

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2013 AND 2012

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

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Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 (T) 212-967-1100 (F) 212-967-2002
www.skodyscot.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Flatiron/23rd Street Partnership District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Flatiron/23rd Street Partnership District Management Association, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Skody Scot & Company, CPAs, P.C.

New York, NY
September 12, 2013

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 353,038	\$ 196,064
Program revenue receivable	-	7,000
Contributions receivable	19,525	7,525
Prepaid expenses	12,872	82,937
Investments	1,199,984	1,199,679
Property and equipment, net	-	230
Security deposits receivable	11,587	11,587
Total assets	\$1,597,006	\$1,505,022
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 134,383	\$ 112,609
Deferred income	45,000	-
Plaza security deposits payable	12,250	12,250
Total liabilities	191,633	124,859
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,405,373	1,380,163
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	1,405,373	1,380,163
Total liabilities and net assets	\$1,597,006	\$1,505,022

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 1,699,984	\$1,600,000
Program service revenue	427,366	231,866
Contributions	210,660	167,676
Contributions in-kind	24,100	48,000
Investment income	2,355	1,778
Total support and revenues	<u>2,364,465</u>	<u>2,049,320</u>
Expenses:		
Program Expenses:		
Safety	318,635	278,153
Sanitation	746,506	707,541
Marketing	403,064	342,989
Social services	67,149	62,102
Public improvements	531,953	395,932
Total program expenses	<u>2,067,307</u>	<u>1,786,717</u>
Management and general	256,174	237,828
Fundraising	15,774	18,344
Total expenses	<u>2,339,255</u>	<u>2,042,889</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	25,210	6,431
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>25,210</u>	<u>6,431</u>
Net assets, beginning of year	<u>1,380,163</u>	<u>1,373,732</u>
Net assets, end of year	<u>\$ 1,405,373</u>	<u>\$1,380,163</u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 25,210	\$ 6,431
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	230	572
Unrealized investment holding (gains)/losses	(1,113)	(239)
Changes in assets and liabilities:		
Program revenue receivable	7,000	(7,000)
Contributions receivable	(12,000)	(5,900)
Prepaid expenses	70,065	(75,898)
Accrued expenses	21,774	8,598
Deferred income	45,000	-
Plaza security deposits payable	-	12,250
Net cash provided/(used) by operating activities	<u>156,166</u>	<u>(61,186)</u>
Cash flows from investing activities:		
Purchase of debt investments	(1,198,871)	(1,199,440)
Redemption of debt investments	1,199,679	1,199,796
Net cash provided/(used) by investing activities	<u>808</u>	<u>356</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	156,974	(60,830)
Cash and cash equivalents, at beginning of year	<u>196,064</u>	<u>256,894</u>
Cash and cash equivalents, at end of year	<u><u>\$ 353,038</u></u>	<u><u>\$ 196,064</u></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. Accordingly, no provision for federal, state or local income taxes has been recorded. The Association does not believe its financial statements contain any uncertain tax provisions. 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

The Association capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. 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.

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 and Cash Equivalents

For the purposes of the statement of financial position and the statement of cash flows, the Association considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposits and treasury bills, with an original maturity of three months or less.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Association allocates salaries based on estimated time and other expenses are allocated based on usage. The Association classifies expenses, which are not directly related to a specific program, as Management and General expenses.

**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.

Pledges Receivable

The Organization records pledges receivable, net of allowances for estimated uncollectible amounts, if any, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. As of December 31, 2013 and 2012, no allowance for uncollectible pledges was deemed necessary.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2013 and 2012:

	2013	2012
Checking	\$ 341,960	\$ 136,447
Money market funds	11,078	59,617
	\$ 353,038	\$ 196,064

**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/(depreciation), based on quoted prices in active markets (all Level 1 measurements) at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Fair market value	\$1,199,984	\$ 1,199,679
Cost	<u>1,198,871</u>	<u>1,199,440</u>
Unrealized holding gains/(losses)	<u>\$ 1,113</u>	<u>\$ 239</u>

Note 4 – Investment Income and Other Interest

Investment income reported on the statements of activities for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Interest from money funds	\$ 921	\$ 1,046
Interest from investments	321	493
Unrealized holding gains/(losses)	<u>1,113</u>	<u>239</u>
Total investment income	<u>\$ 2,355</u>	<u>\$ 1,778</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, 2013 and 2012 amounted to \$9,489 and \$10,867, respectively.

Note 6 – Public Plaza License

In October 2009, the Association 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. During the year ended June 30, 2012, the Association signed two short-term sublicense agreements for kiosks in the public plazas, which allowed extensions until December 31, 2013. The revenue from these sublicense agreements will go toward the cost of managing and maintain the plazas.

**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, 2013 and 2012:

	2013	2012
Equipment	\$ 20,164	\$ 20,164
Furniture & Fixtures	1,066	1,066
Leasehold Improvements	4,225	4,225
	25,455	25,455
Less: Accumulated depreciation and amortization	(25,455)	(25,225)
	\$ -	\$ 230

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, 2013 and 2012 was \$58,316 and \$57,422, respectively. As of June 30, 2013 minimum aggregate annual rentals are as follows:

Year ended June 30, 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), Security Investor Protection Corporation's (SIPC), and other insurance coverage's are summarized for the years ended June 30, 2013 and 2012 as follows:

	2013	2012
Institution balances	\$ 1,643,429	\$ 1,517,926
Less: Amounts covered	(750,000)	(1,517,926)
Uninsured amounts (investments)	\$ 893,429	\$ -

**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 2013 and 2012 was \$15,744 and \$18,344, respectively. The total joint costs were allocated for the years ended June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Program expenses	\$ 190,282	\$ 208,965
Management and general	54,882	51,696
Fundraising	<u>15,744</u>	<u>18,344</u>
Total joint costs	<u>\$ 260,908</u>	<u>\$ 279,005</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, 2013 and 2012, \$24,100 and \$48,000, 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 12, 2013, which is the date the financial statements were available to be issued.



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520 Eighth Avenue, Suite 2200, New York, NY 10018 (T) 212-967-1100 (F) 212-967-2002
www.skodyscot.com

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, 2013 and 2012, and have issued our report thereon dated September 12, 2013, which contained an unmodified opinion on those financial statements. Our audit was 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 activities and budget are presented for the purpose 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 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.

Skody Scot & Company, CPAs, PC

New York, NY
September 12, 2013

FLATIRON/23RD STREET PARTNERSHIP DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
 (Supplemental Financial Information)
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	2013										2012
	Program Expenses					Supporting Services					Total Expenses
	Safety	Sanitation	Marketing	Social Services	Public Improvement	Total Program	Management and General	Fundraising	Total Expenses		
Personnel costs:											
Executive salaries	\$ 15,981	\$ 15,981	\$ 23,974	\$ 7,990	\$ 55,933	\$ 119,859	\$ 34,714	\$ 7,988	\$ 162,561	\$ 156,596	
Program managers	36,246	36,246	68,452	4,531	56,222	201,697	20,007	5,425	227,129	159,773	
Support salaries	-	-	12,353	-	5,153	17,506	-	-	17,506	68,112	
Payroll taxes and benefits	7,396	7,396	18,102	2,323	20,905	56,122	20,099	2,361	78,582	71,067	
Outside contractors	258,504	677,727	31,305	51,945	384,167	1,403,648	14,445	-	1,418,093	1,217,348	
Total personnel costs	318,127	737,350	154,186	66,789	522,380	1,798,832	89,265	15,774	1,903,871	1,672,896	
Direct expenses:											
Insurance	-	-	-	-	-	-	32,123	-	32,123	30,700	
Depreciation and amortization	-	-	-	-	-	-	230	-	230	572	
Rent and maintenance	-	-	-	-	-	-	69,697	-	69,697	71,641	
Office expense	-	-	-	-	-	-	28,579	-	28,579	18,520	
Postage and delivery	-	-	-	-	-	-	1,703	-	1,703	2,630	
Printing	-	-	19,444	-	-	19,444	577	-	20,021	32,835	
Professional fees	-	-	-	-	-	-	23,023	-	23,023	15,150	
Program equipment	508	9,148	-	-	3,824	13,480	-	-	13,480	22,313	
Special projects and events	-	-	216,607	360	3,662	220,629	-	-	220,629	151,115	
Supplies	-	8	12,827	-	2,087	14,922	4,080	-	19,002	16,957	
Telephone	-	-	-	-	-	-	6,897	-	6,897	7,560	
Total direct expenses	508	9,156	248,878	360	9,573	268,475	166,909	-	435,384	369,993	
Total expenses	\$ 318,635	\$ 746,506	\$ 403,064	\$ 67,149	\$ 531,953	\$ 2,067,307	\$ 256,174	\$ 15,774	\$ 2,339,255	\$ 2,042,889	

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2013**

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Executive salaries	\$ 162,561	\$ 163,000
Program managers	227,129	228,000
Support salaries	17,506	23,500
Payroll taxes and benefits	78,582	84,552
Outside contractors	1,418,093	1,380,000
Total personnel costs	<u>1,903,871</u>	<u>1,879,052</u>
Direct expenses:		
Insurance	32,123	38,000
Depreciation and amortization	230	-
Rent and maintenance	69,697	72,000
Office expenses	28,579	20,000
Postage and delivery	1,703	3,000
Printing	20,021	6,000
Professional fees	23,023	25,000
Program equipment	13,480	12,143
Special events and projects	220,629	219,500
Supplies	19,002	53,500
Telephone	6,897	10,000
Total direct expenses	<u>435,384</u>	<u>459,143</u>
Total expenses	<u>\$ 2,339,255</u>	<u>\$ 2,338,195</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF PUBLIC PLAZA
ACTIVITIES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2013**

	Actual Activity	DOT Plaza Budget
Support and Revenues:		
Concession fees, sponsorships and gifts	\$ 421,173	
Expenses:		
Direct expenses:		
Cleaning contractor (Sanitation)	32,781	\$ 47,728
Security contractor (Safety)	54,622	34,260
Horticulture planting contractor (Pub Imp)	42,458	52,459
Horticulture maintenance contractor (Pub Imp)	33,492	30,835
Wifi (Pub Imp)	10,329	9,500
Programming and events (Mark)	12,100	10,000
Equipment, furniture, supplies and other (Pub Imp & Mark)	4,247	15,481
Total direct expenses	190,029	200,263
Administrative costs:		
Salaries (Pub Imp)	41,728	43,250
Fringe (Pub Imp)	8,331	6,488
Professional fees (M&G)	750	-
Total administrative costs	50,809	49,738
Other costs:		
Holiday promotion (Mark)	103,045	-
Kiosk Wiring & Electricity (Pub Imp & M&G)	87,919	-
Total other costs	190,964	-
Total expenses	431,802	250,001
Excess/(deficit) revenues from plaza activities	\$ (10,629)	
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.