

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 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 statement of financial position of Flatiron/23rd Street Partnership District Management Association, Inc. as of June 30, 2007, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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, 2007, and the results of its activities and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Skody Scot & Company, CPAs, PC

September 21, 2007

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

ASSETS

Cash and cash equivalents	\$ 711,709
Contributions receivable	6,600
Prepaid expenses	10,043
Property and equipment, net	21,770
Organization costs, net	96,800
Security deposits	11,557
	<hr/>
Total assets	\$ 858,479
	<hr/>

LIABILITIES AND NET ASSETS

Liabilities:	
Accrued expenses	\$ 64,524
	<hr/>
Total liabilities	64,524
	<hr/>
Commitments and contingencies (see notes)	
Net Assets:	
Unrestricted	793,955
Temporarily restricted	-
Permanently restricted	-
	<hr/>
Total net assets	793,955
	<hr/>
Total liabilities and net assets	\$ 858,479
	<hr/>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Support and Revenues:

Unrestricted:

Assessment revenue	\$ 1,597,349
Contributions	120,420
Contributions in-kind	7,500
Interest income	29,303
	<hr/>
Total support and revenues	1,754,572

Expenses:

Program Expenses:

Safety	54,289
Sanitation	405,485
Marketing	229,654
Social services	17,271
Public improvements	22,869
	<hr/>
Total program expenses	729,568

Management and general	223,150
Fundraising	7,899
	<hr/>
Total expenses	960,617

Increase/(Decrease) In Net Assets:

Unrestricted	793,955
Temporarily restricted	-
Permanently restricted	-
	<hr/>
Increase/(decrease) in net assets	793,955

Net assets, beginning of year	<hr/> -
Net assets, end of year	<hr/> <u>\$ 793,955</u>

See accompanying notes to financial statements.

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ 793,955
Adjustments for non-cash items included in operating activities:	
Depreciation and amortization	27,885
Changes in assets and liabilities:	
Contributions receivable	(6,600)
Prepaid expenses	(10,043)
Security deposits	(11,557)
Organizational costs	(121,000)
Accrued expenses	64,524
Net cash provided/(used) by operating activities	<u>737,164</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(25,455)</u>
Net cash provided/(used) by investing activities	<u>(25,455)</u>
Cash flows from financing activities	<u>-</u>
Net increase/(decrease) in cash	711,709
Cash at beginning of year	<u>-</u>
Cash at end of year	<u><u>\$ 711,709</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. 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 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, in February 2007, the Finance Committee of the Board of Directors created a capital reserve fund with \$250,000 for future Public Improvement projects.

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

Note 2 - Property and Equipment

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

Equipment	\$ 20,164
Furniture & Fixtures	1,066
Leasehold Improvements	<u>4,225</u>
	25,455
Less: Accumulated depreciation and amortization	(3,685)
	<u>\$ 21,770</u>

Note 3 - Cash and Cash Equivalents

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

Cash	\$ 35,384
Money fund	<u>676,325</u>
	<u>\$ 711,709</u>

Note 4 - Commitments and Contingencies

The Association leases office space under a noncancelable operating lease. Total rent expense charged to operations for the year ended June 30, 2007 was \$55,960. During the year ended June 2007, the Association had a temporary subtenant who paid \$17,900, which offset the rent incurred. As of June 30, 2007 minimum aggregate annual rentals are as follows:

Year ended June 30, 2008	\$ 69,312
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 year ended June 30, 2007 as follows:

Institution balances	\$ 840,497
Less: Amounts covered	(100,000)
Uninsured amounts	<u>\$ 740,497</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 audit of the basic financial statements included in the preceding section of this report was 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 21, 2007

FLATIRON/23RD STREET PARTNERSHIP DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 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	\$ 10,027	\$ 10,028	\$ 35,095	\$ 10,027	\$ 10,027	\$ 75,204	\$ 20,791	\$ 5,014	\$ 101,009
Program managers	22,500	22,500	42,712	5,000	9,563	102,275	11,102	1,912	115,289
Support salaries	-	-	2,920	-	-	2,920	7,044	-	9,964
Payroll taxes and benefits	3,773	3,773	12,720	2,244	3,279	25,789	6,198	973	32,960
Outside contractors	17,933	265,035	48,490	-	-	331,458	20,007	-	351,465
Total personnel costs	54,233	301,336	141,937	17,271	22,869	537,646	65,142	7,899	610,687
Direct expenses:									
Insurance	-	-	-	-	-	-	25,726	-	25,726
Depreciation	-	-	-	-	-	-	27,885	-	27,885
Rent and maintenance	-	-	-	-	-	-	41,217	-	41,217
Office expense	-	-	-	-	-	-	21,608	-	21,608
Postage and delivery	-	-	-	-	-	-	984	-	984
Professional fees	-	-	-	-	-	-	20,958	-	20,958
Program equipment	-	98,262	775	-	-	99,037	-	-	99,037
Printing	-	-	3,182	-	-	3,182	7,308	-	10,490
Special events and projects	-	5,730	81,218	-	-	86,948	-	-	86,948
Supplies	56	157	2,542	-	-	2,755	4,895	-	7,650
Telephone	-	-	-	-	-	-	7,427	-	7,427
Total direct expenses	56	104,149	87,717	-	-	191,922	158,008	-	349,930
Total expenses	\$ 54,289	\$ 405,485	\$ 229,654	\$ 17,271	\$ 22,869	\$ 729,568	\$ 223,150	\$ 7,899	\$ 960,617

**FLATIRON/23RD STREET PARTNERSHIP
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2007**

	Total Expenses	Budget
Personnel costs:		
Executive salaries	\$ 101,009	\$ 110,000
Program managers	115,289	150,000
Support salaries	9,964	35,000
Payroll taxes and benefits	32,960	58,100
Outside contractors	351,465	634,000
Total personnel costs	610,687	987,100
Direct expenses:		
Insurance	25,726	21,000
Depreciation and amortization	27,885	-
Rent and maintenance	41,217	85,000
Office expenses	21,608	27,000
Postage and delivery	984	10,000
Printing	10,490	7,500
Professional fees	20,958	25,000
Program equipment	99,037	106,000
Special events and projects	86,948	16,875
Supplies	7,650	65,525
Telephone	7,427	12,000
Total direct expenses	349,930	375,900
Total expenses	\$ 960,617	\$ 1,363,000