

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2008 AND 2007

**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, 2008 and 2007, 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, 2008 and 2007, 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 29, 2008

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

ASSETS	2008	2007
Cash and cash equivalents	\$ 1,009,082	\$ 711,709
Contributions receivable	7,700	6,600
Prepaid expenses	9,681	10,043
Property and equipment, net	14,399	21,770
Organization costs, net	72,600	96,800
Security deposits	11,557	11,557
Total assets	\$ 1,125,019	\$ 858,479

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	\$ 82,255	\$ 64,524
Total liabilities	82,255	64,524
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,042,764	793,955
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	1,042,764	793,955
Total liabilities and net assets	\$ 1,125,019	\$ 858,479

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 1,600,000	\$ 1,597,349
Contributions	118,050	120,420
Contributions in-kind	19,900	7,500
Interest income	42,141	29,303
Total support and revenues	1,780,091	1,754,572
Expenses:		
Program Expenses:		
Safety	275,380	54,289
Sanitation	573,313	405,485
Marketing	282,104	229,654
Social services	65,781	17,271
Public improvements	72,718	22,869
Total program expenses	1,269,296	729,568
Management and general	252,479	223,150
Fundraising	9,507	7,899
Total expenses	1,531,282	960,617
Increase/(Decrease) In Net Assets:		
Unrestricted	248,809	793,955
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	248,809	793,955
Net assets, beginning of year	793,955	-
Net assets, end of year	\$ 1,042,764	\$ 793,955

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 248,809	\$ 793,955
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	31,571	27,885
Changes in assets and liabilities:		
Contributions receivable	(1,100)	(6,600)
Prepaid expenses	362	(10,043)
Security deposits	-	(11,557)
Organizational costs	-	(121,000)
Accrued expenses	17,731	64,524
Net cash provided/(used) by operating activities	<u>297,373</u>	<u>737,164</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(25,455)
Net cash provided/(used) by investing activities	<u>-</u>	<u>(25,455)</u>
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	297,373	711,709
Cash and cash equivalents, at beginning of year	711,709	-
Cash and cash equivalents, at end of year	<u>\$ 1,009,082</u>	<u>\$ 711,709</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 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 - coordinates and interacts 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.

The Association presents its financial statements using SFAS No.117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No.117, 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 ten 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.

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.

Assessment Revenue

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 equal 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.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 \$600,000 for future Public Improvement projects.

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

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash	\$ 20,702	\$ 35,384
Money fund	<u>988,380</u>	<u>676,325</u>
	<u>\$1,009,082</u>	<u>\$ 711,709</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</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	(11,056)	(3,685)
	<u>\$ 14,399</u>	<u>\$ 21,770</u>

Note 4 – 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, 2008 and 2007 was \$69,884 and \$38,160, respectively. As of June 30, 2008 minimum aggregate annual rentals are as follows:

Year ended June 30, 2009	\$ 71,948
2010	74,772

The Association maintains its checking and money market accounts with financial institutions. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the years ended June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Institution balances	\$ 1,024,992	\$ 840,497
Less: Amounts covered	(100,000)	(100,000)
Uninsured amounts	<u>\$ 924,992</u>	<u>\$ 740,497</u>

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

Note 5 – Pension Plan

During fiscal year 2008, the Association adopted a qualified cash or deferred compensation plan under section 403(b) on 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 amounted to \$7,159 in 2008.

Note 6 – Fundraising Expenses

The Organization 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 was \$9,507 for 2008 and \$7,899 for 2007. The total joint costs were allocated for the years ended June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Program expenses	\$ 172,775	\$ 150,023
Management and general	33,891	31,360
Fundraising	<u>9,507</u>	<u>7,899</u>
Total joint costs	<u>\$ 216,173</u>	<u>\$ 189,282</u>



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our audits of the basic financial statements included in the preceding section of this report were performed for the purpose of forming an opinion on those statements taken as a whole. The supplemental material presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Skody Scot & Company, CPAs, PC

September 29, 2008

FLATIRON/23RD STREET PARTNERSHIP DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
 (Supplemental Financial Information)
YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	2008							2007	
	Program Expenses				Supporting Services			Total Expenses	
	Public Safety	Sanitation	Marketing	Social Services	Public Improvements	Total Program	Management and General		Fundraising
Personnel costs:									
Executive salaries	\$ 11,854	\$ 11,854	\$ 41,444	\$ 11,854	\$ 11,853	\$ 88,859	\$ 22,823	\$ 5,971	\$ 117,653
Program managers	35,260	35,260	41,419	7,033	10,839	129,811	10,391	1,938	142,140
Support salaries	-	-	13,609	-	2,705	16,314	26,117	-	42,431
Payroll taxes and benefits	8,657	8,658	16,932	3,798	4,457	42,502	10,653	1,598	54,753
Outside contractors	215,514	447,572	24,973	42,517	28,501	759,077	278	-	759,355
Total personnel costs	<u>271,285</u>	<u>503,344</u>	<u>138,377</u>	<u>65,202</u>	<u>58,355</u>	<u>1,036,563</u>	<u>70,262</u>	<u>9,507</u>	<u>1,116,332</u>
Direct expenses:									
Insurance	-	-	-	-	-	-	28,283	-	28,283
Depreciation	-	-	-	-	-	-	31,571	-	31,571
Rent and maintenance	-	-	-	-	-	-	72,451	-	72,451
Office expense	-	-	-	-	-	-	18,108	-	18,108
Postage and delivery	-	-	-	-	-	-	2,735	-	2,735
Professional fees	-	-	-	-	-	-	15,775	-	15,775
Program equipment	4,017	68,560	-	-	-	72,577	-	-	72,577
Printing	-	-	25,760	-	-	25,760	2,707	-	28,467
Special projects and events	-	30	113,602	-	-	113,632	-	-	113,632
Supplies	78	1,379	4,365	579	14,363	20,764	2,566	-	23,330
Telephone	-	-	-	-	-	-	8,021	-	8,021
Total direct expenses	<u>4,095</u>	<u>69,969</u>	<u>143,727</u>	<u>579</u>	<u>14,363</u>	<u>232,733</u>	<u>182,217</u>	<u>-</u>	<u>414,950</u>
Total expenses	<u>\$275,380</u>	<u>\$ 573,313</u>	<u>\$ 282,104</u>	<u>\$ 65,781</u>	<u>\$ 72,718</u>	<u>\$1,269,296</u>	<u>\$ 252,479</u>	<u>\$ 9,507</u>	<u>\$ 960,617</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2008**

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Executive salaries	\$ 117,653	\$ 118,000
Program managers	142,140	157,000
Support salaries	42,431	50,000
Payroll taxes and benefits	54,753	68,871
Outside contractors	759,355	887,200
Total personnel costs	<u>1,116,332</u>	<u>1,281,071</u>
Direct expenses:		
Insurance	28,283	25,000
Depreciation and amortization	31,571	-
Rent and maintenance	72,451	85,000
Office expenses	18,108	13,000
Postage and delivery	2,735	8,000
Professional fees	15,775	20,000
Program equipment	72,577	90,040
Printing	28,467	10,000
Special projects and events	113,632	71,044
Supplies	23,330	88,845
Telephone	8,021	8,000
Total direct expenses	<u>414,950</u>	<u>418,929</u>
Total expenses	<u>\$ 1,531,282</u>	<u>\$ 1,700,000</u>