

KRESCH & GERBASI LLP

CERTIFIED PUBLIC ACCOUNTANTS

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November 30, 2011

Mr. Fred Moehring
Grand Street District Management Association, Inc.

We have audited the financial statements of Grand Street District Management Association, Inc. for the year ended June 30, 2010, and have issued our report thereon dated September 22, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies by Grand Street District Management Association, Inc. are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2011.

Management Consultations with other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Very truly yours,



Kresch & Gerbasi LLP

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To the Board of Trustees of
Grand Street District Management Association, Inc.
Brooklyn, New York

We have audited the accompanying statements of financial position of Grand Street District Management Association, Inc. (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 audits provide 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 Grand Street District Management Association, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

To The Board of Trustees
Grand Street District Management Association, Inc.
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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2 are presented for purposes 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.

Kresch & Gerbasi LLP

Kresch & Gerbasi LLP
New York, NY

September 22, 2011

GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$171,267	\$143,059
Prepaid Expenses and Other Asssets	<u>4,726</u>	<u>3,668</u>
Total Current Assets	175,993	146,727
Fixed Assets:		
Furnishings and Equipment - Net	<u>16,963</u>	<u>17,405</u>
 TOTAL ASSETS	 <u>\$192,956</u>	 <u>\$164,132</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accrued Expenses	\$2,992	\$3,111
 Net Assets:		
Unrestricted	188,429	160,583
Restricted	<u>1,535</u>	<u>438</u>
Total Net Assets	<u>189,964</u>	<u>161,021</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$192,956</u>	 <u>\$164,132</u>

The accompanying notes are an integral part of this statement.

GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets:		
Support:		
Assessment Funds	\$181,168	\$181,168
Interest Income	<u>205</u>	<u>402</u>
Total Unrestricted Support	<u>181,373</u>	<u>181,570</u>
Program Expenses - Schedule 1	68,894	64,548
Management and General Expenses - Schedule 2	<u>84,633</u>	<u>94,233</u>
Total Expenses	<u>153,527</u>	<u>158,781</u>
Increase (Decrease) in Unrestricted Assets	\$27,846	\$22,789
Restricted Net Assets:		
Contributions	4,150	500
Program Expenses:		
Purchase of Toys and Photos	<u>3,053</u>	<u>3,183</u>
Increase (Decrease) in Restricted Assets	<u>1,097</u>	<u>(2,683)</u>
Changes in Net Assets	28,943	20,106
Net Assets - Beginning of Year	<u>161,021</u>	<u>140,915</u>
NET ASSETS - END OF YEAR	<u>\$189,964</u>	<u>\$161,021</u>

The accompanying notes are an integral part of this statement.

**GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows Provided By (Used In) Operating Activities:		
Change in Net Assets	\$28,943	\$20,109
Adjustments to reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	1,487	1,788
(Increase) Decrease in Prepaid Expenses and Other Assets	(1,058)	621
Increase (Decrease) in Accrued Expenses and Taxes	<u>(119)</u>	<u>0</u>
Net Cash Provided By Operating Expenses	29,253	22,518
Cash Used in Financing Activities:		
Purchase of Fixed Assets	<u>(1,045)</u>	<u>(501)</u>
Net Increase in Cash	28,208	22,017
 Cash - Beginning of Year	 <u>143,059</u>	 <u>121,042</u>
 CASH - END OF YEAR	 <u>\$171,267</u>	 <u>\$143,059</u>

The accompanying notes are an integral part of this statement.

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

Note A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Grand Street District Management Association, Inc. ('GSDMA') is a not-for-profit organization, which manages the Grand Street Business Improvement District ('GSBID'), a six-block shopping district between Bushwick and Union Avenues in the East Williamsburg section of Brooklyn. GSDMA entered in to a contract with The City of New York to provide the GSBID with the following supplemental services: maintenance, holiday and seasonal decorations, promotion, administration and additional services which GSDMA determines useful.

Significant Accounting Policies

- (1) Fixed assets are capitalized and depreciated over their estimated useful lives computed on the straight line method.
- (2) The accompanying financial statements were prepared on the accrual basis of accounting.
- (3) GSDMA has adopted Statement of Financial Accounting Standards ('SFAS') No. 116 'Accounting for Contributions Received and Contributions Made', and SFAS No. 117 'Financial Statements of Not-For-Profit Organizations'. The provisions of these standards have been applied to the accompanying financial statements.

SFAS No. 116 established accounting standards for contributions received, including unconditional promises to give, to be recognized as revenue in the period received at their fair values and requires the organization to distinguish contributions received for each net asset category in accordance with donor-imposed restrictions.

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

SFAS No. 117 established standards for external financial statements provided by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three classes of net assets - permanently restricted, temporarily restricted, and unrestricted.

(4) Use of Estimates

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

(5) Income Taxes

The organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(s)(3).

Note B - Cash and Cash Equivalents

For purpose of the statement of cash flows, the Organization considers all all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

Note C - Furnishing and Equipment

Major classification of furnishing and equipment are summarized below:

	<u>JUNE 30,</u>	
	<u>2011</u>	<u>2010</u>
Leasehold Improvements	\$15,424	\$15,424
Office Equipment	<u>8,418</u>	<u>7,374</u>
Total	23,842	22,798
Accumulated Depreciation	<u>6,879</u>	<u>5,393</u>
 Net Furnishing and Equipment	 <u>\$16,963</u>	 <u>\$17,405</u>

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

Note D - Assessment Funds

The City of New York agreed to pay to the GSDMA all of the proceeds actually collected by the City pursuant to a special assessment levied by the City upon real property within the district. The assessment collected for the fiscal year ended June 30, 2009 was \$181,168. The assessment of \$181,168 was received during the current fiscal year.

NOTE E - Rent Commitment

On January 1, 2008, an agreement was entered into with The New York City Housing Authority to lease office space at 246 Graham Avenue, Brooklyn, New York effective January 1, 2008 and terminating on December 31, 2015.

Annual Lease Commitments:

June 30, 2011	\$11,791
June 30, 2012	\$12,144
June 30, 2013	\$12,509
June 30, 2014	\$12,884
June 30, 2015	\$ 6,537

GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE 1 - PROGRAM EXPENSES - UNRESTRICTED
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Holiday Lights	\$15,150	\$11,850
Weed Removal	555	0
Sanitation Services	41,525	43,082
Graffiti Removal	6,250	2,000
Promotions	<u>5,414</u>	<u>7,616</u>
TOTAL UNRESTRICTED PROGRAM EXPENSES	<u>\$68,894</u>	<u>\$64,548</u>

The accompanying notes are an integral part of this statement.

**GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE 2 - MANAGEMENT AND GENERAL EXPENSES - UNRESTRICTED
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Coordinator	\$53,195	\$53,999
Insurance	3,842	5,002
Professional Fees	3,160	3,100
Rent and Telephone	13,731	13,793
Utilities	771	706
Consultant	0	12,584
Meetings	59	128
Depreciation	1,487	1,788
Office Supplies and Postage	1,084	1,009
Payroll Processing	3,484	1,587
Hiring Expenses	3,000	0
Miscellaneous	811	537
Web Site Expense	<u>9</u>	<u>0</u>
TOTAL UNRESTRICTED MANAGEMENT AND GENERAL EXPENSES	<u>\$84,633</u>	<u>\$94,233</u>

The accompanying notes are an integral part of this statement.