



34TH STREET PARTNERSHIP, INC.

Financial Statements and Supplemental Schedule

June 30, 2022

(With Independent Auditors' Report Thereon)

34TH STREET PARTNERSHIP, INC.

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

Independent Auditors' Report

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

Opinion

We have audited the financial statements of 34th Street Partnership, Inc. (the Partnership), which comprise the balance sheet as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited 34th Street Partnership Inc's. 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

New York, New York
October 20, 2022

34TH STREET PARTNERSHIP, INC.

Balance Sheet

June 30, 2022

(with comparative financial information as of June 30, 2021)

Assets	2022	2021
Cash and cash equivalents	\$ 999,486	1,598,584
Accounts receivable and other assets	360,406	429,115
Due from related party (note 12)	—	457,930
Funds held by bond trustee (note 7)	919,815	535,917
Property and equipment, net (note 4)	357,087	137,190
Right-of-use assets (notes 2(i) and 9)	3,877,838	4,386,422
District improvements, net (notes 5 and 10)	9,067,096	10,107,022
Total assets	\$ 15,581,728	17,652,180
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 9)	\$ 606,149	991,997
Due to related party (note 12)	354,180	—
Accrued bond interest (note 7)	23,427	—
Payroll Protection Program SBA loan (note 6)	—	1,445,152
Operating lease liabilities (notes 2(i) and 9)	4,138,261	4,740,261
Bonds payable (note 7)	2,921,453	4,822,800
Total liabilities	8,043,470	12,000,210
Commitments and contingencies (notes 9 and 11)		
Net assets – without donor restrictions	7,538,258	5,651,970
Total liabilities and net assets	\$ 15,581,728	17,652,180

See accompanying notes to financial statements.

34TH STREET PARTNERSHIP, INC.

Statement of Activities

Year ended June 30, 2022

(with summarized financial information for the year ended June 30, 2021)

	<u>Operating and board- designated</u>	<u>Bond- financed activity</u>	<u>District improvements</u>	<u>2022 total</u>	<u>2021 total</u>
Revenue and other support:					
Assessments (notes 1 and 7)	\$ 13,000,000	—	—	13,000,000	13,000,000
Contributions in lieu of assessment	124,982	—	—	124,982	—
Contributions	50,000	—	—	50,000	19,439
Parks revenue (note 10)	596,942	—	—	596,942	348,583
Other program service revenue	370,422	—	—	370,422	490,361
Interest	720	—	—	720	1,613
Other revenue	172	—	—	172	101
Total revenue and other support	<u>14,143,238</u>	<u>—</u>	<u>—</u>	<u>14,143,238</u>	<u>13,860,097</u>
Expenses:					
Program services:					
Capital projects	1,091,473	18,653	1,116,315	2,226,441	2,511,274
Security	2,334,310	—	—	2,334,310	2,085,493
Sanitation	4,080,149	—	—	4,080,149	3,619,912
Visitor services	361,087	—	—	361,087	342,230
Taxi stands	402,216	—	—	402,216	374,539
Special maintenance	602,714	—	—	602,714	327,255
Public events	429,794	—	—	429,794	122,521
Retail services	302,449	—	—	302,449	383,803
Promotion	323,305	—	—	323,305	260,675
Design	18,423	—	—	18,423	233,181
Horticulture	899,719	—	—	899,719	827,706
Parks management	406,896	—	—	406,896	331,953
Total program services	<u>11,252,535</u>	<u>18,653</u>	<u>1,116,315</u>	<u>12,387,503</u>	<u>11,420,542</u>
Supporting services:					
Management and general	1,315,960	—	—	1,315,960	1,291,002
Total expenses	<u>12,568,495</u>	<u>18,653</u>	<u>1,116,315</u>	<u>13,703,463</u>	<u>12,711,544</u>
Increase (decrease) in net assets before gain on forgiveness and early extinguishment of debt and transfers	1,574,743	(18,653)	(1,116,315)	439,775	1,148,553
Gain on:					
Forgiveness of debt (note 6)	1,446,513	—	—	1,446,513	—
Early extinguishment of debt (note 7)	—	—	—	—	499,233
Increase (decrease) in net assets before transfers	3,021,256	(18,653)	(1,116,315)	1,886,288	1,647,786
Transfer – bond principal retired	(1,920,000)	1,920,000	—	—	—
Transfer – district improvements acquired	(76,389)	—	76,389	—	—
Increase (decrease) in net assets	1,024,867	1,901,347	(1,039,926)	1,886,288	1,647,786
Net assets (deficit) at beginning of year	367,748	(4,822,800)	10,107,022	5,651,970	4,004,184
Net assets (deficit) at end of year	\$ <u>1,392,615</u>	<u>(2,921,453)</u>	<u>9,067,096</u>	<u>7,538,258</u>	<u>5,651,970</u>

See accompanying notes to financial statements.

34TH STREET PARTNERSHIP, INC.

Statement of Functional Expenses

Year ended June 30, 2022

(with summarized financial information for the year ended June 30, 2021)

	Program services												Supporting services	2022 total	2021 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	\$ 398,096	1,468,887	2,587,000	212,751	247,593	407,103	174,588	182,536	123,318	14,384	83,480	168,867	6,068,603	821,958	6,890,561	6,204,911
Payroll taxes and payroll-related expenses	50,485	180,229	385,444	25,601	31,588	56,285	18,745	19,773	14,957	791	11,835	20,645	816,378	79,709	896,087	757,715
Health insurance	38,566	277,600	434,613	54,388	78,120	56,551	14,308	10,599	15,958	1,989	9,639	16,357	1,008,688	36,698	1,045,386	1,086,411
Total salaries and benefits	487,147	1,926,716	3,407,057	292,740	357,301	519,939	207,641	212,908	154,233	17,164	104,954	205,869	7,893,669	938,365	8,832,034	8,049,037
Contracted services	160,185	103,380	68,090	1,116	10	1,406	169,654	29,411	105,036	—	765,829	33,158	1,437,275	63,579	1,500,854	1,309,904
Accounting and legal	—	—	29,202	—	—	—	—	3,835	—	—	859	2,904	36,800	59,611	96,411	100,567
Liability and related insurance	35,853	128,602	226,494	18,627	21,677	35,642	15,285	15,981	14,707	1,259	13,192	14,784	542,103	84,790	626,893	621,215
Rent and related	82,657	113,741	154,360	32,071	13,406	10,939	28,141	36,411	33,502	—	12,765	81,907	599,900	97,788	697,688	627,315
Supplies	44,712	27,017	144,838	6,969	8,845	16,225	3,338	20	73	—	802	25,598	278,437	7,129	285,566	231,250
Travel and entertainment	458	1,142	1,949	368	49	28	1,101	221	—	—	—	89	5,405	4,671	10,076	6,474
Communications	8,192	13,568	11,254	3,581	618	454	1,563	1,284	1,783	—	1,180	2,382	45,859	4,221	50,080	31,663
Maintenance, repair, and cleaning	194,015	1,523	9,290	1,081	253	17,556	311	1,868	136	—	49	4,821	230,903	4,619	235,522	243,845
Dues and subscriptions	4,291	241	—	3,969	—	489	904	259	10,184	—	—	829	21,166	41,609	62,775	44,128
Equipment	14,929	821	9,898	398	—	—	1,738	237	3,639	—	—	83	1,860	33,603	34,347	11,885
Interest	57,658	—	—	—	—	—	—	—	—	—	—	—	—	57,658	1,361	59,019
Depreciation and amortization	1,134,968	15,944	17,227	—	—	—	—	—	—	—	—	—	27,167	1,195,306	445	1,195,751
Miscellaneous	1,376	1,615	490	167	57	36	118	14	12	—	6	5,528	9,419	7,028	16,447	21,614
Total – 2022	\$ 2,226,441	2,334,310	4,080,149	361,087	402,216	602,714	429,794	302,449	323,305	18,423	899,719	406,896	12,387,503	1,315,960	13,703,463	
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

See accompanying notes to financial statements.

34TH STREET PARTNERSHIP, INC.

Statement of Cash Flows

Year ended June 30, 2022

(with comparative financial information for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,886,288	1,647,786
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,195,751	1,056,247
Gain on forgiveness of debt	(1,446,513)	—
Gain on early extinguishment of debt	—	(499,233)
Net impact on operating leases	(93,416)	353,839
Changes in operating assets and liabilities:		
Accounts receivable and other assets	68,709	(36,375)
Due from related parties	457,930	(457,930)
Accounts payable and accrued expenses	(385,848)	306,884
Due to related parties	354,180	(338,499)
Accrued bond interest	23,427	(189,825)
Accrued interest on Payroll Protection Program SBA Loan	1,361	16,375
Net cash provided by operating activities	<u>2,061,869</u>	<u>1,859,269</u>
Cash flows from investing activity:		
Acquisition of property and equipment	(280,680)	(131,847)
Acquisition of district improvements	<u>(76,389)</u>	<u>(88,768)</u>
Net cash used in investing activity	<u>(357,069)</u>	<u>(220,615)</u>
Cash flows from financing activities:		
Additions to funds held by bond trustee	(13,000,353)	(18,000,292)
Withdrawals from funds held by bond trustee	13,000,353	18,150,490
Repayment of Series 2021A bond principal	(30,000)	—
Repayment of Series 2021B bond principal	(1,890,000)	—
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)
Cost of issuance of Series 2021 refunding bonds	—	(177,200)
Net cash used in financing activities	<u>(1,920,000)</u>	<u>(3,626,240)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	(215,200)	(1,987,586)
Cash, cash equivalents and restricted cash at beginning of year	<u>2,134,501</u>	<u>4,122,087</u>
Cash, cash equivalents and restricted cash at end of year	\$ <u>1,919,301</u>	<u>2,134,501</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	\$ 999,486	1,598,584
Cash included in funds held by bond trustee	<u>919,815</u>	<u>535,917</u>
	\$ <u>1,919,301</u>	<u>2,134,501</u>
Supplemental cash flow disclosure:		
Interest paid during the year	\$ 34,231	379,650
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	(217,058)	(245,235)
Non-cash financing activity - PPP SBA loan forgiveness	1,446,513	—

See accompanying notes to financial statements.

34TH STREET PARTNERSHIP, INC.

Notes to Financial Statements

June 30, 2022

(with comparative financial information as of June 30, 2021)

(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, 2022 and 2021.

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. 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 2022 or 2021.

(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, 2022 and 2021.

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 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.

34TH STREET PARTNERSHIP, INC.

Notes to Financial Statements

June 30, 2022

(with comparative financial information as of June 30, 2021)

(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 \$343,749 at June 30, 2022, and \$551,301 at June 30, 2021.

(d) Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge) in which there is no right of return of assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

(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.

34TH STREET PARTNERSHIP, INC.

Notes to Financial Statements

June 30, 2022

(with comparative financial information as of June 30, 2021)

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

- 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 or published 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 2021 summarized information. With respect to the accompanying statement of activities, information in 2021 is presented in the aggregate. With respect to the statement of functional expenses, information in 2021 is presented in the aggregate and not detailed by function. Accordingly, such information should be read in conjunction with the Partnership's fiscal 2021 financial statements from which the summarized information was derived.

(i) Right-of-use assets and operating lease liabilities

A lessee is permitted to recognize a right-of-use asset and a lease liability, which was initially measured at the present value of the lease payments on the balance sheet and can disclose key information about leasing arrangements. The Partnership elected to use the transition package of practical expedients and short-term lease exemption. 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.

(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, 2022

(with comparative financial information as of June 30, 2021)

(3) Availability and Liquidity

At June 30, 2022 and 2021, the Partnership's financial assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 999,486	1,598,584
Accounts receivable	360,406	123,069
Due from related party	—	326,997
Funds held by bond trustee	<u>919,815</u>	<u>535,917</u>
Total financial assets	<u>2,279,707</u>	<u>2,584,567</u>
Less amounts not available to be used within one year:		
Bond debt service funds	<u>919,815</u>	<u>470,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,359,892</u>	<u>2,114,567</u>

General expenditures include operating expenses and capital improvement costs, if any.

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.

At June 30, 2022 and 2021, property and equipment consisted of following:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 364,763	358,124
Machinery and equipment	125,636	119,145
Leasehold improvements	<u>419,762</u>	<u>290,832</u>
	910,161	768,101
Accumulated depreciation and amortization	<u>(553,074)</u>	<u>(630,911)</u>
Property and equipment, net	<u>\$ 357,087</u>	<u>137,190</u>

34TH STREET PARTNERSHIP, INC.

Notes to Financial Statements

June 30, 2022

(with comparative financial information as of June 30, 2021)

The Partnership wrote-off \$138,620 and \$53,251 of obsolete furniture, equipment and improvements during the years ended June 30, 2022 and 2021, respectively.

(5) District Improvements

The Partnership provides program services and capital improvements to the District. As discussed in note 7, 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, 2022 and 2021, district improvements consisted of the following:

	<u>2022</u>	<u>2021</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	4,552,904	4,516,439
Planning, design and architecture	2,474,902	2,474,902
Traffic control signs, frames and poles	1,975,891	1,944,517
Other street fixtures	4,232,115	4,223,565
	<u>30,081,410</u>	<u>30,005,021</u>
Accumulated amortization	<u>(21,014,314)</u>	<u>(19,897,999)</u>
District improvements, net	<u>\$ 9,067,096</u>	<u>10,107,022</u>

(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 \$1,361 and \$16,375 has been included in management and general expenses, in the statement of activities, for the years ended June 30, 2022 and 2021, respectively.

34TH STREET PARTNERSHIP, INC.

Notes to Financial Statements

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(with comparative financial information as of 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) maturing on January 1, 2022, and January 1, 2023 through their maturity dates, and the remaining bonds to mature on January 1, 2031 through their redemption date, August 11, 2021. In connection with the issuance of the Series 2021 Bonds, the Partnership incurred bond issuance costs of \$177,200 which have been deferred and are being amortized over the life of the related debt. Unamortized issuance costs are included in bonds payable.

Amortization of Series 2021 Bonds issuance costs amounted to \$18,653 for the year ended June 30, 2022. Amortization of Series 2011 Bonds premium and issuance costs amounted to \$86,325 and \$15,455, respectively, for year ended June 30, 2021.

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 amount of the deposit into the Series 2011 Refunding Escrow, in excess of the outstanding Series 2011 Bonds and interest accrued 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, which are cash equivalents. The inputs to the fair value measurement are considered Level 1 in the fair value hierarchy.

At June 30, 2022 and 2021, the balances in the funds held by bond trustee were as follows:

	<u>2022</u>	<u>2021</u>
Construction and acquisition fund	\$ —	16
Series 2011 debt service reserve fund	—	3,314
Series 2011 debt service fund	—	9,474
Series 2021A principal debt service fund	10,004	—
Series 2021A interest debt service fund	17,371	—
Series 2021B principal debt service fund	882,817	470,000
Series 2021B interest debt service fund	9,623	—
Series 2021 expense account	—	53,113
	<u>\$ 919,815</u>	<u>535,917</u>

34TH STREET PARTNERSHIP, INC.

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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:			
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
2027	160,000	17,535	177,535
Thereafter	<u>675,000</u>	<u>35,701</u>	<u>710,701</u>
	<u>\$ 3,080,000</u>	<u>172,119</u>	<u>3,252,119</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 for the year ended June 30, 2021. 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. Interest expense for the year ended June 30, 2022 on the Series 2021A and 2021B bonds was \$28,008 and \$29,650, respectively.

The Partnership is required to meet certain financial covenants in connection with the respective outstanding bonds. For the years ended June 30, 2022 and 2021, 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, 2022 and 2021 was \$153,516 and \$111,469, respectively.

(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 years ended June 30, 2022 and 2021. The Partnership's share of right-of use amortization and rent expense amounted to \$386,907 and \$379,684 for the years ended June 30, 2022 and 2021, respectively.

34TH STREET PARTNERSHIP, INC.

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(with comparative financial information as of June 30, 2021)

On February 26, 2021 the Partnership signed a ten year lease agreement for a storefront, mezzanine and basement space at 253-59 West 35th 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 was July 9, 2021. The new space replaced 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 continued to occupy the space under the same terms, until the new space was prepared for its intended use.

Amortization of the right-of-use asset and rent expense for the lease at 253-59 West 35th Street amounted to \$174,633, net of reimbursements from BPC for space used by its security staff, of \$36,608 for the year ended June 30, 2022. Rent expense for the space at 212 West 35th Street was \$51,676, net of reimbursements from BPC, of \$9,105 and \$170,782, net of BPC reimbursements of \$30,091, for the years ended June 30, 2022 and 2021, 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:			
2023	\$ 183,825	371,782	555,607
2024	187,731	421,353	609,084
2025	191,720	421,353	613,073
2026	195,794	421,353	617,147
2027	234,842	421,353	656,195
Thereafter	<u>964,848</u>	<u>280,902</u>	<u>1,245,750</u>
Total	1,958,760	2,338,096	4,296,856
Less:			
Interest	<u>124,301</u>	<u>34,294</u>	<u>158,595</u>
Lease liabilities	<u>\$ 1,834,459</u>	<u>2,303,802</u>	<u>4,138,261</u>

As of June 30, 2022, the Partnership is jointly liable for total lease commitments of \$6,015,165 at 5 Bryant Park.

The weighted average remaining lease term and the weighted average discount rate for operating leases at June 30, 2022 are 7.33 years and 0.945%.

34TH STREET PARTNERSHIP, INC.

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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 agreements are as follows:

Year ending June 30:		
2023	\$	165,750
2024		170,360
2025		175,082
2026		179,952
2027		101,658
Thereafter		<u>193,766</u>
	\$	<u>986,568</u>

License fees of \$306,974 and \$243,814 are included in parks revenue on the statement of activities for the years ended June 30, 2022 and 2021, 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 (DOT), 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. The 2019 agreement allows for up to three additional five-year renewal options, exercisable at the sole discretion of DOT. By a letter, dated August 27, 2020 and agreed to by the Partnership on September 21, 2020, DOT opted to renew the agreement for the first renewal period, expiring on September 19, 2025.

34TH STREET PARTNERSHIP, INC.

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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, Public Events, 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, 2022 the Partnership was indebted to BPC and BPMC for its net proportionate share of certain revenues and expenses in the amount of \$354,180. 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.

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 paid 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

In connection with the preparation of the financial statements, the Partnership evaluated subsequent events after the balance sheet date of June 30, 2022 through October 20, 2022, which was the date the financial statements were issued.

Schedule 1

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, 2022

	Parks	Broadway Plazas
Revenue:		
Events, activations and photo shoots	\$ 161,800	128,168
Concessions	306,974	—
Sponsorships	779	31,818
Total revenue	469,553	159,986
Expenses:		
Salaries and wages	496,623	366,473
Payroll taxes and payroll-related expenses	66,585	45,007
Health insurance	74,404	48,293
Total salaries and benefits	637,612	459,773
Contracted services	58,379	159,547
Plants, plant installation and maintenance	23,329	207,396
Accounting and legal	3,824	2,035
Liability and related insurance	42,904	33,678
Rent	74,599	64,935
Utilities	9,703	—
Supplies	30,646	20,228
Communications	4,137	3,557
Maintenance and repair	16,143	2,877
Dues and subscriptions	4,548	897
Furniture and equipment	14,202	2,334
Depreciation and amortization	198,234	18,073
Miscellaneous	654	6,498
Total expenses	1,118,914	981,828
Decrease in net assets from Parks and Broadway Plazas operations	\$ (649,361)	(821,842)

See accompanying independent auditors' report.