

STEINWAY STREET DISTRICT
MANAGEMENT ASSOCIATION, INC

AUDITED
FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Steinway Street District Management Association, Inc.

I have audited the accompanying statements of financial position of Steinway Street District Management Association, Inc. as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Steinway Street District Management Association, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the 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 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. 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 positions of Steinway Street District Management Association, Inc. as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Paul Soobryan

New York, New York
September 2, 2011

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30,

	<u>Assets</u>	
<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash - note 2	\$ <u>213,875</u>	<u>178,257</u>
Total assets	\$ <u><u>213,875</u></u>	<u><u>178,257</u></u>
<u>Liability and Net Assets</u>		
<u>Liability</u>		
Accounts payable	\$ <u>31,585</u>	<u>6,656</u>
Contingency - note 4		
<u>Net Assets</u>		
Unrestricted	<u>182,290</u>	<u>171,601</u>
Total liability and net assets	\$ <u><u>213,875</u></u>	<u><u>178,257</u></u>

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>Revenue</u>		
Property tax assessment	\$ 325,000	325,000
Street fair	9,500	9,500
Interest	1,902	2,461
Total revenue	<u>336,402</u>	<u>336,961</u>
<u>Expense</u>		
<u>Program</u>		
Sanitation	70,836	70,309
Security	1,295	55,925
Holiday decoration	31,100	29,250
Marketing and promotion	76,581	39,023
Streetcape and beautification	62,890	39,008
Total	<u>242,702</u>	<u>233,515</u>
<u>Administrative and general</u>		
Management fee	72,000	58,000
General and administrative expenses	11,011	8,876
Total	<u>83,011</u>	<u>66,876</u>
Total expenses	<u>325,713</u>	<u>300,391</u>
Change in net assets	10,689	36,570
Net assets at beginning of year	<u>171,601</u>	<u>135,031</u>
Net assets at end of year	<u>\$ 182,290</u>	<u>171,601</u>

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ <u>10,689</u>	<u>36,570</u>
<u>Adjustments to reconcile change in net assets to cash flows</u>		
Decrease in accounts receivable	-	6,370
Increase / (decrease) in accounts payable	<u>24,929</u>	<u>(10,727)</u>
Total adjustments	<u>24,929</u>	<u>(4,357)</u>
 Net cash provided by operating activities represented net increase in cash	 35,618	 32,213
 Cash at beginning of year	 <u>178,257</u>	 <u>146,044</u>
 Cash at end of year	 <u>\$ <u>213,875</u></u>	 <u>178,257</u>

See accompanying notes to financial statements.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 1 Organization

The Steinway Street District Management Association, Inc., (the "Association"), a not-for-profit organization, was incorporated in the State of New York in 1983. The purpose of the Association was to provide supplemental services in the Steinway Street Business Improvement District (the "SBID") in which it was created. The Association primarily receives its support from a special assessment on commercial properties located in the SBID, levied by the City of New York.

The Association is tax-exempt from federal income tax under Internal Revenue Code 501(c)(3) and similar provision of the State code.

Note 2 Significant Accounting Policies
Financial Statement Presentation

The Association's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The classification of the Association's net assets and its support and revenue is based on the existence or absence of donor-imposed restrictions. It requires that the amount for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by Steinway Street District Management Association, Inc. is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Steinway Street District Management Association, Inc.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 2 Significant Accounting Policies (continued)

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Activities and revenue recognition

The Association entered into contract with New York City Department of Small Business Services to provide supplemental municipal service to the SBID as defined in the contract. The Association recognizes its revenue when assessments are received from the City's allotment for the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed assets

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the property and equipment. The Organization capitalizes any asset they determine will be maintained for an extended period of time.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, grants and contract and program fees receivable, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Subsequent Events – Management has evaluated subsequent events and transactions that occurred after the statement of financial position date through September 2, 2011. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

STEINWAY STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

- Note 2 Significant Accounting Policies (continued)
 General and administrative expenses
 The Association classifies expenses not directly related to the provision of the program services as general and administrative expenses.
- Note 3 Management fee and related party transaction
 The Association shares common office space and certain support staff with Central Astoria Local Development Coalition, Inc., (“CALDC”), a non-profit organization. Those costs, along with other management services provided by CALDC to the Association, were included as management fee under a three-year contract (ends June 30, 2013) entered between the Association and CALDC. Management fees paid to CALDC for the years ended June 30, 2011 and 2010 amounted to \$72,000 and \$58,000 respectively under the agreement. In addition, certain board members of the Association are also board members of CALDC.
- Note 4 Contingency
 The contract of the Association with the City of New York is subject to audits by the City. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined at this date. Disallowances or adjustments, if any, will be reflected in the financial statements in the year of settlement.
- Note 5 Concentration
 Financial instruments that potentially subject Central Astoria Local Development Coalition to concentration risk consist principally of cash deposits. The Federal Deposit Insurance Corporation (“FDIC”) insures accounts at each institution. Currently, the FDIC insures accounts for up to \$250,000 per depositor. Management believes the exposure to credit risk is minimal.

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September 16, 2011

To the Audit Committee
Steinway Street District Management Association

I have audited the financial statements of Steinway Street District Management Association, Inc. (the Organization) for the year ended June 30, 2011 and have issued my report thereon dated September 2, 2011. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated August 5, 2011, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Organization. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant policies used by the Organization are described in the notes to financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. I noted no transactions entered into by the Organization during the year, that were both significant and unusual, which under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. I evaluate the key factors and assumptions used to develop various accounting estimates in order to determine their reasonableness in relations to the financial statements taken as a whole, and noted no exceptions.

Audit Adjustments

For the purpose of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). I did not propose any audit adjustments to the financial statements for the year ended June 30, 2011.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

This information is intended solely for the use of the Audit Committee, the Board of Directors and Management of the Organization, and is not intended to be, and should not be, used by anyone other than these specific parties.

Paul Seobrya