



**34TH STREET PARTNERSHIP, INC.**

Financial Statements and Schedule

June 30, 2019

(with comparative financial information as of June 30, 2018)

(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.:

We have audited the accompanying financial statements of 34th Street Partnership, Inc., which comprise the balance sheet as of June 30, 2019, 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, 2019, 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 2019 34th Street Partnership, Inc. adopted new accounting guidance, Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.



*Report on Summarized Comparative Information*

We have previously audited 34th Street Partnership, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*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.

*KPMG LLP*

October 18, 2019

**34TH STREET PARTNERSHIP, INC.**

Balance Sheet

June 30, 2019

(with comparative financial information as of June 30, 2018)

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 224,950	222,142
Accounts receivable and other assets	389,415	328,743
Funds held by bond trustee (note 6)	3,202,752	3,410,147
Property and equipment, net (note 4)	2,906	8,727
District improvements, net (notes 5 and 9)	<u>11,986,405</u>	<u>12,721,290</u>
Total assets	<u>\$ 15,806,428</u>	<u>16,691,049</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses (note 8)	\$ 1,350,226	1,060,212
Due to related party (note 11)	652,540	330,639
Accrued bond interest (note 6)	220,325	249,625
Bonds payable (note 6)	<u>10,615,011</u>	<u>12,150,884</u>
Total liabilities	12,838,102	13,791,360
Commitments and contingencies (notes 8 and 10)		
Net assets – without donor restrictions	<u>2,968,326</u>	<u>2,899,689</u>
Total liabilities and net assets	<u>\$ 15,806,428</u>	<u>16,691,049</u>

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**

Statement of Activities

Year ended June 30, 2019

(with summarized financial information for the year ended June 30, 2018)

	<b>Operating and board- designated</b>	<b>Bond- financed activity</b>	<b>District improvements</b>	<b>2019 total</b>	<b>2018 total</b>
Revenue and other support:					
Assessments (notes 1 and 6)	\$ 12,320,000	—	—	12,320,000	11,900,000
Contributions in lieu of assessment	242,967	—	—	242,967	238,728
Parks revenue	838,921	—	—	838,921	1,411,786
Other program service revenue	583,263	—	—	583,263	601,002
Interest	37,430	4,473	—	41,903	15,481
Other revenue	2,584	—	—	2,584	7,968
<b>Total revenue and other support</b>	<b>14,025,165</b>	<b>4,473</b>	<b>—</b>	<b>14,029,638</b>	<b>14,174,965</b>
Expenses:					
Program services:					
Capital projects	1,717,739	(70,873)	1,097,194	2,744,060	2,924,653
Security	2,183,713	—	—	2,183,713	2,213,805
Sanitation	3,587,547	—	—	3,587,547	3,545,801
Visitor services	384,192	—	—	384,192	396,153
Taxi stands	484,439	—	—	484,439	437,682
Special maintenance	388,004	—	—	388,004	411,981
Public events	187,147	—	—	187,147	170,602
Retail services	301,501	—	—	301,501	313,335
Promotion	255,239	—	—	255,239	279,775
Design	327,288	—	—	327,288	348,274
Horticulture	927,214	—	—	927,214	687,605
Parks management	894,412	—	—	894,412	852,503
<b>Total program services</b>	<b>11,638,435</b>	<b>(70,873)</b>	<b>1,097,194</b>	<b>12,664,756</b>	<b>12,582,169</b>
Supporting services:					
Management and general	1,296,245	—	—	1,296,245	1,299,330
<b>Total expenses</b>	<b>12,934,680</b>	<b>(70,873)</b>	<b>1,097,194</b>	<b>13,961,001</b>	<b>13,881,499</b>
Increase (decrease) in net assets before transfers	1,090,485	75,346	(1,097,194)	68,637	293,466
Transfer – bond principal retired	(1,465,000)	1,465,000	—	—	—
Transfer – district improvements acquired	—	(362,309)	362,309	—	—
<b>Increase (decrease) in net assets</b>	<b>(374,515)</b>	<b>1,178,037</b>	<b>(734,885)</b>	<b>68,637</b>	<b>293,466</b>
Net assets (deficit) at beginning of year	157,359	(9,978,960)	12,721,290	2,899,689	2,606,223
<b>Net assets (deficit) at end of year</b>	<b>\$ (217,156)</b>	<b>(8,800,923)</b>	<b>11,986,405</b>	<b>2,968,326</b>	<b>2,899,689</b>

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**  
Statement of Functional Expenses  
Year ended June 30, 2019  
(with summarized financial information for the year ended June 30, 2018)

	Capital projects	Security	Sanitation	Visitor services	Taxi stands	Special maintenance	Program services Public events	Retail services	Promotion	Design	Horticulture	Parks management	Total	Supporting services Management and general	2019 total	2018 total
Salaries and wages	\$ 550,410	1,382,893	2,349,227	258,268	323,991	262,832	118,818	175,136	83,859	219,127	82,806	472,380	6,279,747	782,124	7,061,871	6,975,656
Payroll taxes and payroll-related expenses	65,549	183,143	374,820	27,255	37,690	41,961	13,310	19,463	9,955	30,943	10,783	61,684	876,556	76,419	952,975	923,001
Health insurance	49,814	305,980	374,716	48,732	77,890	54,783	13,102	10,566	12,100	12,792	13,924	66,612	1,041,011	42,850	1,083,861	1,169,126
Total salaries and benefits	665,773	1,872,016	3,098,763	334,255	439,571	359,576	145,230	205,165	105,914	262,862	107,513	600,676	8,197,314	901,393	9,098,707	9,067,783
Contracted services	126,323	21,912	64,762	1,034	8,160	—	5,388	42,807	104,463	131	799,650	89,941	1,264,571	66,271	1,330,842	1,022,273
Accounting and legal	—	—	4,932	—	—	—	66	—	—	—	—	—	4,998	54,427	59,425	116,420
Liability and related insurance	37,675	124,696	167,309	18,409	22,964	18,694	8,465	12,456	5,981	15,485	4,093	33,697	469,924	67,009	536,933	584,890
Rent and related	50,645	143,168	103,969	17,477	10,294	6,519	24,626	36,828	28,901	38,635	13,345	76,069	550,476	96,417	646,893	663,325
Supplies	72,782	10,492	120,333	7,125	2,617	2,851	419	37	104	126	837	21,130	238,853	12,145	250,998	280,483
Travel and entertainment	913	—	539	1,793	—	—	81	410	170	—	221	184	4,311	5,868	10,179	15,007
Communications	10,404	5,412	6,467	3,086	257	163	1,491	1,625	1,665	1,705	1,411	2,647	36,333	4,281	40,614	42,873
Maintenance, repair, and cleaning	267,806	3,399	18,879	488	560	191	67	98	4,085	103	34	10,295	306,005	6,980	312,985	407,379
Dues and subscriptions	2,567	468	—	341	—	—	796	762	1,862	—	110	6,410	18,781	36,040	54,821	50,053
Equipment	8,239	286	1,434	143	—	—	401	—	—	2,334	—	41,202	54,039	75	54,114	37,659
Interest	469,950	—	—	—	—	—	—	—	—	—	—	—	469,950	—	469,950	527,450
Depreciation and amortization	1,026,321	—	—	—	—	—	—	—	—	—	—	—	5,821	1,032,142	1,032,142	1,041,384
Miscellaneous	4,662	1,864	160	41	16	10	117	1,313	2,094	442	—	6,340	17,059	45,339	62,398	24,520
Total – 2019	\$ 2,744,060	2,183,713	3,587,547	384,192	484,439	388,004	187,147	301,501	255,239	327,288	927,214	894,412	12,664,756	1,296,245	13,961,001	
Total – 2018	\$ 2,924,653	2,213,805	3,545,801	396,153	437,682	411,981	170,602	313,335	279,775	348,274	687,605	852,503	12,582,169	1,299,330		\$ 13,881,499

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**

## Statement of Cash Flows

Year ended June 30, 2019

(with comparative financial information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 68,637	293,466
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,032,142	1,041,384
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(60,672)	(42,826)
Accounts payable and accrued expenses	290,014	(32,720)
Due to related parties	321,901	47,619
Accrued bond interest	(29,300)	(28,200)
Net cash provided by operating activities	<u>1,622,722</u>	<u>1,278,723</u>
Cash flows from investing activity:		
Acquisition of district improvements	<u>(362,309)</u>	<u>(238,491)</u>
Net cash used in investing activity	<u>(362,309)</u>	<u>(238,491)</u>
Cash flows from financing activities:		
Additions to funds held by bond trustee	(12,332,382)	(11,905,528)
Withdrawals from funds held by bond trustee	12,539,777	12,015,285
Repayment of Series 2011 bond principal	<u>(1,465,000)</u>	<u>(1,410,000)</u>
Net cash used in financing activities	<u>(1,257,605)</u>	<u>(1,300,243)</u>
Increase (decrease) in cash and cash equivalents	2,808	(260,011)
Cash and cash equivalents at beginning of year	<u>222,142</u>	<u>482,153</u>
Cash and cash equivalents at end of year	<u>\$ 224,950</u>	<u>222,142</u>
Supplemental cash flow disclosure:		
Interest paid during the year	\$ 499,250	555,650

See accompanying notes to financial statements.

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

#### **(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 \$12,320,000 and \$11,900,000 were transferred to the Partnership to be used in operations for the years ended June 30, 2019 and 2018, respectively.

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 is required to increase unrelated business taxable income for any amount expended for certain qualified transportation fringe benefits after December 31, 2017. The Partnership expended \$116,617 and \$65,886 for such fringes for the years ended June 30, 2019 and 2018 respectively, resulting in unrelated business tax liabilities of \$24,490 and \$12,414, respectively. The total tax liability for the two years of \$36,904 has been included in management and general expenses in the statement of activities for the year ended June 30, 2019. 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, other than the tax on qualified travel fringes, was required for fiscal 2019 or 2018.

#### **(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, 2019 and 2018.

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, 2019

(with comparative financial information as of June 30, 2018)

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 statements 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 no uninsured cash balances at June 30, 2019 or 2018.

**(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 statements 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. Significant 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, 2019

(with comparative financial information as of June 30, 2018)

#### **(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 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 2018 comparative information. With respect to the accompanying statement of activities, information in 2018 is presented in the aggregate. With respect to the statement of functional expenses, information in 2018 is presented in the aggregate and not detailed by function. Accordingly, such information should be read in conjunction with the Partnership's fiscal 2018 financial statements from which the summarized information was derived.

#### **(i) Recently Adopted Accounting Standards**

Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* – This ASU, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The Partnership adopted significant requirements of the new ASU which includes the quantitative and qualitative disclosure about the management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date. The Partnership adopted ASU 2016-14 for the year ended June 30, 2019.

ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* – This ASU will require the Partnership to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Partnership expects to be entitled in exchange for those goods or services. The Partnership early adopted ASU 2014-09, which did not have a significant impact on the financial statements.

#### **(j) Future Accounting Standard**

ASU No. 2016-02, *Leases (Topic 842)* – This guidance, effective for the Partnership's fiscal year ending June 30, 2020, 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 consolidated balance sheet and disclosing key information about leasing arrangements. Management is evaluating the effect ASU 2016-02 will have on its financial statements.

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

#### (k) 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. 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.

#### (3) Availability and Liquidity

At June 30, 2019 and 2018, the Partnership's financial assets consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 224,950	222,142
Accounts receivable	102,351	159,552
Funds held by bond trustee	<u>3,202,752</u>	<u>3,410,147</u>
Total financial assets	<u>3,530,053</u>	<u>3,791,841</u>
Less amounts not available to be used within one year:		
Bond reserve fund requirement	1,666,283	1,666,283
Bond debt service funds	989,437	984,264
Bond qualified project cost funds	<u>525,568</u>	<u>744,133</u>
	<u>3,181,288</u>	<u>3,394,680</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 348,765</u>	<u>397,161</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 6, 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, 2019

(with comparative financial information as of June 30, 2018)

At June 30, 2019 and 2018, property and equipment consisted of following:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 347,304	356,599
Machinery and equipment	145,657	151,938
Leasehold improvements	<u>262,931</u>	<u>262,931</u>
	755,892	771,468
Accumulated depreciation and amortization	<u>(752,986)</u>	<u>(762,741)</u>
Property and equipment, net	<u>\$ 2,906</u>	<u>8,727</u>

**(5) District Improvements**

The Partnership provides program services and capital improvements to the District. As discussed in note 6, the Partnership has 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, 2019 and 2018, district improvements consisted of the following:

	<u>2019</u>	<u>2018</u>
Streetlight poles and luminaires	\$ 7,246,834	7,246,834
Park improvements	4,743,506	4,453,594
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	1,937,920
Other street fixtures	<u>4,105,759</u>	<u>4,039,959</u>
	29,659,948	29,297,639
Accumulated amortization	<u>(17,673,543)</u>	<u>(16,576,349)</u>
District improvements, net	<u>\$ 11,986,405</u>	<u>12,721,290</u>

**34TH STREET PARTNERSHIP, INC.**

Notes to Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

**(6) Bonds Payable**

On November 8, 2011, the Partnership issued \$18,795,000 in Capital Improvement Bonds, Series 2011 (Series 2011 Bonds). The proceeds of the Series 2011 Bonds were used to establish a refunding escrow fund, sufficient to pay principal and interest on the Partnership's outstanding Series 2003 Capital Improvement Refunding Bonds (Series 2003 Bonds), through their redemption date, January 1, 2013, as well as, to provide \$6,260,000 for additional approved capital improvements.

In connection with the issuance of these bonds, which were issued at a premium of \$1,654,575, the Partnership incurred bond issuance costs of \$296,223. These amounts have been deferred and are being amortized over the life of the related debt. Unamortized premium of \$992,745 and \$1,079,073 in 2019 and 2018, respectively, is included in bonds payable. Likewise, unamortized bond issuance costs of \$177,734 and \$193,189 in 2019 and 2018, respectively, have been subtracted from bonds payable. Amortization of bond premium and issuance costs amounted to \$86,325 and \$15,455, respectively, for both of the years ended June 30, 2019 and 2018.

The Series 2011 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, 2019 and 2018, the balances in these funds held by bond trustee were as follows:

	<u>2019</u>	<u>2018</u>
Construction and acquisition fund	\$ 525,568	744,133
Reserve fund	1,687,747	1,681,750
Debt service fund	<u>989,437</u>	<u>984,264</u>
	<u>\$ 3,202,752</u>	<u>3,410,147</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:			
2020	\$ 1,525,000	440,650	1,965,650
2021	1,585,000	379,650	1,964,650
2022	1,660,000	300,400	1,960,400
2023	1,620,000	217,400	1,837,400
2024	370,000	136,400	506,400
Thereafter	<u>3,040,000</u>	<u>505,400</u>	<u>3,545,400</u>
	<u>\$ 9,800,000</u>	<u>1,979,900</u>	<u>11,779,900</u>

**34TH STREET PARTNERSHIP, INC.**

Notes to Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

Interest on the Series 2011 Bonds ranges from 3.0% to 5.0% per annum. Interest expense on the outstanding bond obligation was \$469,950 and \$527,450 for the years ended June 30, 2019 and 2018, respectively.

The Partnership is required to meet certain financial covenants in connection with the respective outstanding bonds. For the years ended June 30, 2019 and 2018, the Partnership was in compliance with these covenants.

**(7) Pension Benefits**

The Partnership has a defined contribution retirement plan covering all personnel. Pension cost for the years ended June 30, 2019 and 2018 was \$149,231 and \$136,228, respectively.

**(8) 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 straight-line rental expense and deferred rent obligation for this lease. The Partnership's share of rent expense amounted to \$362,901 and \$375,729 for the years ended June 30, 2019 and 2018, respectively. Deferred rent obligation of \$274,373 and \$297,490 at June 30, 2019 and 2018, respectively, is included in accounts payable and accrued expenses.

The Partnership also leases space at 212 West 35th Street, New York, New York, under a lease that commenced on February 1, 1997 and expires on August 31, 2020. Rent expense for the space at 212 West 35th Street was \$209,055 and \$202,513 for the years ended June 30, 2019 and 2018, respectively.

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

	<u>212 West 35th Street</u>	<u>5 Bryant Park</u>	<u>Total</u>
Year ending June 30:			
2020	\$ 239,409	382,488	621,897
2021	40,064	382,488	422,552
2022	—	382,488	382,488
2023	—	390,456	390,456
2024	—	406,393	406,393
Thereafter	—	1,490,109	1,490,109
	<u>\$ 279,473</u>	<u>3,434,422</u>	<u>3,713,895</u>

The Partnership is jointly liable for total lease commitments of \$9,160,905 at 5 Bryant Park.

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

### Notes to Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

#### **(9) 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 \$4,743,503 which are included in District Improvements.

The Partnership also manages, pursuant to a license agreement with the New York City Department of Transportation, dated May 7, 2012, four pedestrian plazas on Broadway and Sixth Avenue between 33rd and 36th Streets (the Plazas). The license agreement to manage the Plazas expired on May 7, 2017. The Partnership continues to manage the Plazas under the terms of the expired agreement while a new agreement is being negotiated.

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.

#### **(10) 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.

#### **(11) 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, 2019 and 2018 the Partnership was indebted to BPC and BPMC for its net proportionate share of certain revenues and expenses in the amount of \$652,540 and \$330,639, respectively.

#### **(12) Subsequent Events**

In connection with the preparation of the financial statements, the Partnership evaluated subsequent events after the balance sheet date of June 30, 2019 through October 18, 2019, which was the date the financial statements were issued. The Partnership has determined that there are no additional subsequent events to disclose.

**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, 2019

	<u>Parks</u>	<u>Broadway Plazas</u>
Revenue:		
Events, activations and photo shoots	\$ 306,320	193,827
Concessions	312,474	—
Total revenue	<u>618,794</u>	<u>193,827</u>
Expenses:		
Salaries and wages	496,568	281,891
Payroll taxes and payroll-related expenses	59,221	42,064
Health insurance	93,653	43,538
Total salaries and benefits	<u>649,442</u>	<u>367,493</u>
Contracted services	16,486	8,048
Plants, plant installation and maintenance	39,919	205,347
Accounting and legal	22	133
Liability and related insurance	27,840	28,114
Rent	34,297	50,119
Utilities	15,777	—
Supplies	12,915	7,696
Communications	2,371	2,380
Maintenance and repair	40,538	5,506
Dues and subscriptions	3,616	990
Furniture and equipment	13,372	28,177
Depreciation and amortization	173,839	5,257
Miscellaneous	997	2,309
Total expenses	<u>1,031,431</u>	<u>711,569</u>
Decrease in net assets from Parks and Broadway Plazas operations	<u>\$ (412,637)</u>	<u>(517,742)</u>

See accompanying independent auditors' report.