

**DOWNTOWN ALBANY RESTORATION
PROGRAM, INC.**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

Years Ended December 31, 2022 and 2021

**ROBERT J. PALMERINO
*CERTIFIED PUBLIC ACCOUNTANT***

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Robert J. Palmerino, CPA

79 North Pearl Street
Albany, NY 12207

Tel: 518-432-4930

Fax: 518-433-7398

E-mail: bob@robertjpalmerinocpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Downtown Albany Restoration Program, Inc.

Opinion

I have audited the accompanying financial statements of Downtown Albany Restoration Program, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown Albany Restoration Program, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Downtown Albany Restoration Program, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirement relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Downtown Albany Restoration Program, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT - Continued

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Downtown Albany Restoration Program, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Downtown Albany Restoration Program, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Robert J. Palmerino CPA
Albany, New York
September 20, 2023

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 618,714	\$ 378,595
Investments - Certificates of Deposits	314,977	314,709
Due from the City of Albany	81,296	138,219
Prepaid expenses	26,440	40,869
Loan receivable	17,450	18,873
Other receivables	3,500	30,331
Operating lease right-of-use asset, net of accumulated amortization	20,340	-
Grant receivable	-	250,000
Property and equipment, net of accumulated depreciation	<u>30,197</u>	<u>15,185</u>
TOTAL ASSETS	<u>\$ 1,112,914</u>	<u>\$1,186,781</u>
LIABILITIES		
Accounts payable	\$ 42,208	\$ 42,233
Accrued expenses	15,541	14,878
Operating lease liability	20,402	-
Reserve for assessment reductions	<u>50,000</u>	<u>50,000</u>
TOTAL LIABILITIES	<u>128,151</u>	<u>107,111</u>
NET ASSETS		
Without donor restrictions:		
Investment in property and equipment	30,197	15,185
Board designated:		
Reserve for assessments	50,000	50,000
Special projects	99,843	167,355
Non assessment	654,723	697,130
Operating reserve	<u>150,000</u>	<u>150,000</u>
Total without donor restrictions	<u>984,763</u>	<u>1,079,670</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,112,914</u>	<u>\$1,186,781</u>

See independent auditor's report and notes to financial statements.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

**STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Support:		
Assessment revenue	\$ 873,852	\$ 830,616
PILOT properties	29,880	28,424
Events income	63,966	101,487
Interest income	2,177	576
Donated items and services	23,940	15,150
Grant income	-	199,100
PPP loan forgiveness	-	68,983
Net assets released from restrictions	<u>-</u>	<u>50,000</u>
Total unrestricted revenues and support	<u>993,815</u>	<u>1,294,336</u>
Expenses:		
Program Services:		
Marketing	285,856	386,700
Business development	239,039	222,554
Clean and safe	222,129	219,191
Visual improvements	<u>179,287</u>	<u>180,370</u>
Total Program Services	<u>926,311</u>	<u>1,008,815</u>
Supporting Services:		
Management and general	<u>162,411</u>	<u>169,314</u>
Total program and supporting services	1,088,722	1,178,129
Assessment reductions	<u>-</u>	<u>36,150</u>
Total expenses	<u>1,088,722</u>	<u>1,214,279</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(94,907)</u>	<u>80,057</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grant income	<u>-</u>	<u>(50,000)</u>
INCREASE (DECREASE) IN NET ASSETS	(94,907)	30,057
NET ASSETS, beginning of year	<u>1,079,670</u>	<u>1,049,613</u>
NET ASSETS, end of year	<u>\$ 984,763</u>	<u>\$ 1,079,670</u>

See independent auditor's report and notes to financial statements.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES	2022 Program and Supporting Services	
	<u>Marketing</u>	<u>Business Development</u>	<u>Clean and Safe</u>	<u>Visual Improvements</u>	<u>Total Program</u>	<u>Management and General</u>	
Salaries and related	\$ 144,242	\$ 79,989	\$ 56,501	\$ 77,299	\$ 358,031	\$ 111,053	\$ 469,084
Subcontracts	15,168	16,167	150,053	88,068	269,456	-	269,456
Other grants	-	126,223	-	-	126,223	-	126,223
Special events	88,979	-	-	-	88,979	-	88,979
Professional fees	-	-	-	-	-	23,955	23,955
Lease expense - operating lease	6,318	3,503	2,474	3,386	15,681	4,864	20,545
Insurance	3,844	2,132	1,506	2,060	9,542	2,960	12,502
Dues and subscriptions	3,147	1,745	1,233	1,686	7,811	2,423	10,234
Equipment maintenance	2,838	1,574	1,112	1,521	7,045	2,185	9,230
Supplies	5,150	340	1,588	1,276	8,354	472	8,826
Depreciation	2,708	1,502	1,061	1,451	6,722	2,085	8,807
Annual meeting	-	-	-	-	-	8,766	8,766
Telephone	1,914	1,061	750	1,026	4,751	1,474	6,225
Miscellaneous	449	249	4,921	241	5,860	346	6,206
Publications	4,397	-	-	-	4,397	-	4,397
Advertising	4,327	-	-	-	4,327	-	4,327
Public relations	-	3,237	-	-	3,237	-	3,237
Utilities	884	490	346	474	2,194	681	2,875
Travel and entertainment	804	446	315	431	1,996	619	2,615
Training	469	260	184	251	1,164	361	1,525
Postage	218	121	85	117	541	167	708
Stabilization grants	-	-	-	-	-	-	-
Resiliency grants	-	-	-	-	-	-	-
Staff development	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 285,856</u>	<u>\$ 239,039</u>	<u>\$ 222,129</u>	<u>\$ 179,287</u>	<u>\$ 926,311</u>	<u>\$ 162,411</u>	<u>\$ 1,088,722</u>

See independent auditor's report and notes to financial statements.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES	2021 Program and Supporting Services	
	<u>Marketing</u>	<u>Business Development</u>	<u>Clean and Safe</u>	<u>Visual Improvements</u>	<u>Total Program</u>	<u>Management and General</u>	
Salaries and related	\$ 126,254	\$ 78,820	\$ 56,586	\$ 76,816	\$ 338,476	\$ 109,543	\$ 448,019
Subcontracts	59,711	250	152,383	80,119	292,463	-	292,463
Other grants	-	-	-	-	-	-	-
Special events	102,380	-	-	-	102,380	-	102,380
Professional fees	-	-	-	-	-	26,844	26,844
Lease expense - operating lease	-	-	-	-	-	-	-
Insurance	3,438	2,147	1,541	2,092	9,218	2,983	12,201
Dues and subscriptions	2,603	1,625	1,167	1,584	6,979	2,259	9,238
Equipment maintenance	1,157	722	518	704	3,101	1,004	4,105
Supplies	2,945	723	1,849	12,069	17,586	1,005	18,591
Depreciation	1,016	634	455	618	2,723	881	3,604
Annual meeting	-	-	-	-	-	15,714	15,714
Telephone	1,231	769	552	749	3,301	1,068	4,369
Miscellaneous	747	8,681	335	454	10,217	648	10,865
Publications	801	500	359	487	2,147	695	2,842
Advertising	76,729	-	-	-	76,729	-	76,729
Public relations	-	3,217	-	-	3,217	-	3,217
Utilities	775	485	348	472	2,080	672	2,752
Travel and entertainment	837	522	375	509	2,243	726	2,969
Training	-	-	-	-	-	-	-
Postage	91	57	41	56	245	79	324
Stabilization grants	-	62,821	-	-	62,821	-	62,821
Resiliency grants	-	56,845	-	-	56,845	-	56,845
Staff development	551	344	247	335	1,477	478	1,955
Rent	5,434	3,392	2,435	3,306	14,567	4,715	19,282
TOTAL EXPENSES	<u>\$ 386,700</u>	<u>\$ 222,554</u>	<u>\$ 219,191</u>	<u>\$ 180,370</u>	<u>\$ 1,008,815</u>	<u>\$ 169,314</u>	<u>\$ 1,178,129</u>

See independent auditor's report and notes to financial statements.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (94,907)	\$ 30,057
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,808	3,604
Noncash portion of lease expense for operating lease	20,341	-
Repayments of lease liability – operating lease	(20,279)	-
Change in operating assets that provide (use) cash:		
Due from the City of Albany	56,923	(62,608)
Grant receivable	250,000	(199,100)
Prepaid expenses	14,429	(18,690)
Other receivables	26,831	(4,459)
Contribution receivable	-	50,000
Change in operating liabilities that provide (use) cash:		
Accounts payable	(25)	12,042
Accrued expenses	<u>663</u>	<u>(8,480)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>262,784</u>	<u>(197,634)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Stabilization notes receivable	-	61,321
Loan receivable	1,423	17,852
Certificates of Deposit	(268)	(680)
Purchase of property and equipment	<u>(23,820)</u>	<u>(8,990)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(22,665)</u>	<u>69,503</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	240,119	(128,131)
CASH AND CASH EQUIVALENTS, beginning of year	<u>378,595</u>	<u>506,726</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 618,714</u>	<u>\$ 378,595</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

On January 1, 2022, the BID recorded a right of use asset and related lease liability of \$40,681 in connection with the operating lease for its administrative offices.

See independent auditor’s report and notes to financial statements.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission

The Downtown Albany Restoration Program, Inc. d/b/a Downtown Albany Business Improvement District, Inc. (BID) was formed in 1996 under the Not-For-Profit Corporation Laws of New York State. The primary purpose of the BID is to restore, promote and maintain the character and viability of downtown Albany and to improve the quality of life and overall image for those who live, work and visit the Capital City.

Program Services

The BID's four major programs within the specified boundaries of the improvement district include the following:

Marketing - Create and implement special events and programming and maintain a public relations campaign.

Business Development - Cultivate business development activities through partnerships with property owners, real estate community, and City, State and County representatives for recruitment and attraction.

Clean and Safe - Provide assistance in maintaining and augmenting clean streets/curbs, trash pickup and cleaning of snow and ice from crosswalk intersections; and working collaboratively with the Albany Police Department.

Visual Improvements - Collaborate with property owners and city officials to research, develop and implement streetscape improvement strategies.

Supporting Services

Maintenance and General

This supporting service category includes the functions necessary to secure proper administrative functioning of the BID's governing board, maintain an adequate working environment, and manage financial responsibilities of the BID.

Economic Dependency

The district was created pursuant to legislation passed by the Common Council of the City of Albany, New York. The City of Albany contracts with the BID to provide services within the district. Should the Common Council decide to terminate the contract, the BID would be required to pursue alternate funding sources since its revenues are derived almost exclusively from its contract with the City of Albany.

Basis of Accounting Presentation

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

Non-profit organizations are required to report information regarding their financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The BID reports gifts of cash and other assets as revenue with donor restrictions 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, that net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation allowances for receivables and reserves for assessment reductions. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ, significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status

The BID qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable New York State laws and has been classified as an organization other than a private foundation. It is, however, subject to taxes on unrelated business income earned primarily through advertising placed in periodicals published by the BID.

Income tax benefits are recognized for income tax positions taken or expected to be taken on a tax return, only when it is deemed that the income tax position will be more likely than not sustained upon examination by taxing authorities. The BID believes that its income tax positions would be sustained under examination by taxing authorities. There are currently no examinations in progress, and the BID believes it is no longer subject to income tax examinations for the tax years prior to 2019.

Functional Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the BID are reported as expenses of those functional areas. A portion of management and general expenses that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on the percentage of time employees spend on program and supporting services.

Investments - Certificates of Deposits

Certificates of deposit mature within 7 months from December 31, 2022 and are stated at cost because that approximates market value.

Measure of Operations

The statement of activities includes all changes in net assets resulting from operating and nonoperating activities. Operating activities consist of those activities related to the BID's mission and program services and interest earned on investments. Nonoperating activities are of an unusual or nonrecurring nature.

Events Income

Event income and support is recorded at a point in time as that is when the services/related events are provided and the income is earned.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Purchases of property and equipment are reported at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Assets are depreciated over periods of 3 to 10 years, which approximates estimated useful lives.

Assessment and PILOT Properties Revenue Recognition

The BID has entered into a contract with the City of Albany (City) whereby, in exchange for managing programs in downtown Albany, the City levies a special real estate assessment on taxable and non-taxable (PILOT - payments in lieu of taxes) commercial properties within the Business Improvement District, collects the funds, and holds them for the BID. The BID recognizes revenue from the assessments when they are levied by the City, irrespective of whether the BID has received or expended the funds. The City remits monies to the BID based on vouchered amounts that are comprised of the BID's actual monthly expenditures incurred. Fees collected by the City but not yet drawn by the BID earn interest on the BID's behalf. If the fees are still unspent at year-end, they are carried forward for use in the next fiscal year. Assessments deemed uncollectible by the City are turned over to the County for collection. Although there is no formal agreement in place, the County has traditionally reimbursed the City for those assessments when it assumes collective action.

Reclassifications

Certain amounts for the year ended December 31, 2021, have been reclassified to conform to the presentation for the year ended December 31, 2022.

Accounting Pronouncements Adopted

Effective January 1, 2022, the BID adopted Accounting Standards Update (ASU) 2016-02, Leases ("ASC 842") and subsequent amendments. ASC 842 affects all entities that enter lease arrangements, with certain with certain exclusions under limited scope limitations. Under ASC 842, an entity recognizes right-of-use assets and lease obligations on its balance sheet for all leases with lease terms more than 12 months. Short-term rentals with year-to year leases, tenants at will, or leases with terms of 12 months or less are exempt from being capitalized.

The new standard requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the lessee expects to consume a major part of the economic benefit of the leased asset over the remaining lease term. Conversely, if the lessee is not expected to consume a major part of the economic benefit of the asset, it is classified as an operating lease. The lease classification affects both the pattern and presentation of the expense recognized in the income statement; as well as the recording of the corresponding assets and liabilities in the balance sheet.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Pronouncements Adopted - Continued

Finally, there is a reclassification impact of cash flows in the statement of cash flows. The intention of ASC 842 is to increase visibility and comparability among entities by disclosing significant information about leasing arrangements.

In adopting the new lease standard, the BID elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, January 1, 2022, in lieu of applying the standard retrospectively to January 1, 2021. Therefore, the 2021 financial statements and disclosures have not been restated to reflect the impact of implementing the new lease standard.

Additionally, as part of the implementation, the BID elected to use a package of optional practical expedients, which permit the BID to avoid reassessing previous lease identifications within contracts, the existence of initial direct costs, and the lease classifications of any expired and existing leases. Moreover, in accordance with the expedients, all leases classified as operating leases under previous U.S. GAAP are automatically classified as operating leases under the new standard, while all leases previously classified as capital leases are now recorded as finance leases.

The BID recorded on its January 1, 2022 balance sheet a right-of-use asset and corresponding liability \$40,681. Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date. Non-lease components, such as common area maintenance (CAM) charges, are separated from lease components based on terms of the related lease. The BID's variable lease component consists of utilities and is recorded when incurred.

For finance leases, total lease cost is recorded on an accelerated basis and consists of two components: amortization expense related to the write-off of the right-of-use assets, and interest expense from lease obligations. Interest expense is recorded using the effective interest method and right-of-use assets are amortized on a straight-line bases over the remaining lease term. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term.

Lease obligations are measured and recorded at the present value of future lease payments using a discounted rate. The BID elected to use the risk-free rate as its discount rate. Under this election the risk-free rate is the rate for a United States Treasury instrument with a term consistent with the remaining lease term of the applicable lease. As of January 1, 2022, the risk-free rate used was the two-year US Treasury bill rate of .73%. This rate resulted in a discount on the future lease payments of \$81.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Pronouncements Adopted – Continued

The BID also adopted ASU 2020-07. Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958) effective January 1, 2022. ASU 2020-07 outlines a new presentation and disclosure of the recognition and initial measurement of contributed nonfinancial assets apart from contributions of cash and other financial assets. The adoption of this pronouncement did not have a material impact on the BID's financial statements.

Contribution Revenue

The BID recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the condition are met. There were no conditional promises to donate for the years ended December 31, 2022 and 2021. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions.

Any funds received that are considered conditional are initially recorded as a refundable advance (liability). Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Subsequent Events

Management has evaluated subsequent events through September 20, 2023, the date on which the financial statements were available to be issued.

Advertising

Advertising costs are charged to expense in the period incurred. Advertising expense was \$4,327 and \$76,729 for the year ended December 31, 2022 and 2021, respectively

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2 - RESERVE FOR ASSESSMENT REDUCTIONS

There have been numerous grievances filed protesting the assessments of properties located within the BID's district. Any adjustments to the assessments could result in refunds to the property owners. Management has recorded a reserve for estimated refunds due to assessment reductions in the amount of \$50,000 as of December 31, 2022 and 2021. The reserve is established at year end and is based on current expectations and historical analysis of settlements and liabilities.

Assessment reductions of \$-0- and \$36,150 for the years ended December 31, 2022 and 2021, respectively, were based on the settlement of excess assessments from prior years.

NOTE 3 - LOAN RECEIVABLE

Loan receivable due from the Albany Center Galleries, Inc. d/b/a Albany Gallery (Gallery) due based on the receipt by the Gallery of a grant from the NYS Department of Housing and Community Renewal. Interest is not charged.

NOTE 4 - GRANT, CONTRIBUTION AND OTHER RECEIVABLES

Receivables representing unconditional contributions and grants are stated net of the allowance for doubtful accounts. The amount of the allowance is based on management's consideration of the age of the receivables, historical trends, and other pertinent factors. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance account and a credit to accounts receivable.

Other receivables at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Employee retention credit	\$ -	\$ 25,000
Program related	<u>3,500</u>	<u>5,331</u>
Total	<u>\$ 3,500</u>	<u>\$ 30,331</u>

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31:

	<u>2022</u>	<u>2021</u>
Equipment, furniture and fixtures	\$ 94,684	\$ 91,645
Less accumulated depreciation	<u>64,487</u>	<u>76,460</u>
Total	<u>\$ 30,197</u>	<u>\$ 15,185</u>

NOTE 6 - DONATED ITEMS AND SERVICES

During 2022 and 2021, the BID recorded donated items and services as follows:

	<u>2022</u>	<u>2021</u>
<u>Revenues and Support</u>		
Contributions	<u>\$ 23,940</u>	<u>\$ 15,150</u>
<u>Expenses</u>		
Special events	\$ 22,250	\$ 7,800
Annual meeting	1,000	6,000
Dues and subscriptions	690	-
Advertising	<u>-</u>	<u>1,350</u>
	<u>\$ 23,940</u>	<u>\$ 15,150</u>

In-kind donations and services are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized.

A substantial number of unpaid volunteers, mainly board members, have made significant contributions of their time to the organization. The value of their time is not reflected in these financial statements because it is not susceptible to objective measurement and valuation.

NOTE 7 - PENSION PLAN

The BID participates in a salary reduction pension plan, which is intended to conform to, and qualify under, Section 401(k) of the Internal Revenue Code. All employees are eligible to participate after 30 days of service. The BID matches a certain percentage of employee contributions after one year of service. The matching contributions were \$10,677 and \$10,182 and for the years ended December 31, 2022 and 2021, respectively.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 8 - LIQUIDITY

The BID's financial assets available within one year of the statement of financial position for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 618,714	\$ 378,595
Certificates of deposit	314,977	314,709
Due from City of Albany	81,296	138,219
Loan receivable	17,450	18,873
Other receivables	3,500	30,331
Grant receivable	-	250,000
Board designated	<u>(954,566)</u>	<u>(1,064,485)</u>
Total financial assets available for general expenditures	<u>\$ 81,371</u>	<u>\$ 66,242</u>

The BID maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations become due. The BID has Board Designated net assets without donor restrictions that, while the BID does not intend to spend for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 9 - STABILIZATION GRANTS

During 2020, as small businesses experienced major economic impacts related to COVID-19, the Downtown Albany Business Improvement District (BID) made available one-time business stabilization forgiveness loans up to \$3,000 for eligible small businesses. The program focused on brick-and-mortar small businesses located within the BID boundaries in industries with the highest impact from the pandemic, including retail (storefront), restaurant/food industry, and personal care.

The loans are forgivable upon the submittal of receipts supporting the approved expenditures outlined in the grant application. Recipients must also attend a one-hour webinar held through the Small Business Development Center at the University of Albany.

The loans receivable of \$61,321 as of December 31, 2020 were forgiven during 2021.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 10 - LEASES

As of December 31, 2022

Amounts recognized as an operating lease right-of-use asset and related lease liability as of December 31, 2022 are as follows:

Right-of-use assets:	
Cost	\$ 40,681
Less: Accumulated amortization	<u>(20,341)</u>
	<u>\$ 20,340</u>
Lease liabilities	<u>\$ 20,402</u>

The BID's lease is for its administrative offices.

A summary of the future lease payments for the operating lease at December 31, 2022, is as follows:

<u>Year</u>	
2023	\$ 20,483
Less effects of discounting	<u>81</u>
Total	<u>\$ 20,402</u>

As of December 31, 2021

The BID leases its offices under an operating lease with an initial lease or noncancelable lease term in excess of one year. Future minimum lease payments under this lease were as follows:

<u>Year Ending</u>	
2022	\$ 19,283
2023	<u>19,283</u>
Total	<u>\$ 38,566</u>

The base rent is increased each January 1 by the percentage-based Consumer Price Index (CPI). Total rent expense for the year ended December 31, 2021 was \$19,283.

DOWNTOWN ALBANY RESTORATION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 11 - PAYROLL PROTECTION PROGRAM

In February 2021, the BID received a loan in the amount of \$68,983 under the Payroll Protection Program (PPP). The PPP loan is forgivable if the BID uses the PPP loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The BID met the requirements for forgiveness and the loan was forgiven in October 2021.

NOTE 12 - BOARD DESIGNATED NET ASSETS

Reserve for assessments

Reflects the projected liability in property assessment challenges and Supreme Court Orders (SCOs).

Special projects

Assessment revenue set aside for special projects. The balance as of December 31, 2021 must be identified or committed to by December 31, 2023. Unidentified or uncommitted amounts will be returned to the BID property owners.

Non assessment

Revenue generated from advertising sales and sponsorships that has been set aside for economic development and business attraction projects.

Operating reserve

Net assets designated for future operating needs.

NOTE 13 - CONCENTRATIONS

Cash at December 31, 2022 exceeded federally insured limits by \$37,936. Total revenue and support of 91% and 69% for the years ended December 31, 2022 and 2021, respectively was from the City of Albany.