

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2010 AND 2009

**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, 2010 and 2009, 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, 2010 and 2009, 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 15, 2010

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 943,162	\$ 693,659
Prepaid expenses	6,702	8,030
Investment, net	399,760	399,380
Property and equipment, net	2,320	7,028
Organization costs, net	24,200	48,400
Security deposits	11,587	11,587
Total assets	<u>\$ 1,387,731</u>	<u>\$ 1,168,084</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	\$ 79,446	\$ 89,857
Total liabilities	<u>79,446</u>	<u>89,857</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,308,285	1,078,227
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	<u>1,308,285</u>	<u>1,078,227</u>
Total liabilities and net assets	<u>\$ 1,387,731</u>	<u>\$ 1,168,084</u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 1,600,000	\$ 1,600,000
Program service revenue	82,600	-
Contributions	191,410	134,014
Contributions in-kind	23,000	12,000
Investment income	3,728	17,001
Total support and revenues	<u>1,900,738</u>	<u>1,763,015</u>
Expenses:		
Program Expenses:		
Safety	242,485	270,952
Sanitation	548,975	533,082
Marketing	239,438	292,959
Social services	60,429	74,409
Public improvements	294,716	282,766
Total program expenses	<u>1,386,043</u>	<u>1,454,168</u>
Management and general	267,751	257,777
Fundraising	16,886	15,607
Total expenses	<u>1,670,680</u>	<u>1,727,552</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	230,058	35,463
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>230,058</u>	<u>35,463</u>
Net assets, beginning of year	<u>1,078,227</u>	<u>1,042,764</u>
Net assets, end of year	<u>\$ 1,308,285</u>	<u>\$ 1,078,227</u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 230,058	\$ 35,463
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	28,908	31,571
Unrealized holding (gains)/losses	(102)	105
Changes in assets and liabilities:		
Contributions receivable	-	7,700
Prepaid expenses	1,328	1,651
Security deposits	-	(30)
Accrued expenses	(10,411)	7,602
Net cash provided/(used) by operating activities	<u>249,781</u>	<u>84,062</u>
Cash flows from investing activities:		
Purchase of investments	(2,750,198)	(2,256,485)
Sale of investments	2,749,920	1,857,000
Net cash provided/(used) by investing activities	<u>(278)</u>	<u>(399,485)</u>
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	249,503	(315,423)
Cash and cash equivalents, at beginning of year	<u>693,659</u>	<u>1,009,082</u>
Cash and cash equivalents, at end of year	<u>\$ 943,162</u>	<u>\$ 693,659</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 - 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.

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 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 \$550,000 for future Public Improvement projects. The Association anticipates spending the capital reserve over the next five years.

**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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Checking	\$ 19,400	\$ 67,072
Money market funds	423,842	26,665
Treasury bills	<u>499,920</u>	<u>599,922</u>
	<u>\$ 943,162</u>	<u>\$ 693,659</u>

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Fair market value	\$ 399,760	\$ 399,380
Cost	<u>399,658</u>	<u>399,485</u>
Unrealized holding gains/(losses)	<u>\$ 102</u>	<u>\$ (105)</u>

Note 4 – Investment Income and Other Interest

Investment income reported on the Statements of Activities for the years ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Interest from money funds	\$ 1,872	\$ 9,226
Interest from investments	1,754	7,880
Unrealized holding gains/(losses)	<u>102</u>	<u>(105)</u>
Total interest income	<u>\$ 3,728</u>	<u>\$ 17,001</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, 2010 and 2009 amounted to \$9,679 and \$7,140, respectively.

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

Note 6 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</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>(23,135)</u>	<u>(18,427)</u>
	<u>\$ 2,320</u>	<u>\$ 7,028</u>

Note 7 - 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, 2010 and 2009 was \$75,784 and \$72,996, respectively. As of June 30, 2010 minimum aggregate annual rentals are as follows:

Year ended June 30, 2011	\$ 55,500
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, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Institution balances	\$ 1,366,841	\$ 1,114,661
Less: Amounts covered	<u>(750,000)</u>	<u>(615,359)</u>
Uninsured amounts	<u>\$ 616,841</u>	<u>\$ 499,302</u>

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

Note 8 – 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 2010 and 2009 was \$16,886 and \$15,607, respectively. The total joint costs were allocated for the years ended June 30, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Program expenses	\$ 176,916	\$ 171,815
Management and general	43,842	42,553
Fundraising	<u>16,886</u>	<u>15,607</u>
Total joint costs	<u>\$ 237,644</u>	<u>\$229,975</u>

Note 9 – 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, 2010 and 2009, \$23,000 and \$12,000, 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 10 – Public Plaza License

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 paid to DOT.



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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 15, 2010

FLATIRON/23RD STREET PARTNERSHIP DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
 (Supplemental Financial Information)
YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	2010							2009	
	Program Expenses				Supporting Services			Total Expenses	
	Safety	Sanitation	Marketing	Social Services	Public Improvements	Total Program	Management and General	Fundraising	Total Expenses
Personnel costs:									
Executive salaries	\$ 13,000	\$ 13,000	\$ 26,000	\$ 6,500	\$ 39,000	\$ 97,500	\$ 28,060	\$ 6,500	\$ 132,060
Program managers	33,358	33,358	50,050	3,706	11,407	131,879	12,611	7,700	152,190
Support salaries	-	-	18,603	-	11,500	30,103	23,141	-	53,244
Payroll taxes and benefits	6,473	6,473	13,746	1,850	12,412	40,954	14,280	2,686	57,920
Outside contractors	189,630	486,547	21,968	48,373	211,795	958,313	3,577	-	961,890
Total personnel costs	242,461	539,378	130,367	60,429	286,114	1,258,749	81,669	16,886	1,357,304
Direct expenses:									
Insurance	-	-	-	-	-	-	30,517	-	30,517
Depreciation	-	-	-	-	-	-	28,908	-	28,908
Rent and maintenance	-	-	-	-	-	-	78,074	-	78,074
Office expense	-	-	-	-	-	-	15,318	-	15,318
Postage and delivery	-	-	-	-	-	-	1,790	-	1,790
Professional fees	-	-	-	-	-	-	17,407	-	17,407
Program equipment	24	9,594	-	-	175	9,793	-	-	9,793
Printing	-	-	19,090	-	-	19,090	872	-	19,962
Special projects and events	-	-	82,294	-	667	82,961	-	-	82,961
Supplies	-	3	7,687	-	7,760	15,450	4,009	-	19,459
Telephone	-	-	-	-	-	-	9,187	-	9,187
Total direct expenses	24	9,597	109,071	-	8,602	127,294	186,082	-	313,376
Total expenses	\$242,485	\$ 548,975	\$ 239,438	\$ 60,429	\$ 294,716	\$ 1,386,043	\$ 267,751	\$ 16,886	\$ 1,670,680
									\$ 1,727,552

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2010**

	<u>Total Expenses</u>	<u>Assessment Budget</u>
Personnel costs:		
Executive salaries	\$ 132,060	\$ 133,000
Program managers	152,191	151,620
Support salaries	53,244	51,500
Payroll taxes and benefits	57,920	69,230
Outside contractors	961,890	1,006,925
Total personnel costs	<u>1,357,305</u>	<u>1,412,275</u>
Direct expenses:		
Insurance	30,517	35,000
Depreciation and amortization	28,908	-
Rent and maintenance	78,074	82,500
Office expenses	15,318	16,000
Postage and delivery	1,790	6,000
Printing	19,962	8,000
Professional fees	17,407	20,000
Program equipment	9,792	16,000
Special events and projects	82,961	189,525
Supplies	19,459	55,700
Telephone	9,187	9,000
Total direct expenses	<u>313,375</u>	<u>437,725</u>
Total expenses	<u>\$ 1,670,680</u>	<u>\$ 1,850,000</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF PUBLIC PLAZA
EXPENSES AND BUDGET
(Supplemental Financial Information)
MAY 10, 2009 THROUGH JUNE 30, 2010**

	<u>Actual Activity</u>	<u>DOT Plaza Budget</u>
Support and Revenues:		
Concession fees, sponsorships and gifts	\$ 124,600	
Expenses:		
Direct expenses:		
Cleaning contractor (Pub Imp)	30,707	\$ 37,904
Security contractor (Pub Imp)	24,757	32,356
Horticulture planting contractor (Pub Imp)	48,139	58,222
Horticulture maintenance contractor (Pub Imp)	33,770	18,450
Equipment, supplies and other (Pub Imp)	6,378	5,254
Total direct expenses	<u>143,751</u>	<u>152,186</u>
Administrative costs:		
Executive salaries	22,950	22,950
Staff salaries	18,297	18,297
Total administrative costs	<u>41,247</u>	<u>41,247</u>
Total expenses	<u>184,998</u>	<u>\$ 193,433</u>
Excess/(deficit) revenues from plaza activities	<u>\$ (60,398)</u>	
Balance of Accrual Fund, at end of year	<u>\$ -</u>	

Note - The above information is prepared in accordance with agreement #CT 841 20100011985 with New York City Department of Transportation dated October 7, 2009. The above expenses are included on Page 11 in the (program) noted above. The accumulated deficit since inception is \$60,398.