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To The Board of Directors
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 nonprofit organization) as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the 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 audits.

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, 2012 and 2011 and the changes in its net assets and cash flows for the fiscal years then ended in conformity with accounting principles accepted in the United States.

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 statement in all material respects in relation to the financial statements as a whole.

Kresch + Gerbasi LLP
Kresch & Gerbasi LLP
New York, NY

November 12, 2012

GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash	\$170,324	\$171,267
Prepaid Expenses and Other Assets	<u>4,272</u>	<u>4,726</u>
Total Current Assets	174,596	175,993
Fixed Assets:		
Furnishings and Equipment - Net	<u>16,147</u>	<u>16,963</u>
 TOTAL ASSETS	 <u>\$190,743</u>	 <u>\$192,956</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accrued Expenses	\$7,862	\$2,992
Net Assets:		
Unrestricted	182,881	188,429
Restricted	<u>0</u>	<u>1,535</u>
Total Net Assets	<u>182,881</u>	<u>189,964</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$190,743</u>	 <u>\$192,956</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>2012</u>	<u>2011</u>
Unrestricted Net Assets:		
Support:		
Assessment Funds	\$181,169	\$181,168
Interest Income	<u>309</u>	<u>205</u>
Total Unrestricted Support	<u>181,478</u>	<u>181,373</u>
Program Expenses - Schedule 1	76,512	68,894
Management and General Expenses - Schedule 2	<u>110,514</u>	<u>84,633</u>
Total Expenses	<u>187,026</u>	<u>153,527</u>
Increase (Decrease) in Unrestricted Assets	(\$5,548)	\$27,846
Restricted Net Assets:		
Contributions	0	500
Program Expenses:		
Purchase of Toys and Photos	<u>1,535</u>	<u>3,053</u>
Increase (Decrease) in Restricted Assets	<u>(1,535)</u>	<u>1,097</u>
Changes in Net Assets	(7,083)	28,943
Net Assets - Beginning of Year	<u>189,964</u>	<u>161,021</u>
NET ASSETS - END OF YEAR	<u>\$182,881</u>	<u>\$189,964</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows Provided By (Used In) Operating Activities:		
Change in Net Assets	(\$7,083)	\$28,943
Adjustments to reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	1,786	1,487
(Increase) Decrease in Prepaid Expenses and Other Assets	454	(1,058)
Increase (Decrease) in Accrued Expenses and Taxes	<u>4,870</u>	<u>(119)</u>
Net Cash Provided By Operating Expenses	27	29,253
Cash Used in Financing Activities:		
Purchase of Fixed Assets	<u>(970)</u>	<u>(1,045)</u>
Net Increase (Decrease) in Cash	(943)	28,208
Cash - Beginning of Year	<u>171,267</u>	<u>143,059</u>
CASH - END OF YEAR	<u>\$170,324</u>	<u>\$171,267</u>

The accompanying notes are an integral part of this statement.

GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2012 AND 2011

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 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>2012</u>	<u>2011</u>
Leasehold Improvements	\$15,424	\$15,424
Office Equipment	<u>9,388</u>	<u>8,418</u>
Total	24,812	23,842
Accumulated Depreciation	<u>8,665</u>	<u>6,879</u>
Net Furnishing and Equipment	<u>\$16,147</u>	<u>\$16,963</u>

GRAND STREET DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2011 was \$181,169. 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, 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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Holiday Lights	\$18,129	\$15,150
Weed Removal	0	555
Sanitation Services	44,958	41,525
Graffiti Removal	7,602	6,250
Promotions	<u>5,823</u>	<u>5,414</u>
TOTAL UNRESTRICTED PROGRAM EXPENSES	<u>\$76,512</u>	<u>\$68,894</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Coordinator	\$64,815	\$53,195
Health Insurance	5,274	0
Insurance	3,912	3,842
Professional Fees	2,970	3,160
Rent and Telephone	13,591	13,731
Utilities	1,262	771
Meetings	1,377	59
Depreciation	1,786	1,487
Office Supplies and Postage	1,280	1,084
Payroll Processing	3,038	3,484
Hiring Expenses	9,400	3,000
Miscellaneous	1,767	811
Web Site Expense	<u>42</u>	<u>9</u>
TOTAL UNRESTRICTED MANAGEMENT AND GENERAL EXPENSES	<u>\$110,514</u>	<u>\$84,633</u>

The accompanying notes are an integral part of this statement.