

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2016 AND 2015

**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 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, 2016 and 2015, 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, 2016 and 2015, 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
October 19, 2016

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 903,482	\$ 826,771
Program revenue receivable	-	4,423
Contributions receivable	17,400	8,000
Prepaid expenses	11,334	9,876
Investments	1,399,860	1,400,000
Security deposits receivable	11,587	11,587
	\$2,343,663	\$2,260,657
Total assets		

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	\$ 133,893	\$ 156,905
Plaza security deposits payable	12,250	12,250
	146,143	169,155
Total liabilities		
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	2,197,520	2,091,502
Temporarily restricted	-	-
Permanently restricted	-	-
	2,197,520	2,091,502
Total net assets		
Total liabilities and net assets	\$2,343,663	\$2,260,657

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 2,200,000	\$2,200,000
Program service revenue	420,156	644,421
Contributions	297,102	291,959
Contributions in-kind	31,135	65,351
Investment income	5,895	2,413
Total support and revenues	<u>2,954,288</u>	<u>3,204,144</u>
Expenses:		
Program Expenses:		
Safety	363,445	334,859
Sanitation	910,939	885,824
Marketing	484,786	465,494
Social services	85,782	80,030
Public improvements	658,185	602,574
Total program expenses	<u>2,503,137</u>	<u>2,368,781</u>
Management and general	325,437	300,271
Fundraising	19,696	24,113
Total expenses	<u>2,848,270</u>	<u>2,693,165</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	106,018	510,979
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>106,018</u>	<u>510,979</u>
Net assets, beginning of year	<u>2,091,502</u>	<u>1,580,523</u>
Net assets, end of year	<u>\$ 2,197,520</u>	<u>\$2,091,502</u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 106,018	\$ 510,979
Adjustments for non-cash items included in operating activities:		
Investment holding (gains)/losses	(4,373)	(1,450)
Changes in assets and liabilities:		
Program revenue receivable	4,423	(4,423)
Contributions receivable	(9,400)	13,830
Prepaid expenses	(1,458)	289
Accrued expenses	(23,012)	33,101
Deferred income	-	(45,000)
Net cash provided/(used) by operating activities	<u>72,198</u>	<u>507,326</u>
Cash flows from investing activities:		
Purchase of debt investments	(1,395,487)	(1,398,654)
Redemption of debt investments	1,400,000	1,400,000
Net cash provided/(used) by investing activities	<u>4,513</u>	<u>1,346</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	76,711	508,672
Cash and cash equivalents, at beginning of year	<u>826,771</u>	<u>318,099</u>
Cash and cash equivalents, at end of year	<u>\$ 903,482</u>	<u>\$ 826,771</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 Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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.

Use of Estimates

Management uses estimates and assumptions in preparing the 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.

Board 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 statements of financial position and the statements 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 and sub-concession fees, and other marketing fees. 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.

Receivables

The Association 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.

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Checking and savings	\$ 744,715	\$ 425,384
Money market funds	<u>158,767</u>	<u>401,387</u>
	<u>\$ 903,482</u>	<u>\$ 826,771</u>

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

Note 3 – Investments

Investments in United States 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fair market value	\$1,399,860	\$1,400,000
Less: Cost	<u>1,395,487</u>	<u>1,398,654</u>
Unrealized holding gains/(losses)	<u>\$ 4,373</u>	<u>\$ 1,346</u>

Note 4 – Investment Income and Other Interest

Investment income reported on the statements of activities for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Interest from money funds	\$ 1,522	\$ 963
Investment holding gains/(losses)	<u>4,373</u>	<u>1,450</u>
Total investment income	<u>\$ 5,895</u>	<u>\$ 2,413</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, 2016 and 2015 amounted to \$12,728 and \$12,595, respectively.

Note 6 – Public Plaza License

In October 2009, the Association initially signed a five year license agreement, which was subsequently renewed through 2017 and included a one year renewal option, 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. The revenue from these sublicense agreements will go towards the cost of managing and maintaining 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, 2016 and 2015:

	<u>2016</u>	<u>2015</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>(25,455)</u>	<u>(25,455)</u>
	<u>\$ -</u>	<u>\$ -</u>

Note 8 – Commitments and Contingencies

The Association leases office space under a noncancelable operating lease. Total rent and related expenses charged to operations for the years ended June 30, 2016 and 2015 was \$120,037 and \$91,521, respectively. As of June 30, 2016 minimum aggregate annual rentals are as follows:

Year ended June 30, 2017	\$ 107,625
2018	110,316
2019	113,074
2020	115,900

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, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Institution balances	\$ 2,359,010	\$ 2,286,723
Less: Amounts covered	<u>(750,000)</u>	<u>(750,000)</u>
Uninsured amounts (investments)	<u>\$ 1,609,010</u>	<u>\$ 1,536,723</u>

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

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, 2016 and 2015, \$31,135 and \$65,351, respectively, was received and reported as contributions in-kind on the accompanying statements of activities and consisted of donated legal fees, facilities, products, design, and production for marketing events and meetings.

Note 10 – Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through October 19, 2016, 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, 2016 and 2015, and have issued our report thereon dated October 19, 2016, 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
October 19, 2016

FLATIRON/23RD STREET PARTNERSHIP DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016								2015	
	Program Expenses					Supporting Services			Total Expenses	Total Expenses
	Safety	Sanitation	Marketing	Social Services	Public Improvement	Total Program	Management and General	Fundraising		
Personnel costs:										
Executive salaries	\$ 21,500	\$ 21,500	\$ 43,000	\$ 10,750	\$ 86,000	\$ 182,750	\$ 21,514	\$10,736	\$ 215,000	\$ 200,718
Program managers	39,200	39,200	86,971	9,725	65,048	240,144	16,534	5,815	262,493	261,653
Support salaries	3,415	3,415	17,186	1,708	11,043	36,767	13,908	-	50,675	42,534
Payroll taxes and benefits	9,204	9,204	26,998	3,631	31,068	80,105	13,615	3,145	96,865	94,428
Outside contractors	289,850	833,350	77,528	59,346	447,233	1,707,307	5,124	-	1,712,431	1,574,422
Total personnel costs	<u>363,169</u>	<u>906,669</u>	<u>251,683</u>	<u>85,160</u>	<u>640,392</u>	<u>2,247,073</u>	<u>70,695</u>	<u>19,696</u>	<u>2,337,464</u>	<u>2,173,755</u>
Direct expenses:										
Insurance	-	-	-	-	-	-	40,896	-	40,896	41,185
Rent and maintenance	-	-	-	-	-	-	120,237	-	120,237	91,521
Office expense	-	-	-	-	-	-	38,621	-	38,621	25,916
Postage and delivery	-	-	-	-	-	-	3,693	-	3,693	4,313
Printing	-	-	-	-	-	-	1,152	-	1,152	1,285
Professional fees	-	-	-	-	-	-	35,400	-	35,400	55,081
Program equipment	276	4,251	-	-	-	4,527	-	-	4,527	24,247
Special projects and events	-	-	200,286	622	13,846	214,754	-	-	214,754	209,043
Supplies	-	19	32,817	-	3,947	36,783	8,789	-	45,572	59,581
Telephone	-	-	-	-	-	-	5,954	-	5,954	7,238
Total direct expenses	<u>276</u>	<u>4,270</u>	<u>233,103</u>	<u>622</u>	<u>17,793</u>	<u>256,064</u>	<u>254,742</u>	<u>-</u>	<u>510,806</u>	<u>519,410</u>
Total expenses	<u>\$363,445</u>	<u>\$910,939</u>	<u>\$484,786</u>	<u>\$ 85,782</u>	<u>\$658,185</u>	<u>\$ 2,503,137</u>	<u>\$325,437</u>	<u>\$19,696</u>	<u>\$ 2,848,270</u>	<u>\$2,693,165</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2016**

	Total Expenses	Budget
Personnel costs:		
Executive salaries	\$ 215,000	\$ 190,000
Program managers	262,493	251,750
Support salaries	50,675	67,250
Payroll taxes and benefits	96,865	116,134
Outside contractors	1,712,431	1,701,000
Total personnel costs	<u>2,337,464</u>	<u>2,326,134</u>
Direct expenses:		
Insurance	40,896	42,000
Rent and maintenance	120,237	116,000
Office expenses	38,621	27,000
Postage and delivery	3,693	3,000
Printing	1,152	5,000
Professional fees	35,400	30,000
Program equipment	4,527	46,866
Special events and projects	214,754	227,500
Supplies	45,572	66,500
Telephone	5,954	10,000
Total direct expenses	<u>510,806</u>	<u>573,866</u>
Total expenses	<u>\$ 2,848,270</u>	<u>\$ 2,900,000</u>

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF PUBLIC PLAZA
ACTIVITIES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2016**

	<u>Actual Activity</u>	<u>DOT Plaza Budget</u>
Support and Revenues:		
Concession fees, sponsorships and gifts	\$ 438,403	
Expenses:		
Direct expenses:		
Cleaning contractor (Sanitation)	49,412	\$ 63,926
Security contractor (Safety)	62,457	49,458
Horticulture planting & maintenance contractor (Pub Imp)	90,381	79,351
Reconstruction contractor (Pub Imp)	54,600	28,000
Wifi (Pub Imp)	2,438	15,000
Programming and events (Mark)	76,703	95,000
Solar powered charging station (Pub Imp)	-	20,000
Equipment, furniture, supplies and other (Pub Imp & Mark)	5,919	20,000
Total direct expenses	<u>341,910</u>	<u>370,735</u>
Administrative costs:		
Salaries (Pub Imp)	80,974	66,750
Fringe (Pub Imp)	15,507	10,013
Professional fees (M&G)	750	-
Rent & Utilities (M&G)	12,460	-
Total administrative costs	<u>109,691</u>	<u>76,763</u>
Total expenses	<u>451,601</u>	<u>447,498</u>
Excess/(deficit) revenues from plaza activities	<u>(13,198)</u>	
Balance of Accrual Fund, at beginning of year	<u>342,437</u>	
Balance of Accrual Fund, at end of year	<u>\$ 329,239</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 and amended on September 14, 2010. The above expenses are included on Page 12 in the (program) noted above.