



**34TH STREET PARTNERSHIP, INC.**

Financial Statements and Schedule

June 30, 2021

(with comparative financial information as of June 30, 2020)

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Directors  
34th Street Partnership, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of 34th Street Partnership, Inc., which comprise the balance sheet as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, we 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 34th Street Partnership, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

#### *Emphasis of Matter*

As discussed in note 2(i) to the financial statements, in 2021 34<sup>th</sup> Street Partnership adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to their matter.



*Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is 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 audits 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.

**Report on Summarized Comparative Information**

We have previously audited 34<sup>th</sup> Street Partnership, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*KPMG LLP*

October 27, 2021

**34TH STREET PARTNERSHIP, INC.**

Balance Sheet

June 30, 2021

(with comparative financial information as of June 30, 2020)

Assets	2021	2020
Cash and cash equivalents	\$ 1,598,584	1,438,899
Accounts receivable and other assets	429,115	392,740
Due from related party (note 12)	457,930	—
Funds held by bond trustee (note 7)	535,917	2,683,188
Property and equipment, net (note 4)	137,190	18,011
Right-of-use assets (notes 2(i) and 9)	4,386,422	—
District improvements, net (notes 5 and 10)	10,107,022	11,132,701
Total assets	\$ 17,652,180	15,665,539
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses (note 9)	\$ 991,997	685,113
Due to related party (note 12)	—	338,499
Accrued bond interest (note 7)	—	189,825
Payroll Protection Program SBA loan (note 6)	1,445,152	1,428,777
Operating lease liabilities (notes 2(i) and 9)	4,740,261	—
Bonds payable (note 7)	4,822,800	9,019,141
Total liabilities	12,000,210	11,661,355
Commitments and contingencies (notes 9 and 11)		
Net assets – without donor restrictions	5,651,970	4,004,184
Total liabilities and net assets	\$ 17,652,180	15,665,539

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**

Statement of Activities

Year ended June 30, 2021

(with summarized financial information for the year ended June 30, 2020)

	<b>Operating and board- designated</b>	<b>Bond- financed activity</b>	<b>District improvements</b>	<b>2021 total</b>	<b>2020 total</b>
Revenue and other support:					
Assessments (notes 1 and 7)	\$ 13,000,000	—	—	13,000,000	13,000,000
Contributions in lieu of assessment	—	—	—	—	249,388
Donated office furniture	19,439	—	—	19,439	—
Parks revenue	348,583	—	—	348,583	487,088
Other program service revenue	490,361	—	—	490,361	378,187
Interest	1,613	—	—	1,613	28,889
Other revenue	101	—	—	101	38,965
<b>Total revenue and other support</b>	<b>13,860,097</b>	<b>—</b>	<b>—</b>	<b>13,860,097</b>	<b>14,182,517</b>
Expenses:					
Program services:					
Capital projects	1,467,697	(70,870)	1,114,447	2,511,274	2,489,905
Security	2,085,493	—	—	2,085,493	2,194,874
Sanitation	3,619,912	—	—	3,619,912	3,428,213
Visitor services	342,230	—	—	342,230	360,161
Taxi stands	374,539	—	—	374,539	406,773
Special maintenance	327,255	—	—	327,255	361,026
Public events	122,521	—	—	122,521	155,337
Retail services	383,803	—	—	383,803	300,719
Promotion	260,675	—	—	260,675	257,164
Design	233,181	—	—	233,181	385,929
Horticulture	827,706	—	—	827,706	889,558
Parks management	331,953	—	—	331,953	621,004
<b>Total program services</b>	<b>10,376,965</b>	<b>(70,870)</b>	<b>1,114,447</b>	<b>11,420,542</b>	<b>11,850,663</b>
Supporting services:					
Management and general	1,291,002	—	—	1,291,002	1,295,996
<b>Total expenses</b>	<b>11,667,967</b>	<b>(70,870)</b>	<b>1,114,447</b>	<b>12,711,544</b>	<b>13,146,659</b>
Increase (decrease) in net assets before gain on early extinguishment of debt and transfers	2,192,130	70,870	(1,114,447)	1,148,553	1,035,858
Gain on early extinguishment of debt (note 7)	(374,939)	874,172	—	499,233	—
Increase (decrease) in net assets before transfers	1,817,191	945,042	(1,114,447)	1,647,786	1,035,858
Transfer – bond principal retired	(1,585,000)	1,585,000	—	—	—
Transfer – district improvements acquired	(88,768)	—	88,768	—	—
Increase (decrease) in net assets	143,423	2,530,042	(1,025,679)	1,647,786	1,035,858
Net assets (deficit) at beginning of year	224,325	(7,352,842)	11,132,701	4,004,184	2,968,326
Net assets (deficit) at end of year	\$ 367,748	(4,822,800)	10,107,022	5,651,970	4,004,184

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**

Statement of Functional Expenses

Year ended June 30, 2021

(with summarized financial information for the year ended June 30, 2020)

	Program services												Supporting services	2021 total	2020 total	
	Capital projects	Security	Sanitation	Visitor services	Taxi stands	Special maintenance	Public events	Retail services	Promotion	Design	Horticulture	Parks management	Total			Management and general
Salaries and wages	\$ 513,383	1,246,764	2,277,669	201,851	221,962	218,721	58,575	182,803	98,101	148,264	81,896	166,829	5,416,818	788,093	6,204,911	6,675,100
Payroll taxes and payroll-related expenses	54,541	152,304	319,254	21,811	26,815	31,030	7,150	17,307	10,757	19,276	11,058	18,784	690,087	67,628	757,715	865,986
Health insurance	40,904	295,785	455,147	61,509	82,560	47,940	3,155	10,477	12,352	18,097	12,982	8,531	1,049,439	36,972	1,086,411	1,117,676
Total salaries and benefits	608,828	1,694,853	3,052,070	285,171	331,337	297,691	68,880	210,587	121,210	185,637	105,936	194,144	7,156,344	892,693	8,049,037	8,658,762
Contracted services	104,830	122,257	66,556	3,732	7,637	—	16,698	109,081	99,293	2,552	698,444	16,321	1,247,401	62,503	1,309,904	1,137,670
Accounting and legal	—	1,252	20,014	—	193	129	600	6,870	—	—	—	—	29,058	71,509	100,567	103,474
Liability and related insurance	51,310	122,180	223,207	19,781	21,752	21,434	5,740	17,914	9,614	14,530	8,026	16,349	531,837	89,378	621,215	617,804
Rent and related	56,963	128,901	106,167	25,744	8,860	5,063	23,857	37,876	25,977	29,253	13,299	66,106	528,066	99,249	627,315	634,367
Supplies	59,728	10,368	131,507	2,224	4,534	2,826	1,995	7	41	290	878	11,268	225,666	5,584	231,250	196,706
Travel and entertainment	499	159	2,119	498	—	—	—	—	26	—	—	172	3,473	3,001	6,474	11,228
Communications	8,297	3,619	5,774	2,933	179	103	866	1,124	1,305	914	1,102	1,762	27,978	3,685	31,663	37,367
Maintenance, repair, and cleaning	225,659	399	10,299	226	47	9	100	—	—	—	—	3,773	240,512	3,333	243,845	206,277
Dues and subscriptions	2,808	143	—	1,651	—	—	429	259	3,126	—	—	635	9,051	35,077	44,128	52,919
Equipment	393	—	2,161	138	—	—	3,035	—	—	—	—	6,158	11,885	—	11,885	16,915
Interest	340,025	—	—	—	—	—	—	—	—	—	—	—	340,025	16,375	356,400	410,150
Depreciation and amortization	1,043,576	—	—	—	—	—	—	—	—	—	—	12,671	1,056,247	—	1,056,247	1,045,651
Miscellaneous	8,358	1,362	38	132	—	—	321	85	83	5	21	2,594	12,999	8,615	21,614	17,369
Total – 2021	\$ 2,511,274	2,085,493	3,619,912	342,230	374,539	327,255	122,521	383,803	260,675	233,181	827,706	331,953	11,420,542	1,291,002	12,711,544	
Total – 2020	\$ 2,489,905	2,194,874	3,428,213	360,161	406,773	361,026	155,337	300,719	257,164	385,929	889,558	621,004	11,850,663	1,295,996		\$ 13,146,659

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**

Statement of Cash Flows

Year ended June 30, 2021

(with comparative financial information for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,647,786	1,035,858
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,056,247	1,045,651
Gain on early extinguishment of debt	(499,233)	—
Net impact on operating leases	353,839	—
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(36,375)	(3,325)
Due from related parties	(457,930)	—
Accounts payable and accrued expenses	306,884	(665,113)
Due to related parties	(338,499)	(314,041)
Accrued bond interest	(189,825)	(30,500)
Accrued interest on Payroll Protection Program SBA Loan	16,375	—
Net cash provided by operating activities	<u>1,859,269</u>	<u>1,068,530</u>
Cash flows from investing activity:		
Acquisition of property and equipment	(131,847)	(21,617)
Acquisition of district improvements	(88,768)	(256,305)
Net cash used in investing activity	<u>(220,615)</u>	<u>(277,922)</u>
Cash flows from financing activities:		
Proceeds from Payroll Protection Program SBA loan	—	1,428,777
Additions to funds held by bond trustee	(18,000,292)	(13,006,852)
Withdrawals from funds held by bond trustee	18,150,490	13,006,852
Deposit to refunding escrow of Series 2011 bonds	(7,014,238)	—
Proceeds from issuance of Series 2021A refunding bonds	1,345,000	—
Proceeds from issuance of Series 2021B taxable refunding bonds	3,655,000	—
Repayment of Series 2011 bond principal	(1,585,000)	(1,525,000)
Cost of issuance of Series 2021 refunding bonds	(177,200)	—
Net cash used in financing activities	<u>(3,626,240)</u>	<u>(96,223)</u>
(Decrease) increase in cash, cash equivalents and restricted cash	(1,987,586)	694,385
Cash, cash equivalents and restricted cash at beginning of year	<u>4,122,087</u>	<u>3,427,702</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 2,134,501</u>	<u>4,122,087</u>
Reconciliation of cash, cash equivalents and restricted cash within the balance sheets that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 1,598,584	1,438,899
Cash included in funds held by bond trustee	535,917	2,683,188
	<u>\$ 2,134,501</u>	<u>4,122,087</u>
Supplemental cash flow disclosure:		
Interest paid during the year	\$ 379,650	440,650
Right-of-use assets obtained in exchange for operating lease liabilities	2,742,041	—
Deferred rent liability included in operating lease right-of-use assets	(245,235)	—

See accompanying notes to financial statements.

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

#### **(1) Description of Organization**

34th Street Partnership, Inc. (the Partnership) is a not-for-profit entity incorporated in 1992, in cooperation with the City of New York (the City), by property owners, tenants, and City officials with an interest in the district along the 34th Street corridor in Manhattan (the District). The Partnership is a district management association organized to promote and support the District and to execute a plan approved by the City Council for providing supplemental services and capital improvements to the District.

The property owners and tenants within the District have agreed to fund the approved activities of the Partnership through assessments levied against real property located within the District and collected by the City. The maximum assessment and use of the funds is determined annually by the Partnership. Assessments of \$13,000,000 were transferred to the Partnership to be used in operations for each of the years ended June 30, 2021 and 2020.

The Partnership has been determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3). Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its tax-exempt purpose. However, under Section 512(a)(7) of the Code, enacted as part of the Tax Cut and Jobs Act of 2017, the Partnership was required to increase unrelated business taxable income for any amount expended for certain qualified transportation fringe benefits after December 31, 2017. The Partnership incurred an unrelated business tax liability of \$36,904 during the two years ended June 30, 2019. The Taxpayer Certainty and Disaster Tax Relief Act of 2019, signed into law on December 20, 2019, retroactively repealed Section 512(a)(7) of the Code. The refund of \$36,904 due to the Partnership upon the repeal is included in other revenue in the statement of activities for the year ended June 30, 2020. The Partnership recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for fiscal 2021 or 2020.

#### **(2) Summary of Significant Accounting Policies**

##### **(a) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

##### **(b) Basis of Presentation**

The Partnership's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as either with or without donor restrictions. Net assets without donor restrictions are those that are not subject to donor-imposed stipulations. The Partnership has received no restricted contributions, therefore, has no net assets with donor restrictions as of and for the years ended June 30, 2021 and 2020.

Revenues are reported as an increase in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets, if any (i.e., the donor-stipulated purpose



## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

has been fulfilled and/or the stipulated time period has elapsed), are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

#### **(c) Cash and Cash Equivalents**

The Partnership considers money market funds, and other interest-bearing deposits with original maturities of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Partnership had uninsured cash balances of \$551,301 at June 30, 2021, and \$1,179,415 at June 30, 2020.

#### **(d) Contributions**

Contributions, which include unconditional promises to give, as applicable, are recognized, at fair value, as revenue in the period received. Gifts of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

#### **(e) Functional Allocation of Expenses**

The costs of providing programs and other activities have been summarized by program and supporting services benefited in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Supporting services include the salaries of the Partnership's president, the administrative office clerical staff, and the finance and accounting staff which includes information technology, payroll and human resource functions. Costs allocated amongst programs and supporting services include; general liability insurance which is allocated based on payroll, as well as, rent, office supplies, equipment and telephone which are allocated based on square footage occupied by each program's or supporting service's employees. Fund-raising activities are not significant to the operations of the Partnership.

#### **(f) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. Estimates include the allocation of functional expenses, the allocation of payroll, insurance and occupancy expenses between the Partnership and Bryant Park Corporation (BPC), with which it shares common management and office space, as well as, the collectability of accounts receivable and amortization of district improvements.

#### **(g) Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follow:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3: Inputs that are unobservable.

#### **(h) Comparative Financial Information**

The accompanying financial statements include certain 2020 summarized information. With respect to the accompanying statement of activities, information in 2020 is presented in the aggregate. With respect to the statement of functional expenses, information in 2020 is presented in the aggregate and not detailed by function. Accordingly, such information should be read in conjunction with the Partnership's fiscal 2020 financial statements from which the summarized information was derived.

#### **(i) Accounting Standards**

Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* as amended by ASU No. 2021-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*: This guidance, effective for the Partnership's fiscal year ending June 30, 2021, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments on the balance sheet and disclosing key information about leasing arrangements. The Partnership adopted this ASU using the modified retrospective transition approach and the effective date method. As such, the Partnership is not required to adjust comparative periods or provide comparative period disclosures. The Partnership also elected to use the transition package of practical expedients and short-term lease exemption. Similarly, the Partnership elected to use a risk-free rate, the interest rate for treasury bills of a duration similar to the lease term, as the discount rate. The Partnership's right-of-use assets and operating lease liabilities for operating leases, at adoption of the new standard, on July 1, 2020, were \$2,742,041 and \$3,026,860, respectively.

#### **(j) Revenue Recognition**

Assessments and contributions in lieu of assessment payments are received in semi-annual installments and are recognized as revenue ratably throughout the year. The Partnership did not receive any contributions in lieu of assessment payments in 2021. Parks revenue includes food concession license fees, which are received and recognized as revenue on a monthly basis, and fees for use of the parks and plazas for events and activations. Use fees are recognized as revenue on the date of the related event or activation. Other program service revenue consists of royalties for the use of Partnership assets and reimbursements received for additional services, and such revenues are recognized on the dates of use of assets or on the dates that services are provided.

**34TH STREET PARTNERSHIP, INC.**

Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

**(3) Availability and Liquidity**

At June 30, 2021 and 2020, the Partnership's financial assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,598,584	1,438,899
Accounts receivable	123,069	116,078
Due from related party	457,930	—
Funds held by bond trustee	<u>535,917</u>	<u>2,683,188</u>
Total financial assets	<u>2,715,500</u>	<u>4,238,165</u>
Less amounts not available to be used within one year:		
Bond reserve fund requirement	—	1,666,283
Bond debt service funds	470,000	991,762
Bond qualified project cost funds	<u>—</u>	<u>16</u>
	<u>470,000</u>	<u>2,658,061</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,245,500</u>	<u>1,580,104</u>

General expenditures include operating expenses and capital improvement costs, if any, that are not qualified project costs, as defined in the bond indenture.

The Partnership receives district assessments, from the City, in semi-annual installments, in July and January. Each of the semi-annual assessment payments are first used to fund one-half of the current year debt service, as disclosed in note 7, with the remaining funds available, and sufficient to meet general expenditures for six months. Excess cash is invested in short term investments, including money market accounts and certificates of deposit.

**(4) Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over estimated useful lives of three to five years. Leasehold improvements are amortized over the estimated useful life of the improvement or the lease term, if shorter.

**34TH STREET PARTNERSHIP, INC.**

Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

At June 30, 2021 and 2020, property and equipment consisted of following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 358,124	280,917
Machinery and equipment	119,145	145,657
Leasehold improvements	<u>290,832</u>	<u>262,931</u>
	768,101	689,505
Accumulated depreciation and amortization	<u>(630,911)</u>	<u>(671,494)</u>
Property and equipment, net	<u>\$ 137,190</u>	<u>18,011</u>

The Partnership wrote-off \$53,251 and \$88,003 of obsolete furniture and equipment during the years ended June 30, 2021 and 2020, respectively.

**(5) District Improvements**

The Partnership provides program services and capital improvements to the District. As discussed in note 6, the Partnership had issued bonds to finance certain capital improvement projects, including, but not limited to, the installation of distinctive sidewalk corners, streetlights, and park improvements.

District improvements are capitalized as costs are incurred, on the basis that they provide a future economic benefit to the District, and its property owners, and are amortized on a straight-line basis over the estimated useful life of the improvement, ranging from 5 to 30 years.

At June 30, 2021 and 2020, district improvements consisted of the following:

	<u>2021</u>	<u>2020</u>
Streetlight poles and luminaires	\$ 7,246,834	7,246,834
Park improvements	4,970,773	4,970,773
Distinctive sidewalk corners	4,627,991	4,627,991
Tree-pits, trees and street planters	4,516,439	4,516,439
Planning, design and architecture	2,474,902	2,474,902
Traffic control signs, frames and poles	1,944,517	1,944,517
Other street fixtures	<u>4,223,565</u>	<u>4,134,797</u>
	30,005,021	29,916,253
Accumulated amortization	<u>(19,897,999)</u>	<u>(18,783,552)</u>
District improvements, net	<u>\$ 10,107,022</u>	<u>11,132,701</u>

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

#### **(6) Payroll Protection Program SBA Loan**

The Coronavirus Aid, Relief and Economic Security Act (the CARES Act) provided for forgivable, low interest loans to be made, through the Small Business Administration, to small businesses facing uncertainty during the COVID-19 crisis. These Payroll Protection Program loans were approved to enable small businesses to retain workers, maintain payroll and pay certain other operating expenses. Forgiveness of the loans is subject to application by the borrower and proof of the use of loan funds as required by the CARES Act, as amended by the Payroll Protection Program Flexibility Act of 2020. The Partnership applied for, and received, a \$1,428,777 Payroll Protection Program loan through J.P. Morgan Chase Bank, N.A., as evidenced by a note dated May 4, 2020. The Partnership applied for, and on August 4, 2021 was granted, forgiveness of the loan plus accrued interest of \$17,736. Accrued interest expense of \$16,375 has been included in management and general expenses, in the statement of activities, for the year ended June 30, 2021.

#### **(7) Bonds Payable**

On June 30, 2021, the Partnership issued \$1,345,000 in Capital Improvement Refunding Bonds, Series 2021A and \$3,655,000 in Capital Improvement Taxable Refunding Bonds, Series 2021B (together, the Series 2021 Bonds). The proceeds of the Series 2021 Bonds were used to establish a refunding escrow fund, sufficient to pay principal and interest on the Partnership's outstanding Series 2011 Capital Improvement Bonds (Series 20011 Bonds), through their redemption date, January 1, 2031. In connection with the issuance of these bonds, the Partnership incurred bond issuance costs of \$177,200 which have been deferred and will be amortized over the life of the related debt. Issuance costs are included in bonds payable.

The refunding escrow for the Series 2011 Bonds was established in the amount of \$7,014,238 which included \$4,815,687 from the proceeds of the Series 2021 Bonds, \$1,688,263 from the Series 2011 Debt Service Reserve Fund and \$510,288 from the Series 2011 Debt Service Fund.

The Series 2011 Bonds were issued at a premium, and the unamortized premium of \$906,420 at June 30, 2020 is included in bonds payable at that date. Likewise, unamortized bond issuance costs of the Series 2011 Bonds of \$162,279 at June 30, 2020 have been subtracted from bonds payable at that date. Amortization of Series 2011 Bonds premium and issuance costs amounted to \$86,325 and \$15,455, respectively, for each of the years ended June 30, 2021 and 2020.

The amount of the deposit into the Series 2011 Refunding Escrow, in excess of the outstanding Series 2011 Bonds and interest accrue thereon through the closing date of the Series 2021 Bonds, was \$174,038. Additionally, the unamortized bond issuance costs and bond premium of the Series 2011 Bonds, at the closing date, of \$146,824 and \$820,095, respectively, were written off, resulting in a net gain on early extinguishment of debt of \$499,233.

The Series 2021 Bonds, maturing on various dates through January 1, 2031, are secured by assessments, bond proceeds, and funds established under the bond indenture. As required under the bond resolution, the Partnership maintains certain funds, which are held by the trustee. These funds are invested in Bank of New York Mellon Cash Reserve Funds. The inputs to the fair value measurement are considered Level 1 in the fair value hierarchy.

**34TH STREET PARTNERSHIP, INC.**

Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

At June 30, 2021 and 2020, the balances in the funds held by bond trustee were as follows:

	<u>2021</u>	<u>2020</u>
Construction and acquisition fund	\$ 16	16
Series 2011 debt service reserve fund	3,314	1,691,410
Series 2011 debt service fund	9,474	991,762
Series 2021B principal debt service fund	470,000	—
Series 2021 expense account	53,113	—
	<u>\$ 535,917</u>	<u>2,683,188</u>

The future debt service payments on the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
Year ending June 30:			
2022	\$ 1,920,000	34,231	1,954,231
2023	1,785,000	46,854	1,831,854
2024	150,000	27,194	177,194
2025	155,000	24,045	179,045
2026	155,000	20,790	175,790
Thereafter	835,000	53,236	888,236
	<u>\$ 5,000,000</u>	<u>206,350</u>	<u>5,206,350</u>

Interest on the outstanding Series 2011 Bonds ranged from 4.0% to 5.0% per annum. Interest expense on that bond obligation was \$340,025 and \$410,150 for the years ended June 30, 2021 and 2020, respectively. Interest on the Series 2021A Capital Improvement Refunding Bonds is 1.09% per annum, and interest on the Series 2021B Capital Improvement Taxable Refunding Bonds is 2.10% per annum.

The Partnership is required to meet certain financial covenants in connection with the respective outstanding bonds. For the years ended June 30, 2021 and 2020, the Partnership was in compliance with these covenants.

**(8) Pension Benefits**

The Partnership has a defined contribution retirement plan covering all personnel. Pension cost for the years ended June 30, 2021 and 2020 was \$111,469 and \$147,121, respectively.

**34TH STREET PARTNERSHIP, INC.**

Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

**(9) Lease Agreements**

On April 12, 2017, the Partnership and BPC amended their lease agreement at 5 Bryant Park (1065 Avenue of the Americas), New York, New York, to extend its term for an additional 10 years, commencing March 1, 2018. The original lease commenced on January 1, 2010 and was to expire February 28, 2018. The Partnership has been allocated its proportionate share, based on utilization, of the amortization of the right-of-use asset associated with this lease for the year ended June 30, 2021 and the straight-line rental expense and deferred rent obligation for the year ended June 30, 2020. The Partnership's share of right-of-use amortization and rent expense amounted to \$379,685 and \$365,252 for the years ended June 30, 2021 and 2020, respectively. Deferred rent obligation of \$284,819 at June 30, 2020 is included in accounts payable and accrued expenses.

On February 26, 2021 the Partnership signed a ten year lease agreement for a storefront, mezzanine and basement space at 253-59 West 35<sup>th</sup> Street, New York, New York to be used for offices and locker rooms for the sanitation and security staffs. The commencement date of this lease is July 9, 2021. The new space will replace the Partnership's operations office at 212 West 35th Street, New York, New York, the lease for which commenced on February 1, 1997, expired on August 31, 2020 and was extended by a Third Amendment of the lease, dated September 18, 2020. The Third Amendment extended the lease term, for a monthly fixed rent, through December 31, 2020. The Partnership has continued to occupy the space under the same terms, until the new space is prepared for its intended use. Rent expense for the space at 212 West 35th Street was \$170,782, net of reimbursements from BPC for space used by its security staff, of \$30,091 and \$215,265, net of BPC reimbursements of \$32,052, for the years ended June 30, 2021 and 2020, respectively.

The future minimum lease payments and operating lease liabilities, based on current allocation percentages, are as follows:

	<u>253-59 West 35th Street</u>	<u>5 Bryant Park</u>	<u>Total</u>
Year ending June 30:			
2022	\$ 176,129	406,362	582,491
2023	183,825	414,827	598,652
2024	187,731	431,759	619,490
2025	191,720	431,759	623,479
2026	195,794	431,759	627,553
Thereafter	<u>1,199,690</u>	<u>719,599</u>	<u>1,919,289</u>
Total	<u>2,134,889</u>	<u>2,836,065</u>	<u>4,970,954</u>
Less:			
Interest	148,306	48,524	196,830
Prepaid rent	<u>—</u>	<u>33,863</u>	<u>33,863</u>
	<u>148,306</u>	<u>82,387</u>	<u>230,693</u>
Lease liabilities	<u>\$ 1,986,583</u>	<u>2,753,678</u>	<u>4,740,261</u>

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

As of June 30, 2021, the Partnership is jointly liable for total lease commitments of \$7,120,425 at 5 Bryant Park.

The weighted average remaining lease term and the weighted average discount rate for operating leases at June 30, 2021 are 8.33 years and 0.945%, respectively.

The Partnership receives monthly license fees from the operators of the food concession kiosks in Herald and Greeley Square Parks (see note 10) and from an advertiser, for exclusive use of the advertising panels on the Greeley Square concession and restroom kiosks. Each of the three license agreements expired on August 31, 2021. The advertising license agreement is continuing on a month-to-month basis while the terms of a new agreement are negotiated. New agreements for the food concession kiosks commenced on September 1, 2021.

The future minimum license fees under the expiring and new agreements are as follows:

Year ending June 30:		
2022	\$	183,224
2023		165,750
2024		170,360
2025		175,082
2026		179,952
Thereafter		<u>295,424</u>
	\$	<u><u>1,169,792</u></u>

License fees of \$243,814 and \$239,991 are included in parks revenue on the statement of activities for the years ended June 30, 2021 and 2020, respectively.

#### (10) Parks and Plazas

Pursuant to a license agreement, dated June 9, 1997, and its successor agreement, dated October 12, 2017, with the New York City Department of Parks and Recreation, the Partnership has improved, managed and maintained Herald and Greeley Square Parks (the Parks). The Parks sit within the two triangle areas created by the intersection of Broadway and Sixth Avenue, between 32nd and 35th Streets. The Partnership has made capital improvements to the Parks totaling \$4,970,773 which are included in District Improvements.

The Partnership has also managed, pursuant to a license agreement with the New York City Department of Transportation, dated May 7, 2012, pedestrian plazas at Broadway and Sixth Avenue between 32nd and 36th Streets, known as Herald Square Plaza (the Plazas). The Partnership continued to manage the Plazas under the terms of the license agreement after its expiration May 7, 2017. A new, one-year license agreement, dated June 11, 2019 and effective September 20, 2019, was granted to the Partnership. A one-year extension of that agreement was signed on September 21, 2020.



## **34TH STREET PARTNERSHIP, INC.**

### Notes to Financial Statements

June 30, 2021

(with comparative financial information as of June 30, 2020)

Each of the license agreements to manage and maintain the Parks and the Plazas allow the Partnership to receive revenue from concessions, events, activations and sponsorships. Any such revenue is to be used to pay for the cost of providing management and maintenance services to the respective spaces. Revenue earned in each of the spaces and expenses incurred are included in the Schedule of Revenue and Expenses Incurred in the Management and Operation of Herald and Greeley Square Parks and Broadway Plazas. Park and Plazas revenue is included in Parks revenue and Other revenue in the statement of activities. Park and Plazas expenses are included in several Program services in the statement of activities, including: Capital projects, Security, Sanitation, Horticulture and Parks Management.

#### **(11) Litigation**

The Partnership is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on the financial position of the Partnership.

#### **(12) Related Parties**

The Partnership shares common management and office space with BPC and its affiliated business improvement district, Bryant Park Management Corporation (BPMC). At June 30, 2021 BPC and BPMC were indebted to the Partnership for their proportionate share of certain revenues and expenses in the amount of \$457,930. At June 30, 2020 the Partnership was indebted to BPC and BPMC for its net proportionate share of certain revenues and expenses in the amount of \$338,499.

The Partnership's secretary, who is also a member of the board of directors, is a principal of the landlord for the Partnership's lease at 212 West 35th Street, as described in Note 9. The Partnership pays a market rate rent for the space, and the relationship has been disclosed annually in the board member's conflict of interest disclosure.

#### **(13) Subsequent Events**

The spread of the coronavirus (COVID-19) around the world continues to cause significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Partnership is unable to determine if it will have a material impact on future operations.

In connection with the preparation of the financial statements, the Partnership evaluated subsequent events after the balance sheet date of June 30, 2021 through October 27, 2021, which was the date the financial statements were issued. No additional events were noted.

**34TH STREET PARTNERSHIP, INC.**Schedule of Revenue and Expenses Incurred in the Management and Operation of Herald and Greeley  
Square Parks and Broadway Plazas

Year ended June 30, 2021

	<u>Parks</u>	<u>Broadway Plazas</u>
Revenue:		
Events, activations and photo shoots	\$ 28,000	75,269
Concessions	243,814	—
Total revenue	<u>271,814</u>	<u>75,269</u>
Expenses:		
Salaries and wages	476,354	287,071
Payroll taxes and payroll-related expenses	61,734	35,643
Health insurance	81,689	44,174
Total salaries and benefits	619,777	366,888
Contracted services	39,156	34,754
Plants, plant installation and maintenance	35,493	176,689
Accounting and legal	2,348	884
Liability and related insurance	45,875	28,278
Rent	64,516	59,334
Utilities	3,416	—
Supplies	22,935	11,177
Communications	2,310	2,023
Maintenance and repair	3,156	2,218
Dues and subscriptions	1,997	543
Furniture and equipment	4,691	4,899
Depreciation and amortization	188,013	9,301
Miscellaneous	779	2,903
Total expenses	<u>1,034,462</u>	<u>699,891</u>
Decrease in net assets from Parks and Broadway Plazas operations	<u>\$ (762,648)</u>	<u>(624,622)</u>

See accompanying independent auditors' report.