

**ABC NO RIO, INC.**

**AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED**

**JUNE 30, 2017**

**WITH SUMMARIZED COMPARATIVE INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2016**

**ABC NO RIO, INC.**  
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**JUNE 30, 2017 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2016**

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**RICH AND BANDER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**PETER R. RICH, CPA**

**JONATHAN A. BANDER, CPA**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
ABC No Rio, Inc.  
New York, NY

We have audited the accompanying financial statements of ABC No Rio, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC No Rio, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited ABC No Rio, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 18 and 19 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Rich and Bander, LLP*

New York, NY  
February 14, 2018

**ABC NO RIO, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**  
**(With summarized comparative information for the year ended June 30, 2016)**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 66,400	\$ 99,355
Promises to give	9,174,528	6,450,000
Grants receivable	1,850	1,500
Due from Paypal	-	645
Prepaid expenses	1,943	1,737
<b>Total current assets</b>	<b>9,244,721</b>	<b>6,553,237</b>
<b>Property and equipment</b>		
Property and equipment, net of accumulated depreciation	1	1
Construction in progress	1,482,772	1,240,091
Collections	-	-
	<b>1,482,773</b>	<b>1,240,092</b>
<b>Other assets</b>		
Cash restricted to construction of new facility	<b>986,170</b>	<b>1,090,868</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,713,664</b>	<b>\$ 8,884,197</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 28,244	\$ 36,173
Due to fiscally sponsored projects	485	4,769
Accrued director compensation	12,600	-
<b>Total current liabilities</b>	<b>41,329</b>	<b>40,942</b>
<b>Contingencies</b>	-	-
<b>Net assets</b>		
Unrestricted	1,386,111	1,327,290
Temporarily restricted	10,286,224	7,515,965
<b>Total net assets</b>	<b>11,672,335</b>	<b>8,843,255</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,713,664</b>	<b>\$ 8,884,197</b>

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

ABC NO RIO, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017  
(With summarized comparative information for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
<b>Revenue and support</b>				
<b>Grants and contributions</b>				
Promises to give	\$ -	\$ 2,865,000	\$ 2,865,000	\$ 1,500,000
Government	14,675	1,875	16,550	29,663
Individuals	766	8,612	9,378	59,904
Special fundraising events	-	-	-	155
<b>Total grants and contributions</b>	<b>15,441</b>	<b>2,875,487</b>	<b>2,890,928</b>	<b>1,589,722</b>
<b>Program service revenue</b>				
Public events programming:				
Admission fees	4,733	-	4,733	23,623
User fees	220	-	220	7,765
<b>Total program service revenue</b>	<b>4,953</b>	<b>-</b>	<b>4,953</b>	<b>31,388</b>
<b>Other income</b>				
Contracted services	1,772	-	1,772	1,250
Merchandise	270	-	270	2,614
Interest income	883	-	883	965
Miscellaneous income	428	-	428	378
<b>Total other income</b>	<b>3,353</b>	<b>-</b>	<b>3,353</b>	<b>5,207</b>
<b>Net assets released from restrictions</b>	<b>105,228</b>	<b>(105,228)</b>	<b>-</b>	<b>-</b>
	<b>128,975</b>	<b>2,770,259</b>	<b>2,899,234</b>	<b>1,626,317</b>
<b>Expenses</b>				
<b>Program services</b>	52,033	-	52,033	67,198
<b>Supporting services</b>				
Management and general	17,530	-	17,530	21,926
Fundraising	591	-	591	861
	<b>70,154</b>	<b>-</b>	<b>70,154</b>	<b>89,985</b>
<b>Change in net assets</b>	58,821	2,770,259	2,829,080	1,536,332
<b>Net assets - beginning of year</b>	1,327,290	7,515,965	8,843,255	7,306,923
<b>Net assets - end of year</b>	<b>\$ 1,386,111</b>	<b>\$ 10,286,224</b>	<b>\$ 11,672,335</b>	<b>\$ 8,843,255</b>

ABC NO RIO, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017  
(With summarized comparative information for the year ended June 30, 2016)

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Administrative salary and benefits	\$ 22,320	\$ 7,440	\$ -	\$ 29,760	\$ 28,645
Storage and rent	8,596	1,200	-	9,796	4,356
Professional fees	-	6,296	-	6,296	8,770
Artist and performance fees	6,503	-	-	6,503	19,455
Insurance	5,980	445	-	6,425	6,358
Payroll taxes	2,064	688	-	2,752	2,497
Supplies	1,298	-	-	1,298	2,330
Shipping and delivery	1,092	-	-	1,092	754
Publicity and advertising	854	-	-	854	1,103
Internet	741	-	-	741	714
Telephone	482	207	-	689	984
Utilities	589	66	-	655	4,009
Travel and entertainment	622	-	-	622	988
Fundraising expenses	-	-	591	591	861
Licenses and permits	-	586	-	586	2,630
Bank charges	-	513	-	513	356
Small equipment	363	-	-	363	515
Printing	240	-	-	240	620
Water and sewer	220	12	-	232	1,586
Repairs and maintenance	69	69	-	138	1,365
Interest expense	-	8	-	8	-
Furnishings	-	-	-	-	1,089
	<u>\$ 52,033</u>	<u>\$ 17,530</u>	<u>\$ 591</u>	<u>\$ 70,154</u>	<u>\$ 89,985</u>

**ABC NO RIO, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(With summarized comparative information for the year ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,829,080	\$ 1,536,332
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Cash restricted to construction of new facility	104,698	13,848
(Increase) decrease in operating assets:		
Promises to give	(2,865,000)	(1,500,000)
Grants receivable	(350)	(340)
User fees receivable	-	750
Due from Paypal	645	(14)
Prepaid expenses	(206)	3,403
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(7,929)	26,703
Due to fiscally sponsored projects	(4,284)	947
Accrued director compensation	12,600	(1,000)
Total adjustments	<u>(2,759,826)</u>	<u>(1,455,703)</u>
<b>Net cash provided by operating activities</b>	<u>69,254</u>	<u>80,629</u>
<b>Cash flows from investing activities:</b>		
Payments towards construction in progress	(102,209)	(57,462)
<b>Net cash used in investing activities</b>	<u>(102,209)</u>	<u>(57,462)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(32,955)	23,167
<b>Cash and cash equivalents, beginning of year</b>	99,355	76,188
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 66,400</u></u>	<u><u>\$ 99,355</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	<u>\$ 8</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Noncash investing and financing activities:</b>		
NYC DCA capital expenditures made on behalf of the Organization	<u>\$ 140,472</u>	<u>\$ -</u>



**ABC NO RIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of the Organization*

ABC No Rio, Inc. (the "Organization") was founded in 1980 and later organized as a not-for-profit corporation on July 31, 1990 under the laws of the State of New York. The Organization is an arts center on Manhattan's Lower East Side. It is a place where people share resources and ideas in an atmosphere of camaraderie and mutual support. Since the Organization's founding, they have been a welcoming and supportive venue for many thousands of emerging artists, performers, poets and musicians. The Organization's programs are as follows:

Public Events Programming – includes exhibitions of visual art; a weekly hardcore/punk matinee; a concert series of experimental and improvisational music; readings and other literary events; performance; and film and video screenings. The Organization also provides space to other cultural and community organizations for meetings, workshops, benefits and forums.

Facilities and Resources – includes the ABC No Rio PrintShop, a skills-sharing resource and workshop for silk-screen printing; the ABC No Rio Darkroom, an affordable resource for both beginning photographers and the more experienced to meet, work and share ideas; the ABC No Rio Computer Center, technology resources available to artists, writers, small press publishers, activists, and the community at large; and the ABC No Rio Zine Library, one of the largest libraries of its type on the east coast, holding over 12,000 independent and alternative publications. Through these facilities and resources, the Organization has also provided arts education classes in photography, drawing and printmaking to neighborhood youth and others. These classes have traditionally been free, and use of the facilities by the general public are either free, by donation, or for very modest fees.

The Organization's programs are supported primarily by individuals, government and foundation contributions.

*Basis of Accounting*

Revenues and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization maintains the following unrestricted funds:

Operating Fund – To account for general-purpose contributions, grants and other revenues, and to account for revenues and expenses associated with the operations of the Organization.

Operating Reserve Fund – To set aside general-purpose funds to meet any unexpected costs that may arise in the future.

**ABC NO RIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**JUNE 30, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Basis of Accounting (Cont'd)*

The Organization maintains the following temporarily restricted funds:

Building Fund - To account for capital-restricted contributions, grants and other revenues, and to account for the Redevelopment of the Organization's property.

*Financial Statement Presentation*

The Organization presents its financial statements under the guidelines of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents are restricted by the Board of Directors for specific use of constructing a new facility.

*Promises to Give and Grants Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded as promises to give or grants receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

*User Fees Receivable*

User fees earned but not yet received that are expected to be collected within one year and are recorded as user fees receivable at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable.

**ABC NO RIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**JUNE 30, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Property and Equipment*

Property and equipment are recorded at cost or, if donated, at the fair value at date of receipt. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Building	40
Equipment	5
Construction in progress	-

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

*Collections*

The Organization does not capitalize its donated collections. The collections are made up of artifacts of historical significance and art objects that are held for educational and research purposes. Each of the items is in storage, and activities verifying their existence and assessing their condition are performed continuously.

*Agency Transactions*

As a fiscal agent, the Organization agrees to pass assets (cash) received from donors to an entity or individual specified by those donors. The Organization has little or no discretion in determining the use of assets transferred to them. The Organization's policy is to recognize the cash received and an offsetting liability, "Due to Fiscally Sponsored Projects", until the funds are distributed to the ultimate beneficiary, at which time the liability is removed from the Organization's books.

**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this 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. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Government, foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

In-kind contributions are reflected as contributions at their fair value at date of donation and are offset by like amounts included in expenses.

Contributed Services

Many volunteers have donated significant amounts of their time to the Organization and both of its programs. Directors and officers have also made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For the year ended June 30, 2017, advertising expense amounted to \$854.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**ABC NO RIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**JUNE 30, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Income Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2016, 2015 and 2014 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2017, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

*Use of Estimates*

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

*Comparative Data*

The amounts shown for the year ended June 30, 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

*Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The Organization is currently evaluating the effect the update will have on its financial statements.

**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Recent Accounting Pronouncements (Cont'd)*

In August 2016, the FASB issued an accounting standard update which affects the presentation of financial statements of not-for-profit entities. Among other changes, the update reduces the number of net asset classifications from three to two categories: (1) assets with donor restrictions and (2) those without donor restrictions, expands disclosure requirements for net assets with donor restrictions or board designations, and includes several new reporting requirements related to expenses. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 31, 2017 and in interim periods in annual periods beginning after December 31, 2018. Early application is permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

*Date of Management's Review*

Management has evaluated subsequent events through February 14, 2018, which is the date the financial statements were available to be issued.

**2) FAIR VALUE MEASUREMENTS**

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**3) PROMISES TO GIVE**

Promises to give represents funding commitments awarded at June 30, 2017, but not expended as of the financial statement date, and consists of \$9,315,000 in capital funding awarded from the New York City Department of Cultural Affairs ("NYCDCA") for the construction of a new facility. \$6,450,000 was awarded by NYCDCA in previous years. During the year, an additional \$2,865,000 was awarded. In addition, during the year ended June 30, 2017, NYCDCA made capital expenditures totaling \$140,472 on behalf of the Organization towards the construction project which reduced the receivable balance. As of June 30, 2017, accumulated capital expenditures paid for on behalf of the Organization totaled \$140,472.

**ABC NO RIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**JUNE 30, 2017**

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**3) PROMISES TO GIVE (CONT'D)**

The total funding is expected to be available prior to the year ended June 30, 2018. It is impracticable to estimate the timing of the payments, and accordingly, the promises to give have not been discounted to reflect the present value of the estimated future cash flows in the accompanying financial statements. The Organization believes its promises to give to be fully awarded; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

**4) GRANTS RECEIVABLE**

Grants receivable represent primarily grant commitments received at June 30, 2017, but not collected as of the financial statement date and consists of the following:

NYCDCA	<u>\$ 1,850</u>
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These amounts are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

**5) PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2017:

Building	\$ 1
Equipment	<u>21,651</u>
	21,652
Less: accumulated depreciation	<u>21,651</u>
	<u>\$ 1</u>

There was no depreciation expense for the year ended June 30, 2017.

The Organization has undertaken a substantial development project on its property at 156 Rivington Street and the development project is ongoing as of June 30, 2017. The new space at 156 Rivington Street will be used by the Organization for cultural, community and educational activities in furtherance of its mission.

The building was valued at \$800,000 which is included within construction in progress on the statement of financial position. The Organization has incurred \$671,168, of direct costs of the project as of June 30, 2017. The building is further described in Note 7.

**ABC NO RIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**JUNE 30, 2017**

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**6) COLLECTIONS**

The Organization has a collection of artifacts of historical significance and art objects that have been gathered or accumulated since inception, and is held for educational and research purposes. The value of the collection is not reflected in the accompanying financial statements since the Organization does not capitalize collections and it is impracticable to estimate their fair value.

**7) COMMITMENTS AND CONTINGENCIES**

On June 29, 2006, the Organization purchased, for the nominal amount of \$1, a building from New York City's Department of Housing Preservation and Development. Previously, the Organization had its operations in the building. The building, located at 156 Rivington Street, was valued at a fair market value of \$800,000 as of the date of purchase. The sale was made to encourage the redevelopment of deteriorated City-owned properties. The building has an enforcement mortgage and note to ensure that it will remain a cultural building for at least 40 years from the date of the acquisition.

The Organization's property will be developed to provide a dramatically improved facility for cultural, community and educational activities. The total estimated costs of this project are \$12.28 million which will be paid partially by NYCDCA, Lower Manhattan Development Corporation ("LMDC"), New York State Energy Research and Development Agency ("NYSERDA") and private funding. The Organization is working with the New York City Economic Development Corporation ("NYCEDC") and the project was re-bid in late 2017. It is anticipated that the selected contractor will receive their award letter in March 2018, and construction will commence by June 2018.

**8) CONSTRUCTION IN PROGRESS**

Total construction in progress at June 30, 2017 consists of the following:

Building at fair market value	\$ 800,000
Architecture	374,758
NYC DCA expenditures	140,472
Site preparation, supplies and project administration	90,559
Engineering	65,587
Landscape and zoning consulting fees	<u>11,396</u>
	<u>\$ 1,482,773</u>

**9) AGENCY TRANSACTIONS**

During the year ended June 30, 2017, the Organization transferred \$35,240 to New York City Chapter of Books Through Bars and has recognized \$485 as a liability in the accompanying statement of financial position related to the fiscally sponsored project.



**ABC NO RIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**JUNE 30, 2017**

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**10) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2017 consisted of the following:

156 Rivington Street property redevelopment	\$ 10,284,349
Visual art exhibitions	<u>1,875</u>
Total	<u>\$ 10,286,224</u>

**11) CONSTRUCTION COST ESTIMATES**

The total estimated costs from NYCEDC for the project are \$12,200,000, which includes costs associated with both Phase 1 and Phase 2 of construction. Phase 1 includes the new construction of the entire building structure while Phase 2 includes the completion and build-out of the second, third, and fourth floors of the building. Completion of Phase 1 will allow the Organization to resume public events programming in the first floor and basement. As Phase 1 is implemented, the Organization will work towards securing the remaining funds needed to fund Phase 2 total costs. The Organization anticipates the remaining Phase 2 funds will include a mix of individual, foundation and government support.

The following summarizes the current estimated funding status and estimated additional funds needed to complete the construction:

	<u>Phase 1</u>	<u>Phase 2</u>
Promises to give received at June 30, 2017	\$ 9,174,528	\$ -
Restricted cash at June 30, 2017	769,304	216,866
Construction in progress (direct costs)	671,168	-
Secured funding – LMDC	275,000	-
Secured funding – NYSERDA	<u>185,000</u>	<u>78,888</u>
	11,075,000	295,754
Less: total estimated costs	<u>11,075,000</u>	<u>1,125,000</u>
Estimated additional funds needed	<u>\$ -</u>	<u>\$ 829,246</u>

The secured funding from LMDC and NYSERDA is recognized as assets on a reimbursement basis in the accompanying financial statements. No amounts were received from LMDC or NYSERDA during the year.

The total estimated costs for Phase 1 are based on actual bids for construction and construction management services, expenses to date, and estimated additional architect and other consultant fees. Phase 2 estimate is based on an estimate prepared by an outside consultant utilizing the architect's specifications.

**12) CONCENTRATIONS OF RISK**

The Organization maintains its cash balances at a major financial institution. The balances, at times, may exceed federally insured limits. As of June 30, 2017, uninsured balances were \$826,431. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

During the year ended June 30, 2017, the Organization received approximately 99% of its total grants and contributions from NYCDCA.

Credit risk for promises to give is concentrated because the entire balance was awarded from NYCDCA, to be expended on behalf of the Organization toward the redevelopment of the Organization's property. These amounts are expected to be fully expended in fiscal year 2018.

**13) CITY OF NEW YORK CAPITAL EXPENDITURES**

In fiscal 2017, The City of New York's investment of capital funding obligated the Organization to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

## **SUPPLEMENTARY INFORMATION**

ABC NO RIO, INC.  
**STATEMENT OF FINANCIAL POSITION BY FUND**  
**JUNE 30, 2017**  
(With summarized comparative information for the year ended June 30, 2016)

	<b>Operating Fund</b>	<b>Operating Reserve Fund</b>	<b>Building Fund</b>	<b>2017 Total</b>	<b>2016 Total</b>
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 37,259	\$ 29,141	\$ -	\$ 66,400	\$ 99,355
Promises to give	-	-	9,174,528	9,174,528	6,450,000
Grants receivable	1,850	-	-	1,850	1,500
Due from Paypal	-	-	-	-	645
Prepaid expenses	1,943	-	-	1,943	1,737
<b>Total current assets</b>	<b>41,052</b>	<b>29,141</b>	<b>9,174,528</b>	<b>9,244,721</b>	<b>6,553,237</b>
<b>Property and equipment</b>					
Property and equipment, net of accumulated depreciation	-	-	1	1	1
Construction in progress	-	-	1,482,772	1,482,772	1,240,091
Collections (Note 1)	-	-	-	-	-
	-	-	<b>1,482,773</b>	<b>1,482,773</b>	<b>1,240,092</b>
<b>Other assets</b>					
Cash restricted to construction of new facility	-	-	986,170	986,170	1,090,868
Interfund receivable (payable)	1,342,301	-	(1,342,301)	-	-
	<b>1,342,301</b>	-	<b>(356,131)</b>	<b>986,170</b>	<b>1,090,868</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,383,353</b>	<b>\$ 29,141</b>	<b>\$ 10,301,170</b>	<b>\$ 11,713,664</b>	<b>\$ 8,884,197</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 11,423	\$ -	\$ 16,821	28,244	\$ 36,173
Due to fiscally sponsored projects	485	-	-	485	4,769
Accrued director compensation	12,600	-	-	12,600	-
<b>Total current liabilities</b>	<b>24,508</b>	<b>-</b>	<b>16,821</b>	<b>41,329</b>	<b>40,942</b>
<b>Contingencies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>					
Unrestricted	1,358,845	29,141	-	1,387,986	1,327,965
Temporarily restricted	-	-	10,284,349	10,284,349	7,515,290
<b>Total net assets</b>	<b>1,358,845</b>	<b>29,141</b>	<b>10,284,349</b>	<b>11,672,335</b>	<b>8,843,255</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,383,353</b>	<b>\$ 29,141</b>	<b>\$ 10,301,170</b>	<b>\$ 11,713,664</b>	<b>\$ 8,884,197</b>

ABC NO RIO, INC.  
**STATEMENT OF ACTIVITIES BY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With summarized comparative information for the year ended June 30, 2016)

	Operating Fund	Operating Reserve Fund	Building Fund	2017 Total	2016 Total
<b>Revenue and support</b>					
<b>Grants and contributions</b>					
Promises to give	\$ -	\$ -	\$ 2,865,000	\$ 2,865,000	\$ 1,500,000
Individuals	766	-	8,612	9,378	59,904
Government	16,550	-	-	16,550	29,663
Special fundraising events	-	-	-	-	155
<b>Total grants and contributions</b>	<b>17,316</b>	<b>-</b>	<b>2,873,612</b>	<b>2,890,928</b>	<b>1,589,722</b>
<b>Program service revenue</b>					
Public events programming:					
Admission fees	4,733	-	-	4,733	23,623
User fees	220	-	-	220	7,765
<b>Total program service revenue</b>	<b>4,953</b>	<b>-</b>	<b>-</b>	<b>4,953</b>	<b>31,388</b>
<b>Other income</b>					
Contracted services	1,772	-	-	1,772	1,250
Merchandise	270	-	-	270	2,614
Interest income	-	883	-	883	965
Miscellaneous income	428	-	-	428	378
<b>Total other income</b>	<b>2,470</b>	<b>883</b>	<b>-</b>	<b>3,353</b>	<b>5,207</b>
<b>Net assets released from restrictions</b>	<b>102,844</b>	<b>-</b>	<b>(102,844)</b>	<b>-</b>	<b>-</b>
	<b>127,583</b>	<b>883</b>	<b>2,770,768</b>	<b>2,899,234</b>	<b>1,626,317</b>
<b>Expenses</b>					
<b>Program services</b>	52,033	-	-	52,033	67,198
<b>Supporting services</b>					
Management and general	16,387	-	1,143	17,530	21,926
Fundraising	25	-	566	591	861
	<b>68,445</b>	<b>-</b>	<b>1,709</b>	<b>70,154</b>	<b>89,985</b>
<b>Change in net assets</b>	59,138	883	2,769,059	2,829,080	1,536,332
<b>Net assets - beginning of year</b>	1,299,707	28,258	7,515,290	8,843,255	7,306,923
<b>Net assets - end of year</b>	<b>\$ 1,358,845</b>	<b>\$ 29,141</b>	<b>\$ 10,284,349</b>	<b>\$ 11,672,335</b>	<b>\$ 8,843,255</b>