

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Board of Directors
125th Street District Management Association, Inc.

Report on Financial Statements

I have audited the accompanying statement of financial position of 125th Street District Management Association, Inc. as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, of functional expenses, and of 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 included the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

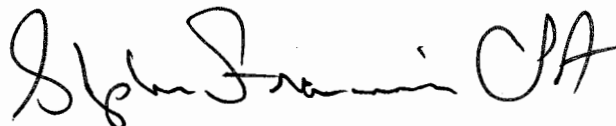
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of 125th Street District Management Association, Inc. as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, of functional expenses, and of cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



City Island, New York
December 6, 2013

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 168,795	\$ 181,254
Accounts receivable	14,034	428
Prepaid expenses	<u>12,783</u>	<u>4,555</u>
Total Current Assets	<u>195,612</u>	<u>186,237</u>
Fixed Assets		
Furniture, equipment and improvements - net of accumulated depreciation of \$117,183 and \$110,666 (Note 2)	18,381	22,661
Other Assets		
Security deposits	15,935	15,935
Lease costs - net of accumulated amortization of \$8,955 and \$6,567	<u>14,925</u>	<u>17,313</u>
Total Other Assets	<u>30,860</u>	<u>33,248</u>
 Total Assets	 <u>\$ 244,853</u>	 <u>\$ 242,146</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 94,339	\$ 57,294
Accrued payroll payable	<u>0</u>	<u>6,896</u>
Total Current Liabilities	<u>94,339</u>	<u>64,190</u>
Net Assets		
Unrestricted	<u>150,514</u>	<u>177,956</u>
Total Net Assets	<u>150,514</u>	<u>177,956</u>
 Total Liabilities and Net Assets	 <u>\$ 244,853</u>	 <u>\$ 242,146</u>

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, 2013 AND 2012

	2013	2012
Support and Revenue		
BID assessments	\$ 914,144	\$ 893,411
Fundraising and special events	55,237	104,362
Bank interest income	86	83
Grants and contributions, net of expenses of \$17,657	325	0
Total Support and Revenue	969,792	997,856
Expenses		
Program services	797,804	777,348
Management and general	199,430	218,697
Total Expenses	997,234	996,045
Change in unrestricted net assets	(27,442)	1,811
Net assets - Unrestricted - Beginning of Year	177,956	176,145
Net assets - Unrestricted - End of Year	\$ 150,514	\$ 177,956

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2013

	Program Services	Management & General	Total
Salaries	\$ 156,191	\$ 52,064	\$ 208,255
Payroll taxes and benefits	16,529	5,510	22,039
Sanitation	172,552	19,172	191,724
Holiday lighting	77,594	0	77,594
Promotion	24,781	8,260	33,041
Rent and utilities	77,122	25,707	102,829
Telephone and internet	8,637	2,879	11,516
Postage	850	315	1,165
Office supplies and expenses	10,051	3,350	13,401
Professional fees	14,931	4,977	19,908
Consultants	6,795	2,265	9,060
Insurance	23,660	7,886	31,546
Public safety	205,504	22,834	228,338
Travel, meetings and conferences	0	5,296	5,296
Leased equipment and minor purchases	2,607	869	3,476
Payroll service fees	0	2,627	2,627
Other	0	26,514	26,514
Depreciation	0	6,517	6,517
Amortization	0	2,388	2,388
	<u>\$ 797,804</u>	<u>\$ 199,430</u>	<u>\$ 997,234</u>

2012

	Program Services	Management & General	Total
Salaries	\$ 155,155	\$ 51,718	\$ 206,873
Payroll taxes and benefits	20,880	6,960	27,840
Sanitation	172,049	19,116	191,165
Holiday lighting	35,710	35,710	71,420
Promotion	53,204	17,734	70,938
Rent and utilities	74,699	24,900	99,599
Telephone and internet	9,820	3,274	13,094
Postage	765	270	1,035
Office supplies and expenses	8,653	2,885	11,538
Professional fees	14,393	4,677	19,070
Consultants	3,038	1,012	4,050
Insurance	17,656	5,885	23,541
Public safety	208,700	23,189	231,889
Travel, meetings and conferences	0	3,203	3,203
Leased equipment and minor purchases	2,626	875	3,501
Payroll service fees	0	2,375	2,375
Other	0	7,654	7,654
Depreciation	0	4,872	4,872
Amortization	0	2,388	2,388
	<u>\$ 777,348</u>	<u>\$ 218,697</u>	<u>\$ 996,045</u>

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets - Unrestricted	\$ (27,442)	\$ 1,811
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	6,517	4,872
Amortization	2,388	2,388
(Increase) decrease in accounts receivable	(13,606)	201
(Increase) decrease in prepaid expenses	(8,228)	7,500
Increase in accounts payable and accrued expenses	37,045	23,006
(Decrease) increase in accrued payroll payable	(6,896)	4,294
Total Cash Flows (Used In) Provided By Operating Activities	(10,222)	44,072
Cash Flows (Used In) Investing Activities		
Purchases of furniture, equipment and improvements	(2,237)	(9,289)
Total Cash Flows (Used In) Investing Activities	(2,237)	(9,289)
Net (decrease) increase in cash and cash equivalents	(12,459)	34,783
Cash - Beginning of Year	181,254	146,471
Cash - End of Year	\$ 168,795	\$ 181,254

See notes to financial statements.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 1 - Organization and Significant Accounting Policies

Organization

125th 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.

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, 2013 or 2012.

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.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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 ongoing 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, 2017.

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 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.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013 AND 2012

Note 2 - Fixed Assets

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

	<u>2013</u>	<u>2012</u>
Equipment	\$ 63,335	\$ 62,626
Furniture	17,351	17,351
Computers	54,878	53,350
Less: accumulated depreciation	<u>(117,183)</u>	<u>(110,666)</u>
 Total fixed assets at year-end	 <u>\$ 18,381</u>	 <u>\$ 22,661</u>

Note 3 - Lease Commitment

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

<u>Year Ended</u>	<u>Amount</u>
June 30, 2014	96,329
June 30, 2015	98,737
June 30, 2016	101,206
June 30, 2017	103,736
June 30, 2018	106,329
Thereafter (to September 30, 2019)	136,402

Office equipment leases are not considered material.

Note 4 - Other Commitments

At years ended June 30, 2013 and 2012, the BID contracted for its annual sanitation at a cost of approximately \$15,000 per month. For the year ended June 30, 2014, estimated costs are anticipated to be \$180,000.

The Organization also had a Public Safety commitment for the years ended June 30, 2013 and June 30, 2012 of approximately \$228,000 and \$232,000, respectively. For the year ended June 30, 2014, estimated costs are anticipated to be \$212,538.

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, 2013 and 2012, there was no liability.

125th STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012.

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, 2013 and 2012, the BID earned approximately \$1,237 and \$2,033, 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 30, 2013, the date that the financial statements were available to be issued.

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December 30, 2013

Attn: Management
125th Street District Management Association, Inc.
360 West 125th Street, Suite 11
New York, NY 10027

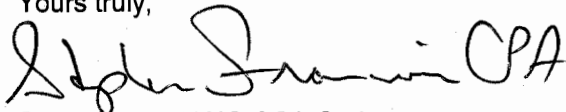
In planning and performing my audit of the financial statements of 125th Street District Management Association, Inc. as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered 125th Street District Management Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing my auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management and the Board, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,



STEPHEN FRANCIOSA CPA
/mr

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December 30, 2013

Management and the Board of Directors
125th Street District Management Association
360 West 125th St Suite 11
New York, NY 10027

Gentlemen:

I have completed my audit of the financial statements of 125th Street District Management Association as of and for the year ended June 30, 2013 and have issued my report dated December 6, 2013.

Professional standards require the auditor to provide the board and/or the audit committee with additional information regarding the scope and results of the audit that may assist the board committee to overseeing management's financial reporting and disclosure processes. Below I summarize the required communications.

Area

Comments

Auditor's Responsibilities under Generally Accepted Auditing Standards (GAAS)

The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS, which provides for reasonable, rather than absolute, assurance that the Financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal controls sufficient to plan our audit and to determine the nature, timing and extent of testing performed.

I have issued an unqualified opinion on financial statements for the year ended June 30, 2013.

Auditor's Responsibilities for Reporting Internal Controls and Compliance with Laws and Regulations

I have written a management letter setting forth our comments.

Nature of Any Additional Testing of Internal Controls and Compliance with Laws and Regulations.

There was no additional testing of internal controls.

Significant Accounting Policies

Initial selections of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.

There were no initial selections of significant accounting policies or new reporting standards implemented during the year.

Area**Comments****Auditor's Judgments About the Quality of 125th Street District Management Association's Accounting Principles**

Auditor's judgments about the quality, not just the acceptability, of accounting principles as applied in their financial reporting is required to be communicated to the finance committee. Ultimately, the responsibility for accounting principles rests with management. Our comments include the following:

Consistency

Management consistently applied accounting principles generally accepted in the United States in 2013.

Clarity and Completeness of Financial Statements and Related Disclosure

Management adheres to the Audit and Accounting Guide for Not-for-Profit Organizations for financial statement presentation. I believe the June 30, 2013 financial statements are clear and complete.

Unusual Transactions

There were no unusual transactions during the fiscal year ended June 30, 2013.

Representational Faithfulness

Management makes certain representations as to the auditor's access to books and records. I have not encountered a situation whereby I would question management's representations to me. Likewise, estimates and representations used in financial statements have not resulted in restatements due to errors, omissions, or misrepresentations.

Verifiability

Amounts recorded in the financial statements are, when material to our overall audit scope, verified via supporting analysis, documentation and/or confirmation.

Neutrality of Accounting Information

Objective discussions with management surrounding judgmental areas are consistent throughout the year. Policy, protocol and estimation processes generally are not changed based on operating results, although attention is given to the impact of unusual or nonrecurring transactions.

Management Judgments and Accounting Estimates

The preparation of financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the

Management's judgment and estimates that related to these accounts appear reasonable, within acceptable ranges of estimation, given the subjectivity of these accounts.

Area	Comment
financial statements and the possibility that future events may differ significantly from management's expectations.	
Significant Audit Adjustments	There were no material recorded audit adjustments that had an impact on the change in net assets. There are no unrecorded audit differences.
Other Information in Documents Containing Audited Financial Statements	None.
Disagreements with Management on Financial Accounting and Reporting Matters	During the course of the 2013 audit, there were no disagreements with management.
Major Issues Discussed with Management Prior to Retention	There were no major accounting issues discussed prior to our retention.
Serious Difficulties Encountered in Performing the Audit	There were no significant difficulties encountered in performing the audit.
Material Errors, Fraud and Illegal Acts	I am not aware of any material errors, fraud, or possible material illegal acts.
Material Weaknesses in Internal Controls	I am not aware of any material weaknesses in internal controls. However, the size of the Organization's accounting and administrative staff precludes certain internal control that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

I have discussed these matters during the audit, with management and with the Audit Committee of the Board through December 30, 2013.

These communications are intended solely for the information and use of management, the board of directors and others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yours truly,



STEPHEN FRANCIOSA CPA

/mr