Management and general	142,158		142,158	151,690		151,690
Fundraising	147,842		147,842	88,247		88,247
Total Expenses	721,032		721,032	544,767		544,767
Change in Net Assets	82,320	28,333	110,653	236,460	41,667	278,127
Net Assets - Beginning of Year	370,702	41,667	412,369	134,242		134,242
Net Assets - End of Year	\$ 453,022	\$ 70,000	\$ 523,022	\$ 370,702	\$ 41,667	\$ 412,369

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, 2016 AND 2015**

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 149,342	\$ 70,347	\$ 119,178	\$ 338,867	\$ 151,538	\$ 56,507	\$ 62,126	\$ 270,171
Payroll taxes	11,774	4,344	5,961	22,079	12,711	4,520	4,897	22,128
Employee benefits	15,923	5,904	8,080	29,907	358	149	169	676
Total salaries and related costs	177,039	80,595	133,219	390,853	164,607	61,176	67,192	292,975
Program grants	123,000			123,000	20,295			20,295
Professional fees	76,825	37,584	90	114,499	46,902	67,882	12,450	127,234
Occupancy (Note E)	10,354	4,877	8,262	23,493	14,067	5,246	5,767	25,080
Indirect special event expenses			5,955	5,955				
Meetings and meals	8,477	95		8,572	2,508	689	2,401	5,598
Program expenses	5,514			5,514	13,336	480		13,816
Telephone	471	1,484		1,955	796	399		1,195
Office supplies and expenses	784	5,933		6,717	31,521	2,186	427	34,134
Printing and copying	3,750	1,150	70	4,970	10,288	60		10,348
Summer Interns	23,282			23,282				
Insurance		4,056		4,056		3,593		3,593
Other	1,536	6,384	246	8,166	510	9,979	10	10,499
Total expenses	<u>\$ 431,032</u>	<u>\$ 142,158</u>	<u>\$ 147,842</u>	<u>\$ 721,032</u>	<u>\$ 304,830</u>	<u>\$ 151,690</u>	<u>\$ 88,247</u>	<u>\$ 544,767</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, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 110,653	\$ 278,127
Changes in operating assets and liabilities:		
Contribution receivables	(25,000)	
Prepaid expenses	61	(2,652)
Security deposits	512	(5,200)
Accrued expenses	11,316	200
Net Cash Provided by Operating Activities	97,542	270,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,500)	
Net Cash Used by Investing Activities	(8,500)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,042	270,475
Cash and cash equivalents - beginning of year	404,717	134,242
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 493,759	\$ 404,717
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ - 0 -	\$ - 0 -

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, 2016 and 2015**

Note A - Organization and Nature of Activities

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' mission is to support Governors Island, New York with volunteers, financial resources and advocacy.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The Friends follows accounting principles generally accepted in the United States of America ("U.S. GAAP") which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

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

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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 15, 2017.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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, would typically need to be purchased if not provided by donation, and are recorded at their fair values in the period received.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for on the straight line basis over the estimated useful lives of the assets. The Friends capitalizes property and equipment 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, 2016 and 2015
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

Contributions Receivable

The Friends' contributions receivable balance at December 31, 2016 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.

Fair Value Measurements

Fair value measurements are based on 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.

U. S. GAAP has established a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. Level 1 inputs reflect assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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 line items in the December 31, 2015 financial statements have been reclassified to conform to the December 31, 2016 presentation.

Note C – Contributions Receivable

Contributions receivable at December 31, 2016 are all due within a year.

Note D – Property and Equipment

Furniture and equipment was purchased in 2016 with a cost of \$8,500. No depreciation has been recorded, as the equipment will be placed into service in 2017.

Note E – Commitments and Contingencies

The Friends leased office space under an operating lease that expired in August 31, 2016. In September, 2016, the Friends began to lease office space on a month-to-month basis. Since this lease can be cancelled, the Friends had no long-term lease commitment.

Rent expense amounted to approximately \$23,500 and \$25,000, respectively for the years ended December 31, 2016 and 2015.

GOVERNORS ISLAND ALLIANCE, INC.
 DBA: THE FRIENDS OF GOVERNORS ISLAND
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016 and 2015
 (Continued)

Note F – Concentrations

- 1) The Friends maintains bank accounts at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. At December 31, 2016 and 2015, there were uninsured cash balances of approximately \$231,000 and \$154,200, respectively. Management believes that credit risk related to the accounts is minimal.
- 2) For the years ended December 31, 2016 and 2015 approximately 61% and 49%, respectively, of the Friends' support and revenue was received from one event.

Note G – Temporarily Restricted Net Assets

Temporarily restricted net assets were subject to the following restrictions as of December 31:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$	\$ 41,667
Time and program restrictions	<u>70,000</u>	<u> </u>
	<u>\$ 70,000</u>	<u>\$ 41,667</u>

Note H – Volunteer Time (unaudited)

The Friends benefits from volunteers who perform activities related horticultural maintenance, visitor services and event support. As volunteer coordination is a significant component of the organization's mission and activities, volunteer hours are tracked and valued using the Independent Sector Rate of \$28.06/hour for New York State. In 2016, the organization reported 1,774 volunteers contributing 8,309.5 hours, for a total estimated in-kind value of \$233,164.57. These contributed services have not been reflected in these financial statements, as they do not meet the criteria for recognition.