



**34TH STREET PARTNERSHIP, INC.**

Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

(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, 2016, 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, 2016, 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.



### **Report on Summarized Comparative Information**

We have previously audited 34th Street Partnership, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*KPMG LLP*

October 17, 2016

**34TH STREET PARTNERSHIP, INC.**

Balance Sheet

June 30, 2016

(with comparative financial information as of June 30, 2015)

| <b>Assets</b>   | <b>2016</b>          | <b>2015</b>       |
|---|----------------------|-------------------|
| Cash and cash equivalents   | \$ 425,857           | 341,926           |
| Accounts receivable and other assets  | 304,514              | 572,140           |
| Due from related party (note 8)   | 216,979              | —                 |
| Funds held by bond trustee (note 4)   | 5,662,651            | 6,860,477         |
| Property and equipment, net (note 3)  | 93,996               | 149,566           |
| District improvements, net of accumulated amortization of<br>\$14,430,553 and \$13,453,904 in 2016 and 2015, respectively | 12,818,492           | 12,399,907        |
| Total assets  | <u>\$ 19,522,489</u> | <u>20,324,016</u> |
| <b>Liabilities and Net Assets</b>   |                      |                   |
| Liabilities:  |                      |                   |
| Accounts payable and accrued expenses (note 6)  | \$ 1,294,121         | 706,486           |
| Due to related party (note 8)   | —                    | 48,214            |
| Accrued bond interest (note 4)  | 311,200              | 337,000           |
| Bonds payable (note 4)  | 15,037,624           | 16,398,494        |
| Total liabilities   | 16,642,945           | 17,490,194        |
| Commitments and contingencies (notes 6 and 7)   |                      |                   |
| Net assets – unrestricted   | 2,879,544            | 2,833,822         |
| Total liabilities and net assets  | <u>\$ 19,522,489</u> | <u>20,324,016</u> |

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**

Statement of Activities

Year ended June 30, 2016

(with summarized financial information for the year ended June 30, 2015)

|  | <b>Operating<br/>and board-<br/>designated</b> | <b>Bond-<br/>financed<br/>activity</b> | <b>District<br/>improvements</b> | <b>2016<br/>total</b> | <b>2015<br/>total</b> |
|--|--|--|----------------------------------|-----------------------|-----------------------|
| Revenue and other support:                         |  |  |                                  |                       |                       |
| Assessments (notes 1 and 4):                       | \$ 10,885,000                                  | —                                      | —                                | 10,885,000            | 10,882,612            |
| Contributions in lieu of assessment                | 231,476  | —                                      | —                                | 231,476               | 232,101               |
| Parks revenue                                      | 886,086  | —                                      | —                                | 886,086               | 1,058,719             |
| Other program service revenue                      | 450,407  | —                                      | —                                | 450,407               | 507,051               |
| Interest   | 7,104  | 378                                    | —                                | 7,482                 | 7,938                 |
| Other revenue                                      | 2,152  | —                                      | —                                | 2,152                 | 6,527                 |
| <b>Total revenue and other support</b>             | <b>12,462,225</b>                              | <b>378</b>                             | <b>—</b>                         | <b>12,462,603</b>     | <b>12,694,948</b>     |
| Expenses:  |  |  |                                  |                       |                       |
| Program services:                                  |  |  |                                  |                       |                       |
| Capital projects                                   | 1,811,020                                      | (70,870)                               | 976,649                          | 2,716,799             | 2,858,248             |
| Security   | 2,080,139                                      | —                                      | —                                | 2,080,139             | 2,004,500             |
| Sanitation   | 2,987,100                                      | —                                      | —                                | 2,987,100             | 3,017,605             |
| Visitor services                                   | 397,864  | —                                      | —                                | 397,864               | 375,669               |
| Taxi stands  | 309,814  | —                                      | —                                | 309,814               | 292,040               |
| Special maintenance                                | 359,750  | —                                      | —                                | 359,750               | 324,700               |
| Public events                                      | 157,314  | —                                      | —                                | 157,314               | 154,422               |
| Retail services                                    | 344,612  | —                                      | —                                | 344,612               | 311,215               |
| Promotion  | 209,200  | —                                      | —                                | 209,200               | 212,683               |
| Design   | 305,878  | —                                      | —                                | 305,878               | 245,823               |
| Horticulture                                       | 671,099  | —                                      | —                                | 671,099               | 699,356               |
| Parks management                                   | 771,554  | —                                      | —                                | 771,554               | 691,782               |
| <b>Total program services</b>                      | <b>10,405,344</b>                              | <b>(70,870)</b>                        | <b>976,649</b>                   | <b>11,311,123</b>     | <b>11,188,043</b>     |
| Supporting services:                               |  |  |                                  |                       |                       |
| Management and general                             | 1,105,758                                      | —                                      | —                                | 1,105,758             | 1,105,908             |
| <b>Total expenses</b>                              | <b>11,511,102</b>                              | <b>(70,870)</b>                        | <b>976,649</b>                   | <b>12,416,881</b>     | <b>12,293,951</b>     |
| Increase (decrease) in net assets before transfers | 951,123  | 71,248                                 | (976,649)                        | 45,722                | 400,997               |
| Transfer – bond principal retired                  | (1,290,000)                                    | 1,290,000                              | —                                | —                     | —                     |
| Transfer – district improvements acquired          | —  | (1,395,234)                            | 1,395,234                        | —                     | —                     |
| <b>Increase (decrease) in net assets</b>           | <b>(338,877)</b>                               | <b>(33,986)</b>                        | <b>418,585</b>                   | <b>45,722</b>         | <b>400,997</b>        |
| Net assets (deficit) at beginning of year          | 1,218,433                                      | (10,784,518)                           | 12,399,907                       | 2,833,822             | 2,432,825             |
| Net assets (deficit) at end of year                | \$ 879,556                                     | (10,818,504)                           | 12,818,492                       | 2,879,544             | 2,833,822             |

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**  
Statement of Functional Expenses  
Year ended June 30, 2016  
(with summarized financial information for the year ended June 30, 2015)

|  | Capital projects | Security  | Sanitation | Visitor services | Taxi stands | Special maintenance | Program services<br>Public events | Retail services | Promotion | Design  | Horticulture | Parks management | Total      | Supporting services<br>Management and general | 2016 total | 2015 total    |
|--|------------------|-----------|------------|------------------|-------------|---------------------|-----------------------------------|-----------------|-----------|---------|--------------|------------------|------------|---|------------|---------------|
| Salaries and wages                         | \$ 501,509       | 1,319,144 | 1,764,135  | 271,783          | 189,793     | 257,134             | 95,117                            | 157,446         | 60,356    | 211,716 | 72,537       | 373,520          | 5,274,190  | 680,477                                       | 5,954,667  | 6,024,258     |
| Payroll taxes and payroll-related expenses | 65,701           | 190,679   | 342,150    | 37,805           | 26,731      | 49,571              | 12,527                            | 18,140          | 7,902     | 34,280  | 11,391       | 57,512           | 854,389    | 77,241  | 931,630    | 966,809       |
| Health insurance                           | 51,894           | 324,282   | 354,670    | 34,840           | 69,097      | 26,020              | 7,163                             | 9,756           | 13,142    | 12,399  | 15,298       | 56,821           | 975,382    | 42,719  | 1,018,101  | 986,154       |
| Total salaries and benefits                | 619,104          | 1,834,105 | 2,460,955  | 344,428          | 285,621     | 332,725             | 114,807                           | 185,342         | 81,400    | 258,395 | 99,226       | 487,853          | 7,103,961  | 800,437                                       | 7,904,398  | 7,977,221     |
| Contracted services                        | 86,149           | 5,028     | 55,062     | 1,278            | —           | 18                  | 18,038                            | 100,128         | 111,474   | 5,227   | 557,098      | 79,053           | 1,018,553  | 21,402  | 1,039,955  | 1,028,958     |
| Accounting and legal                       | 1,105            | 146       | 131,381    | —                | —           | —                   | —                                 | 24,616          | —         | —       | —            | 20,399           | 177,647    | 63,034  | 240,681    | 84,944        |
| Liability and related insurance            | 30,532           | 102,531   | 106,080    | 18,464           | 11,412      | 15,462              | 5,720                             | 9,468           | 3,629     | 14,367  | 4,362        | 22,460           | 344,487    | 40,918  | 385,405    | 319,115       |
| Rent and related                           | 41,951           | 111,230   | 93,355     | 13,785           | 9,324       | 5,904               | 12,182                            | 16,724          | 7,747     | 20,871  | 7,079        | 37,973           | 378,125    | 62,174  | 440,299    | 382,733       |
| Supplies                                   | 120,621          | 14,660    | 114,977    | 5,547            | 2,987       | 5,329               | 3,588                             | 614             | 235       | 1,181   | 1,067        | 37,847           | 308,653    | 15,695  | 324,348    | 352,332       |
| Travel and entertainment                   | 3,627            | 72        | 164        | 2,101            | —           | —                   | 43                                | 558             | 140       | 185     | 16           | 47               | 6,953      | 4,913   | 11,866     | 13,246        |
| Communications                             | 10,750           | 6,828     | 7,507      | 3,495            | 458         | 290                 | 1,572                             | 1,766           | 1,412     | 1,207   | 1,587        | 2,542            | 39,414     | 6,630   | 46,044     | 42,428        |
| Maintenance, repair, and cleaning          | 244,188          | 1,196     | 9,101      | 281              | 15          | 10                  | 257                               | 355             | 216       | 443     | 125          | 9,703            | 265,890    | 4,979   | 270,869    | 352,853       |
| Dues and subscriptions                     | 307              | 135       | 23         | 1,177            | —           | —                   | 39                                | 1,752           | 590       | 3       | —            | 1,224            | 5,250      | 38,442  | 43,692     | 36,052        |
| Equipment                                  | 1,409            | 2,171     | 6,885      | 6,324            | 11          | 7                   | 385                               | 869             | 242       | 1,608   | 539          | 45,573           | 66,023     | 3,926   | 69,949     | 82,305        |
| Interest                                   | 648,200          | —         | —          | —                | —           | —                   | —                                 | —               | —         | —       | —            | —                | 648,200    | —   | 648,200    | 698,800       |
| Depreciation and amortization              | 905,779          | —         | 855        | —                | —           | —                   | —                                 | —               | —         | —       | —            | 23,287           | 929,921    | 31,428  | 961,349    | 889,851       |
| Miscellaneous                              | 3,077            | 2,037     | 755        | 984              | (14)        | 5                   | 683                               | 2,420           | 2,115     | 2,391   | —            | 3,593            | 18,046     | 11,780  | 29,826     | 33,113        |
| Total – 2016                               | \$ 2,716,799     | 2,080,139 | 2,987,100  | 397,864          | 309,814     | 359,750             | 157,314                           | 344,612         | 209,200   | 305,878 | 671,099      | 771,554          | 11,311,123 | 1,105,758                                     | 12,416,881 |               |
| Total – 2015                               | \$ 2,858,248     | 2,004,500 | 3,017,605  | 375,669          | 292,040     | 324,700             | 154,422                           | 311,215         | 212,683   | 245,823 | 699,356      | 691,782          | 11,188,043 | 1,105,908                                     |            | \$ 12,293,951 |

See accompanying notes to financial statements.

**34TH STREET PARTNERSHIP, INC.**

## Statement of Cash Flows

Year ended June 30, 2016

(with comparative financial information for the year ended June 30, 2015)

|   | <u>2016</u>        | <u>2015</u>      |
|---|--------------------|------------------|
| Cash flows from operating activities:   |                    |                  |
| Increase in net assets  | \$ 45,722          | 400,997          |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |                    |                  |
| Depreciation and amortization   | 961,349            | 889,851          |
| Changes in operating assets and liabilities:  |                    |                  |
| Accounts receivable and other assets  | 267,626            | (277,433)        |
| Due from related parties  | (216,979)          | —                |
| Accounts payable and accrued expenses   | 587,635            | (32,850)         |
| Due to related parties  | (48,214)           | 36,448           |
| Accrued bond interest   | (25,800)           | (24,800)         |
| Net cash provided by operating activities   | <u>1,571,339</u>   | <u>992,213</u>   |
| Cash flows from investing activities:   |                    |                  |
| Acquisition of property and equipment   | —                  | (66,888)         |
| Acquisition of district improvements  | (1,395,234)        | (546,283)        |
| Net cash used in investing activities   | <u>(1,395,234)</u> | <u>(613,171)</u> |
| Cash flows from financing activities:   |                    |                  |
| Additions to funds held by bond trustee   | (10,890,982)       | (10,916,328)     |
| Withdrawals from funds held by bond trustee   | 12,088,808         | 11,504,283       |
| Repayment of Series 2011 bond principal   | (1,290,000)        | (1,240,000)      |
| Net cash used in financing activities   | <u>(92,174)</u>    | <u>(652,045)</u> |
| Increase (decrease) in cash and cash equivalents  | 83,931             | (273,003)        |
| Cash and cash equivalents at beginning of year  | <u>341,926</u>     | <u>614,929</u>   |
| Cash and cash equivalents at end of year  | <u>\$ 425,857</u>  | <u>341,926</u>   |
| Supplemental cash flow disclosure:  |                    |                  |
| Interest paid during the year   | \$ 674,000         | 723,600          |

See accompanying notes to financial statements.

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

#### (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 \$10,885,000 and \$10,882,612 were transferred to the Partnership to be used in operations for the years ended June 30, 2016 and 2015, 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 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 2016 or 2015.

#### (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 follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that will be met by either actions of the Partnership and/or the passage of time. The Partnership has received no temporarily restricted contributions.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently. The Partnership has received no permanently restricted contributions.

Revenues are reported as an increase in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary



## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

restrictions on net assets, if any (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets released from restrictions.

**(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 cash balances at June 30, 2015 that exceeded the balance insured by the FDIC in the amount of \$73,400.

**(d) *District Improvements***

The Partnership provides program services and capital improvements to the District. As discussed in note 4, the Partnership has issued bonds to finance certain capital improvement projects, including, but not limited to, the installation of distinctive sidewalk corners, street lights, 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.

**(e) *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 restricted support if they are received with donor stipulations that limit the use of the donated assets.

**(f) *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. Fund-raising activities are not significant to the operations of the Partnership.

**(g) *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, 2016

(with comparative financial information as of June 30, 2015)

#### (h) *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.

#### (i) *Comparative Financial Information*

The accompanying financial statements include certain 2015 comparative information. With respect to the accompanying statement of activities, information in 2015 is presented in the aggregate. With respect to the statement of functional expenses, information in 2015 is presented in the aggregate and not detailed by function. Accordingly, such information should be read in conjunction with the Partnership's fiscal 2015 financial statements from which the summarized information was derived.

### (3) **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, 2016 and 2015, property and equipment consisted of following:

|   | <u>2016</u>      | <u>2015</u>      |
|---|------------------|------------------|
| Furniture and fixtures                    | \$ 356,599       | 356,599          |
| Machinery and equipment                   | 151,938          | 151,938          |
| Leasehold improvements                    | 262,931          | 262,931          |
|   | <u>771,468</u>   | <u>771,468</u>   |
| Accumulated depreciation and amortization | <u>(677,472)</u> | <u>(621,902)</u> |
| Property and equipment, net               | <u>\$ 93,996</u> | <u>149,566</u>   |

**34TH STREET PARTNERSHIP, INC.**

Notes to Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

**(4) 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 \$1,251,723 and \$1,338,048 in 2016 and 2015, respectively, is included in bonds payable. Likewise, unamortized bond issuance costs of \$224,099 and \$239,554 in 2016 and 2015, 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, 2016 and 2015.

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, 2016 and 2015, the balances in these funds were as follows:

|                                   | <u><b>2016</b></u>  | <u><b>2015</b></u> |
|-----------------------------------|---------------------|--------------------|
| Construction and acquisition fund | \$ 3,004,697        | 4,195,360          |
| Reserve fund                      | 1,679,021           | 1,673,539          |
| Expense fund                      | —                   | 9,467              |
| Debt service fund                 | 978,933             | 982,111            |
|                                   | <u>\$ 5,662,651</u> | <u>6,860,477</u>   |

### 34TH STREET PARTNERSHIP, INC.

#### Notes to Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

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: |                      |                  |                           |
| 2017                 | \$ 1,335,000         | 622,400          | 1,957,400                 |
| 2018                 | 1,410,000            | 555,650          | 1,965,650                 |
| 2019                 | 1,465,000            | 499,250          | 1,964,250                 |
| 2020                 | 1,525,000            | 440,650          | 1,965,650                 |
| 2021                 | 1,585,000            | 379,650          | 1,964,650                 |
| Thereafter           | 6,690,000            | 1,159,600        | 7,849,600                 |
|                      | <u>\$ 14,010,000</u> | <u>3,657,200</u> | <u>17,667,200</u>         |

Interest on the Series 2011 Bonds ranges from 3.0% to 5.0% per annum. Interest expense on the outstanding bond obligation was \$648,200 and \$698,800 for the years ended June 30, 2016 and 2015, respectively.

The Partnership is required to meet certain financial covenants in connection with the respective outstanding bonds. For the years ended June 30, 2016 and 2015, the Partnership was in compliance with these covenants.

#### (5) Pension Benefits

The Partnership has a defined contribution retirement plan covering all personnel. Pension cost for the years ended June 30, 2016 and 2015 was \$121,881 and \$118,031, respectively.

#### (6) Lease Agreements

On February 11, 2015, the Partnership and BPC amended their lease agreement at 1065 Avenue of the Americas, New York, New York to include additional space, with an expansion premises commencement date of May 1, 2015. The original lease commenced on January 1, 2010 and expires on 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 \$172,107 and \$147,771 for the years ended June 30, 2016 and 2015, respectively. Deferred rent obligation of \$43,369 and \$82,125 at June 30, 2016 and 2015, 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 \$192,379 and \$150,264 for the years ended June 30, 2016 and 2015, respectively.

## 34TH STREET PARTNERSHIP, INC.

### Notes to Financial Statements

June 30, 2016

(with comparative financial information as of June 30, 2015)

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

|                      | <u>212 West<br/>35th Street</u> | <u>1065 Avenue<br/>of the<br/>Americas</u> | <u>Total</u>     |
|----------------------|---------------------------------|--|------------------|
| Year ending June 30: |                                 |  |                  |
| 2017                 | \$ 222,315                      | 211,398                                    | 433,713          |
| 2018                 | 227,873                         | 142,738                                    | 370,611          |
| 2019                 | 233,570                         | —  | 233,570          |
| 2020                 | 239,409                         | —  | 239,409          |
| 2021                 | 40,064                          | —  | 40,064           |
|                      | <u>\$ 963,231</u>               | <u>354,136</u>                             | <u>1,317,367</u> |

The Partnership is jointly liable for total lease commitments of \$885,777 at 1065 Avenue of the Americas.

#### (7) **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.

#### (8) **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, 2016 BPC and BPMC were indebted to the Partnership for their net proportionate share of certain revenues and expenses in the amount of \$216,979. Likewise, at June 30, 2015, the Partnership was indebted to BPC and BPMC amount of \$48,214.

#### (9) **Subsequent Events**

In connection with the preparation of the financial statements, the Partnership evaluated subsequent events after the balance sheet date of June 30, 2016 through October 17, 2016, which was the date the financial statements were issued. The Partnership has determined that there are no subsequent events to disclose.