

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2011 AND 2010

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.**

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Flatiron/23rd Street Partnership
District Management Association, Inc.

We have audited the accompanying statements of financial position of Flatiron/23rd Street Partnership District Management Association, Inc. as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flatiron/23rd Street Partnership District Management Association, Inc. at June 30, 2011 and 2010, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Skody Scot & Company, CPAs, PC

September 13, 2011

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010**

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 256,894	\$ 943,162
Contributions receivable	1,625	-
Prepaid expenses	7,039	6,702
Investments	1,199,796	399,760
Property and equipment, net	802	2,320
Organization costs, net	-	24,200
Security deposits	11,587	11,587
Total assets	<u>\$ 1,477,743</u>	<u>\$ 1,387,731</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	\$ 104,011	\$ 79,446
Total liabilities	<u>104,011</u>	<u>79,446</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,373,732	1,308,285
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	<u>1,373,732</u>	<u>1,308,285</u>
Total liabilities and net assets	<u>\$ 1,477,743</u>	<u>\$ 1,387,731</u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 1,600,000	\$ 1,600,000
Program service revenue	119,822	82,600
Contributions	157,753	191,410
Contributions in-kind	43,000	23,000
Investment income	3,865	3,728
Total support and revenues	<u>1,924,440</u>	<u>1,900,738</u>
Expenses:		
Program Expenses:		
Safety	269,310	242,485
Sanitation	646,225	548,975
Marketing	307,470	239,438
Social services	63,543	60,429
Public improvements	300,862	294,716
Total program expenses	<u>1,587,410</u>	<u>1,386,043</u>
Management and general	254,488	267,751
Fundraising	17,095	16,886
Total expenses	<u>1,858,993</u>	<u>1,670,680</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	65,447	230,058
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>65,447</u>	<u>230,058</u>
Net assets, beginning of year	<u>1,308,285</u>	<u>1,078,227</u>
Net assets, end of year	<u><u>\$ 1,373,732</u></u>	<u><u>\$ 1,308,285</u></u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 65,447	\$ 230,058
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	25,718	28,908
Unrealized holding (gains)/losses	(630)	(102)
Changes in assets and liabilities:		
Contributions receivable	(1,625)	-
Prepaid expenses	(337)	1,328
Accrued expenses	24,565	(10,411)
Net cash provided/(used) by operating activities	<u>113,138</u>	<u>249,781</u>
Cash flows from investing activities:		
Purchase of investments	(2,549,295)	(2,750,198)
Sale of investments	1,749,889	2,749,920
Net cash provided/(used) by investing activities	<u>(799,406)</u>	<u>(278)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(686,268)	249,503
Cash and cash equivalents, at beginning of year	<u>943,162</u>	<u>693,659</u>
Cash and cash equivalents, at end of year	<u>\$ 256,894</u>	<u>\$ 943,162</u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Association

Flatiron/23rd Street Partnership District Management Association, Inc. (Association), a not-for-profit organization, was incorporated in the State of New York on April 11, 2006. The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association primarily receives its support from a real estate special assessment levied by The City of New York (City) on properties located in the Flatiron/23rd Street Business Improvement District (BID). The BID's boundaries are approximately from 21st to 28th Streets and from Sixth Avenue up to, but not including, Third Avenue.

The Association's programs include the following: Safety - providing increased public security through a combination of uniformed guards and a working relationship with the New York City Police Department; Sanitation - maintaining clean streets/curbs/sidewalks and graffiti removal; Marketing - promoting the district to residents and tourists and to retain and develop prospective businesses; Social Services - coordinating and interacting with other social service organizations, including homeless outreach, located in the district; and Public Improvements - developing and implementing improvements to the district such as neighborhood beautification and other capital projects.

Basis of Financial Statements

The Association maintains its books of account on the cash basis of accounting. For financial reporting purposes, the accounts have been adjusted to reflect revenues earned, but not collected, and costs incurred, but not paid, in order to conform with generally accepted accounting principles.

In accordance with GAAP the Association 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 Association is required to present a statement of cash flows.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to five years. Leasehold improvements are amortized by the straight-line method over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are expensed as incurred, and major renewals and betterments are capitalized.

Investments

All marketable debt and equity securities are reported at fair values based on quoted prices in active markets (all level 1 measurements) in the statements of financial position. Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

Organization Costs

Organization costs are stated at cost and amortized on a straight-line basis over five years. Total organization costs amounted to \$121,000 at inception.

Restricted Assets

All net assets of the Association are unrestricted, however, the Finance Committee of the Board of Directors created a capital reserve fund with \$650,000 for future Public Improvement projects. The Association anticipates spending the capital reserve over the next five years.

Cash Flows

Cash receipts and payments are classified according to operating, investing, and financing activities. Only investments with maturities of three months or less are classified as cash equivalents.

Basis of Functional Expenses

The Association allocates salaries based on estimated time and other expenses are allocated based on usage.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The real estate assessment levied by the City is recorded by the Association when earned. The City remits these assessments to the Association in two installments. An allowance for doubtful accounts is not provided because all assessments are received in the current year. Assessment billing errors are recorded as a direct reduction of assessment revenue.

Program service revenue relates to fees received in exchange for program services and mainly includes payments related to public plaza events. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

Contributions are considered available for the Association’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management and General Expenses

The Association classifies expenses, which are not directly related to a specific program, as management and general expenses.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Checking	\$ 49,085	\$ 19,400
Money market funds	207,809	423,842
Shot-term Treasury bills	-	499,920
	<u>\$ 256,894</u>	<u>\$ 943,162</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Investments

Investments in United State Treasury Bills include the following fair values and unrealized appreciation, based on quoted prices in active markets (all Level 1 measurements) at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Fair market value	\$1,199,796	\$ 399,760
Cost	<u>1,199,166</u>	<u>399,658</u>
Unrealized holding gains/(losses)	<u>\$ 630</u>	<u>\$ 102</u>

Note 4 – Investment Income and Other Interest

Investment income reported on the statements of activities for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Interest from money funds	\$ 1,891	\$ 1,872
Interest from investments	1,344	1,754
Unrealized holding gains/(losses)	<u>630</u>	<u>102</u>
Total investment income	<u>\$ 3,865</u>	<u>\$ 3,728</u>

Note 5 – Pension Plan

During fiscal year 2008, the Association adopted a qualified cash or deferred compensation plan under section 403(b) of the Internal Revenue Code. The plan allows for the Association to make discretionary contributions based on the participant's salary. Association contributions to the plan for the years ended June 30, 2011 and 2010 amounted to \$9,852 and \$9,679, respectively.

Note 6 – Public Plaza License

In October 2009, the Association has signed a five year license agreement, with renewal options, with the New York City Department of Transportation (DOT) to manage and maintain multiple public pedestrian plazas located within the district. The agreement allows the Association to collect special event concession fees, contributions and sponsorships which will be used to offset the cost of managing and maintaining the plazas. Any excess revenue derived from the plazas will be kept in an accrual fund. The accrual fund will be used for any future shortfall in revenue needed to provide the services set forth in the agreement. If at any time the accrual fund contains more than three times the public plaza budget, the excess amount of funds shall be used to provide any services and/or alterations in the public plaza. At the end of the term of the license agreement or at termination, the balance of the accrual fund shall be used to provide any services and/or alterations in the public plaza.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 7 – Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 20,164	\$ 20,164
Furniture & Fixtures	1,066	1,066
Leasehold Improvements	<u>4,225</u>	<u>4,225</u>
	25,455	25,455
Less: Accumulated depreciation and amortization	<u>(24,653)</u>	<u>(23,135)</u>
	<u>\$ 802</u>	<u>\$ 2,320</u>

Note 8 – Commitments and Contingencies

The Association leases office space under a noncancelable operating lease. Total rent expense charged to operations for the years ended June 30, 2011 and 2010 was \$57,900 and \$75,784, respectively. As of June 30, 2011 minimum aggregate annual rentals are as follows:

Year ended June 30, 2012	\$ 57,168
2013	58,884
2014	60,648
2015	57,255

The Association maintains its bank accounts, money market accounts and treasury bills with financial institutions. Balances that exceed the Federal Deposit Insurance Corporation's (FDIC) and Security Investor Protection Corporation's (SIPC) insurance coverage are summarized for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Institution balances	\$ 1,454,044	\$ 1,366,841
Less: Amounts covered	<u>(754,248)</u>	<u>(750,000)</u>
Uninsured amounts (investments)	<u>\$ 699,796</u>	<u>\$ 616,841</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 9 – Fundraising Expenses

The Association conducted activities that included direct solicitations for sponsorships (fundraising). The costs of personnel conducting those sponsorship activities included fundraising, administrative and program expenses (collectively defined as joint costs). The total amount allocated to fundraising activities for 2011 and 2010 was \$17,095 and \$16,886, respectively. The total joint costs were allocated for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Program expenses	\$ 192,094	\$ 176,916
Management and general	40,638	43,842
Fundraising	<u>17,095</u>	<u>16,886</u>
Total joint costs	<u>\$ 249,827</u>	<u>\$ 237,644</u>

Note 10 – Donated Services and Facilities

Significant services and facilities were donated to the Association by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

For the years ended June 30, 2011 and 2010, \$43,000 and \$23,000, respectively, was received and reported as contributions in-kind on the accompanying statements of activities and consisted of donated facilities, products, design, and production for marketing events and meetings.

Note 11 – Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through September 13, 2011, which is the date the financial statements were available to be issued.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To: The Board of Directors of
Flatiron/23rd Street Partnership
District Management Association, Inc.

We have audited the financial statements of Flatiron/23rd Street Partnership District Management Association, Inc. as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 13, 2011, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses, expenses and budget, and public plaza expenses and budget are presented for the purposes of additional analysis and are 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 audits 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Skody Scot & Company, CPAs, PC

September 13, 2011

FLATIRON/23RD STREET PARTNERSHIP DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
 (Supplemental Financial Information)
YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	2011						2010		
	Program Expenses			Supporting Services			Total	Total	
	Safety	Sanitation	Marketing	Social Services	Public Improvements	Total Program	Management and General	Fundraising	Expenses
Personnel costs:									
Executive salaries	\$ 13,400	\$ 13,400	\$ 26,800	\$ 6,700	\$ 40,200	\$ 100,500	\$ 27,125	\$ 6,700	\$ 134,325
Program managers	30,400	30,400	58,688	3,800	15,312	138,600	10,208	7,825	156,633
Support salaries	-	-	26,956	-	14,400	41,356	20,004	-	61,360
Payroll taxes and benefits	6,635	6,635	17,373	2,066	14,947	47,656	12,888	2,570	63,114
Outside contractors	218,875	595,027	18,575	50,157	193,691	1,076,325	7,725	-	1,084,050
Total personnel costs	<u>269,310</u>	<u>645,462</u>	<u>148,392</u>	<u>62,723</u>	<u>278,550</u>	<u>1,404,437</u>	<u>77,950</u>	<u>17,095</u>	<u>1,499,482</u>
Direct expenses:									
Insurance	-	-	-	-	-	-	30,675	-	30,675
Depreciation and amortization	-	-	-	-	-	-	25,718	-	25,718
Rent and maintenance	-	-	-	-	-	-	64,968	-	64,968
Office expense	-	-	-	-	-	-	18,417	-	18,417
Postage and delivery	-	-	-	-	-	-	1,963	-	1,963
Professional fees	-	-	-	-	-	-	16,184	-	16,184
Program equipment	-	763	-	-	15,195	15,958	-	-	15,958
Printing	-	-	20,035	-	-	20,035	4,119	-	24,154
Special projects and events	-	-	123,409	-	3,593	127,002	-	-	127,002
Supplies	-	-	15,634	820	3,524	19,978	5,277	-	25,255
Telephone	-	-	-	-	-	-	9,217	-	9,217
Total direct expenses	<u>-</u>	<u>763</u>	<u>159,078</u>	<u>820</u>	<u>22,312</u>	<u>182,973</u>	<u>176,538</u>	<u>-</u>	<u>359,511</u>
Total expenses	<u>\$ 269,310</u>	<u>\$ 646,225</u>	<u>\$ 307,470</u>	<u>\$ 63,543</u>	<u>\$ 300,862</u>	<u>\$ 1,587,410</u>	<u>\$ 254,488</u>	<u>\$ 17,095</u>	<u>\$ 1,858,993</u>
									<u>\$ 1,670,680</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2011**

	<u>Total Expenses</u>	<u>Assessment Budget</u>
Personnel costs:		
Executive salaries	\$ 134,325	\$ 134,000
Program managers	156,633	157,000
Support salaries	61,360	61,000
Payroll taxes and benefits	63,114	74,093
Outside contractors	1,084,050	1,136,000
Total personnel costs	<u>1,499,482</u>	<u>1,562,093</u>
Direct expenses:		
Insurance	30,675	38,000
Depreciation and amortization	25,718	-
Rent and maintenance	64,968	67,000
Office expenses	18,417	16,000
Postage and delivery	1,963	3,000
Printing	24,154	16,000
Professional fees	16,184	19,000
Program equipment	15,958	6,910
Special events and projects	127,002	97,500
Supplies	25,255	36,500
Telephone	9,217	10,000
Total direct expenses	<u>359,511</u>	<u>309,910</u>
Total expenses	<u>\$ 1,858,993</u>	<u>\$ 1,872,003</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF PUBLIC PLAZA
EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2011**

	<u>Actual Activity</u>	<u>DOT Plaza Budget</u>
Support and Revenues:		
Concession fees, sponsorships and gifts	\$ 114,664	
Expenses:		
Direct expenses:		
Cleaning contractor (Sanitation)	34,806	\$ 42,680
Security contractor (Safety)	31,451	31,270
Horticulture planting contractor (Pub Imp)	49,167	59,270
Horticulture maintenance contractor (Pub Imp)	33,108	26,250
Equipment, supplies and other (Pub Imp)	14,565	5,000
Total direct expenses	163,097	164,470
Administrative costs:		
Executive salaries (Pub Imp)	20,100	20,100
Staff salaries (Pub Imp)	12,400	12,200
Fringe (Pub Imp)	6,363	3,230
Professional fees (M&G)	750	-
Total administrative costs	39,613	35,530
Total expenses	202,710	\$ 200,000
Excess/(deficit) revenues from plaza activities	\$ (88,046)	
Balance of Accrual Fund, at end of year	\$ -	

Note - The above information is prepared in accordance with agreement #CT 841 20100011985 with New York City Department of Transportation dated October 7, 2009 and amended on September 14, 2010. The above expenses are included on Page 12 in the (program) noted above.