

125<sup>TH</sup> STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Board of Directors  
125<sup>th</sup> Street District Management Association, Inc.

I have audited the accompanying statement of financial position of 125<sup>th</sup> Street District Management Association, Inc. as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 125<sup>th</sup> Street District Management Association, Inc. as of June 30, 2011 and 2010, and the results of its activities and changes in net assets, of its functional expenses and of its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

 Stephen Franciosa CPA

City Island, New York  
December 16, 2011

125TH STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 146,471	\$ 154,843
Accounts receivable	629	711
Prepaid expenses	12,055	4,610
Total Current Assets	159,155	160,164
Fixed Assets		
Furniture, equipment and improvements - net of accumulated depreciation of \$105,794 and 100,940 (Note 2)	18,244	3,763
Other Assets		
Security deposits	15,935	16,660
Lease costs - net of accumulated amortization of \$4,179 and \$1,791	19,701	22,089
Total Assets	\$ 213,035	\$ 202,676

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 34,288	\$ 52,862
Accrued payroll payable	2,602	1,887
Total Current Liabilities	36,890	54,749
Net Assets		
Unrestricted	176,145	147,927
Restricted	0	0
Total Net Assets	176,145	147,927
Total Liabilities and Net Assets	\$ 213,035	\$ 202,676

See notes to financial statements.

125TH STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Support and Revenue		
BID assessments	\$ 867,390	\$ 842,126
Government grant - released from restriction	0	2,606
Fundraising and special events	62,766	14,574
Bank interest income	90	130
In-kind - rent	0	3,000
Total Support and Revenue	930,246	862,436
Expenses		
Program services	678,203	657,085
Management and general	223,825	130,115
Total Expenses	902,028	787,200
Change in unrestricted net assets	28,218	75,236
Net assets		
Unrestricted - Beginning of Year	147,927	72,691
- End of Year	176,145	147,927
Restricted - Beginning of Year	\$ 0	\$ 2,606
- released from restrictions	0	(2,606)
- End of Year	0	0
Net assets - End of year	\$ 176,145	\$ 147,927

See notes to financial statements.

125TH STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

2011

	Program Services	Management & General	Total
Salaries	\$ 100,880	100,880	\$ 201,760
Payroll taxes and benefits	11,707	11,707	23,414
Sanitation	183,737	0	183,737
Holiday lighting	43,559	0	43,559
Promotion	42,331	0	42,331
Rent and utilities	63,427	38,875	102,302
Telephone and internet	7,749	4,649	12,398
Postage	297	297	594
Printing	0	0	0
Office supplies and expenses	3,484	5,226	8,710
Professional fees	0	16,575	16,575
Consultants	0	0	0
Insurance	0	21,146	21,146
Public safety	221,032	0	221,032
Rent - in-kind - public safety	0	0	0
Travel, meetings and conferences	0	7,254	7,254
Leased equipment and minor purchases	0	3,422	3,422
Payroll service fees	0	2,289	2,289
Other	0	4,263	4,263
Depreciation	0	4,854	4,854
Amortization	0	2,388	2,388
	<u>\$ 678,203</u>	<u>\$ 223,825</u>	<u>\$ 902,028</u>

2010

	Program Services	Management & General	Total
Salaries	\$ 136,530	53,096	\$ 189,626
Payroll taxes and benefits	10,164	3,571	13,735
Sanitation	164,769	0	164,769
Holiday lighting	0	0	0
Promotion	15,543	0	15,543
Rent and utilities	61,436	16,600	78,036
Telephone and internet	13,585	4,772	18,357
Postage	416	146	562
Printing	668	0	668
Office supplies and expenses	8,135	4,007	12,142
Professional fees	0	21,038	21,038
Consultants	0	1,928	1,928
Insurance	19,184	8,574	27,758
Public safety	217,272	0	217,272
Rent - in-kind - public safety	3,000	0	3,000
Travel, meetings and conferences	1,625	6,500	8,125
Leased equipment and minor purchases	3,081	1,028	4,109
Payroll service fees	0	2,156	2,156
Other	0	6,140	6,140
Depreciation	334	111	445
Amortization	1,343	448	1,791
	<u>\$ 657,085</u>	<u>\$ 130,115</u>	<u>\$ 787,200</u>

See notes to financial statements.

125TH STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<b>Cash Flows From Operating Activities</b>		
Change in net assets - Unrestricted	\$ 28,218	\$ 75,236
- Restricted	<u>0</u>	<u>(2,606)</u>
	\$ 28,218	\$ 72,630
<b>Adjustment to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	4,854	445
Amortization	2,388	1,791
Decrease (increase) in accounts receivable	82	(498)
(Increase) decrease in prepaid expenses	(7,445)	5,112
Decrease (increase) in security deposits	725	(13,810)
(Increase) in lease costs	0	(23,880)
(Decrease) in accounts payable and accrued expenses	(18,574)	(32,145)
Increase (decrease) in accrued payroll payable	715	(43)
<b>Total Cash Flows Provided By Operating Activities</b>	<u>10,963</u>	<u>9,602</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of furniture, equipment and improvements	(19,335)	(3,886)
<b>Total Cash Flows (Used In) Investing Activities</b>	<u>(19,335)</u>	<u>(3,886)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(8,372)	5,716
<b>Cash - Beginning of Year</b>	<u>154,843</u>	<u>149,127</u>
<b>Cash - End of Year</b>	<u>\$ 146,471</u>	<u>\$ 154,843</u>

See notes to financial statements.

125<sup>TH</sup> STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

Note 1 - Organization and Significant Accounting Policies

Organization

125<sup>TH</sup> Street District Management Association, Inc. (the "Organization") is a New York State not-for-profit corporation whose basic purpose is to administer the activities of the New York City sponsored Business Improvement District Program (the "BID") in the central Harlem area of New York City.

The BID is a financing mechanism that provides additional funds within the BID geographical boundary for services beyond those already provided by the City. The predominant source of these funds is New York City BID assessments to property owners within the BID boundaries. In addition, as available, additional funds may be received from additional government agencies and other funding sources to supplement the Organization's activities.

The Organization is designated a District Management Association ("DMA") and is made up of a majority of property owners, commercial and residential tenants, and representatives of New York City offices.

Some of the services to the BID area include, but are not limited to:

1. Increased sanitation
2. Increased security
3. Beautification
4. Capital improvements

Tax Status

The Organization is exempt from federal income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income taxes has been made in these financial statements.

Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recorded as earned and expenses recorded as incurred.

Basis of Presentation

The Organization follows Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under FAS No. 117, Organizations are 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.

Unrestricted - represents all activity that has not been restricted by donors.

Temporarily restricted - represents donor restricted contributions whose restrictions have not been met at year end but whose restrictions are anticipated to be met in the future.

Permanently restricted - represents donor restricted assets which must remain intact. These types of assets are commonly referred to as endowment. The Organization did not have any permanently restricted net assets at year ended June 30, 2011 or 2010.

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.



125<sup>TH</sup> STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

Note 1 - Organization and Significant Accounting Policies (continued)

Contributions and Fundraising

In accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received with donor stipulations that limit the use of the assets are reported as restricted support. When a restriction expires, that is, when a stipulation time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reports in the statement of activities as net assets released from restrictions. In addition, those contributions whose restrictions lapse in the same period the contribution is made are recorded as unrestricted.

Furniture, Equipment and Improvements

Furniture, equipment and improvements are stated at cost.

Depreciation is provided for annually, based on the useful lives of the assets. Depreciation has been computed on the straight-line basis for periods of three to seven years.

Cash and Cash Equivalents

Cash and cash equivalents consists of all cash in bank accounts and any highly liquid financial instruments purchased with a maturity of three months or less.

Concentration of Revenue, Risk and Control

The Organization deposits money with credit worthy institutions that are insured with the Federal Deposit Insurance Corporation which limits the amount of coverage to \$250,000 in aggregate. During the year, it could have deposits which exceed this FDIC limit. At June 30, 2011 and 2010, the Organization did not have any uninsured balances. As of the date of this report, the FDIC increased limits of \$250,000 are expected to expire on December 31, 2013. The BID adopted a policy at its October 2010 meeting instructing the finance committee to make recommendations to the Board on how to invest cash and cash equivalents over the amounts insured until needed.

The Organization operates in a limited geographical area. Its revenues are ultimately linked to property owners continuing to pay their BID assessments to the City of New York.

Likewise, the Organization is dependent upon future contract renewals with the City of New York, in addition to the City's timely disbursement of BID assessments. The Organization's contract with the City of New York has been extended to June 30, 2012.

October 28, 2010 the Board of Directors adopted a policy for the Finance Committee to recommend the investment policy for the BID to the Board. The approved investment policy will provide the general guidelines regarding the type of investment appropriate and the objectives of each investment. The Bookkeeper and President shall implement the Board's investment policy.

Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

125<sup>TH</sup> STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011 AND 2010

Note 2 - Fixed Assets

As of year-end, the BID's fixed assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 62,626	\$ 62,626
Furniture	14,951	14,951
Computers	46,461	27,126
Less: accumulated depreciation	<u>(105,794)</u>	<u>(100,940)</u>
Total fixed assets at year-end	<u>\$ 18,244</u>	<u>\$ 3,763</u>

Note 3 - Lease Commitment

The organization has relocated as of October 1, 2009 to 360 West 125<sup>th</sup> Street, New York City. Estimated projected future annual minimum rental are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2012	\$ 91,688
June 30, 2013	93,980
June 30, 2014	96,329
June 30, 2015	98,737
June 30, 2016	101,206
Thereafter (to September 30, 2019)	346,467

Office equipment leases are minor and, accordingly, not considered material.

Note 4 - Other Commitments

At years ended June 30, 2011 and 2010, the BID contracted for its annual sanitation at a cost of approximately \$15,000 per month. For the year ended June 30, 2012, estimated costs are anticipated to be \$180,000.

The Organization also has a Public Safety commitment for the year ended June 30, 2011 and June 30, 2010 of approximately \$221,000 and \$217,000, respectively. For the year ended June 30, 2012, estimated costs are anticipated to be \$221,000.

Note 5 - Compensated Absences

Vacation and sick pay are considered expenditures in the year paid. Upon termination, an employee is compensated for any accrued but unpaid vacation pay. At year-end June 30, 2011 and 2010, there was no liability.

125<sup>TH</sup> STREET DISTRICT MANAGEMENT ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 6 - Fundraising and Special Events

Special events could include community service oriented projects such as summer concerts, special business meetings and outreach activities. There were no special events in years ending June 30, 2011 and 2010.

In June of 2006, the BID launched a one-year pilot project to install thirty-one new advertising litter receptacles. Due to the success of the program, Department of Sanitation approved expansion of the program for two years and up to one hundred twenty-five receptacles. Due to this strategic alliance agreement (contract) with OutdoorPartner Media Corporation, a percentage of the revenue generated from the advertising goes to the BID. At years ended June 30, 2011 and 2010, the BID earned approximately \$2,510 and \$2,100, respectively.

Note 7 - Management's Review

In preparing the financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through December 16, 2011, the date that the financial statements were available to be issued.