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Grand Central Partnership, Inc.

Audit Communication – June 2022

Dear Audit Committee Members:

We have audited the combined financial statements of Grand Central Partnership and Grand Central District Management Association, Inc. (the Organizations) as of and for the year ended June 30, 2022, and have issued our report thereon dated October 20, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter and subsequent management reminders, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organizations solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you and management.

Significant Risks Identified

Revenue Recognition was considered a high-risk area, and additional and expanded procedures were performed. This is very standard in the current audit environment.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organizaiton is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting year, except if noted within this paragraph . No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We evaluated the key factors and assumptions used and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting financial statements relate to revenue recognition.

Identified or Suspected Fraud

We have not identified or have obtained information that indicates a fraud may have occurred.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you, significant unusual transactions identified during our audit. We noted no transactions entered into by the Organizations during the year that were both significant and unusual, and of which, under professional standards, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. We noted the following significant transactions during the year: satisfaction of 2013 Bond Payable as noted in Note 11, restatement of the financial statements due to the sublease modification noted in Note 14, and addition of a new lease obligation noted in the statement of cash flows and included in Note 8.

Significant Difficulties or Disagreements Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit. For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organizations financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The amount of uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and amounted to $14.300. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Three entries to adjust the lease liability which totaled $3,557,000
Two entries related to the sublease modification which totaled $265,000

Representations Requested from Management

We have requested certain written representations from management.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Organizations, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as auditors.

No matters were noted.

This information is intended solely for the use of the Audit Committee, the Board of Directors and Management of the Organizations, and is not intended to be, and should not be, used by anyone other than these specified parties.

Skody Scot & Company, CPAs, PC

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.

COMBINED FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

JUNE 30, 2022 AND 2021

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Grand Central Partnership, Inc.
Grand Central District Management
Association, Inc.

Opinion

We have audited the combined financial statements of Grand Central Partnership, Inc. and Grand Central District Management Association, Inc. (both nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities, expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of Grand Central Partnership, Inc. and Grand Central District Management Association, Inc. as of June 30, 2022 and 2021, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 could reasonably be expected to influence the judgement made by a reasonable user based on these combined 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 combined 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 combined 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 Grand Central Partnership, Inc.'s and Grand Central District Management Association, Inc.'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 combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Central Partnership, Inc.'s and Grand Central District Management Association, Inc.'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.

Skody Scot & Company, CPAS, P.C.

New York, NY
October 20, 2022

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	$ 1,819,928	$ 3,323,575
Program revenue receivable - restated	246,102	73,858
Investments	4,748,492	1,847,953
Prepaid expenses	490,806	408,478
Bond funds held by trustee	-	1,026,105
Property and equipment, net - restated	3,484,616	4,936,519
Right-of-use asset - operating leases	6,535,825	3,397,481
Bond issuance costs, net	-	12,085
Security deposits	116,303	116,303
Total assets	$ 17,442,072	$ 15,142,357
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 770,582	$ 606,050
Deferred income	113,412	118,400
Accrued bond interest	-	48,375
Lease liability - operating leases	6,756,482	3,639,021
Bonds payable	-	1,955,118
Total liabilities	7,640,476	6,366,964
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	9,699,749	8,728,546
With donor restrictions	101,847	46,847
Total net assets - restated	9,801,596	8,775,393
Total liabilities and net assets	$ 17,442,072	$ 15,142,357

See accompanying notes to the combined financial statements.

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Assessment revenue	$ 12,709,372	$ -	$ 12,709,372	$ 12,709,372	$ -	$ 12,709,372
Program service income	421,733	-	421,733	353,600	-	353,600
Contributions	2,040	75,000	77,040	35,482	-	35,482
Pershing Square rental income, net - restated	610,717	-	610,717	(59,815)	-	(59,815)
Investment return	(81,794)	-	(81,794)	69,515	-	69,515
Net assets released from restriction:						
Satisfaction of purpose restrictions	20,000	(20,000)	-	120,000	(120,000)	-
Total support and revenues	13,682,068	55,000	13,737,068	13,228,154	(120,000)	13,108,154
Expenses:						
Program Expenses:						
Public safety	3,084,398	-	3,084,398	3,064,826	-	3,064,826
Sanitation	3,501,866	-	3,501,866	3,803,435	-	3,803,435
External affairs	1,121,594	-	1,121,594	1,090,684	-	1,090,684
District-wide maintenance	2,319,296	-	2,319,296	2,569,597	-	2,569,597
Horticulture	397,123	-	397,123	467,687	-	467,687
Social services	258,194	-	258,194	233,972	-	233,972
Tourist greeters	267,575	-	267,575	339,394	-	339,394
Total program expenses	10,950,046	-	10,950,046	11,569,595	-	11,569,595
Supporting Services:						
Management and general	1,760,819	-	1,760,819	1,758,613	-	1,758,613
Total expenses	12,710,865	-	12,710,865	13,328,208	-	13,328,208
Increase/(Decrease) in net assets	971,203	55,000	1,026,203	(100,054)	(120,000)	(220,054)
Net assets, beginning of year - restated	8,728,546	46,847	8,775,393	8,828,600	166,847	8,995,447
Net assets, end of year - restated	$ 9,699,749	$ 101,847	$ 9,801,596	$ 8,728,546	$ 46,847	$ 8,775,393

See accompanying notes to the combined financial statements.

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.
COMBINED STATEMENT OF EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Expenses								Supporting Services	
	Public Safety	Sanitation	External Affairs	District-wide Maintenance	Horticulture	Social Services	Tourist Greeters	Total Program	Management & General	Total Expenses
Personnel costs:										
Salaries staff	$ 601,013	$ 599,772	$ 563,035	$ 300,575	$ 126,164	$ 104,619	$ 161,395	$ 2,456,573	$ 946,577	$ 3,403,150
Hourly staff	1,447,071	1,738,255	4,091	-	-	-	36,966	3,226,383	-	3,226,383
Payroll taxes/benefits	655,872	709,079	119,128	58,547	18,685	19,676	51,586	1,632,573	157,730	1,790,303
Total personnel costs	2,703,956	3,047,106	686,254	359,122	144,849	124,295	249,947	7,315,529	1,104,307	8,419,836
Other expenses:										
Depreciation & amortization	-	-	-	1,361,258	-	-	-	1,361,258	23,998	1,385,256
Dues, memberships & permits	-	-	25,878	-	-	-	-	25,878	12,985	38,863
Insurance	118,361	129,710	36,264	89,243	15,988	-	13,200	402,766	48,506	451,272
Interest	-	-	-	60,124	-	-	-	60,124	-	60,124
Maintenance	3,372	3,372	1,780	44,828	-	-	-	53,352	3,291	56,643
Office expenses	17,666	20,356	13,462	1,986	1,003	647	2,349	57,469	14,246	71,715
Outside contractors	58,602	69,166	240,729	303,336	141,196	133,039	-	946,068	67,369	1,013,437
Professional fees	9,791	3,915	100,995	7,830	-	-	-	122,531	45,983	168,514
Rent and utilities	161,210	161,210	-	43,814	-	-	-	366,234	419,118	785,352
Supplies	2,855	59,171	1,931	40,200	93,578	-	409	198,144	9,000	207,144
Telephone & communications	7,747	7,672	5,447	7,331	396	208	1,655	30,456	6,837	37,293
Travel and meetings	838	188	8,854	224	113	5	15	10,237	5,179	15,416
Total expenses	$ 3,084,398	$ 3,501,866	$ 1,121,594	$ 2,319,296	$ 397,123	$ 258,194	$ 267,575	$ 10,950,046	$ 1,760,819	$ 12,710,865

See accompanying notes to the combined financial statements.

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.
COMBINED STATEMENT OF EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Expenses								Supporting Services	
	Public Safety	Sanitation	External Affairs	District-wide Maintenance	Horticulture	Social Services	Tourist Greeters	Total Program	Management & General	Total Expenses
Personnel costs:										
Salaries staff	$ 553,604	$ 552,680	$ 554,136	$ 279,769	$ 115,675	$ 95,319	$ 148,772	$ 2,299,955	$ 894,168	$ 3,194,123
Hourly staff	1,432,978	1,988,255	4,682	-	-	-	94,661	3,520,576	-	3,520,576
Payroll taxes/benefits	625,630	751,468	134,124	58,366	19,362	18,237	72,872	1,680,059	192,416	1,872,475
Total personnel costs	2,612,212	3,292,403	692,942	338,135	135,037	113,556	316,305	7,500,590	1,086,584	8,587,174
Other expenses:										
Depreciation & amortization	-	-	-	1,390,856	-	-	-	1,390,856	23,998	1,414,854
Dues, memberships & permits	-	-	20,687	-	-	-	-	20,687	9,122	29,809
Insurance	125,239	138,527	37,379	101,586	17,427	-	14,925	435,083	48,142	483,225
Interest	-	-	-	167,035	-	-	-	167,035	-	167,035
Maintenance	3,261	3,261	1,780	57,204	-	-	1,583	67,089	4,813	71,902
Office expenses	22,200	25,821	13,359	2,097	931	602	2,583	67,593	18,336	85,929
Outside contractors	82,317	70,229	260,525	424,428	170,901	119,614	-	1,128,014	59,076	1,187,090
Professional fees	5,859	3,635	51,406	15,869	-	-	86	76,855	58,271	135,126
Rent and utilities	193,273	193,273	-	42,897	-	-	-	429,443	403,145	832,588
Supplies	12,235	68,010	680	22,998	142,967	-	2,132	249,022	34,904	283,926
Telephone & communications	8,144	8,116	7,156	6,487	424	195	1,770	32,292	8,359	40,651
Travel and meetings	86	160	4,770	5	-	5	10	5,036	3,863	8,899
Total expenses	$ 3,064,826	$ 3,803,435	$ 1,090,684	$ 2,569,597	$ 467,687	$ 233,972	$ 339,394	$ 11,569,595	$ 1,758,613	$ 13,328,208

See accompanying notes to the combined financial statements.

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Increase/(decrease) in net assets	$ 1,026,203	$ (220,054)
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	1,451,903	1,414,854
Amortization of bond premium	(20,118)	(36,751)
Amortization of right of use asset	349,227	373,763
Investment (gain)/loss	143,461	(46,694)
Changes in assets and liabilities:		
Program revenue receivable	(172,244)	14,150
Prepaid expenses	(82,328)	34,634
Accounts payable and accrued expenses	116,157	184,440
Deferred income	(4,988)	29,152
Net cash provided/(used) by operating activities	2,807,273	1,747,494
Cash flows from investing activities:		
Investment in certificates of deposit	(3,784,000)	-
Redemption of certificates of deposit	740,000	1,262,220
Purchase of property and equipment	-	(13,275)
Net cash provided/(used) by investing activities	(3,044,000)	1,248,945
Cash flows from financing activities:		
Payment of operating lease liabilities	(358,025)	(351,005)
(Increase)/decrease in funds held by bond trustee	1,026,105	990
Repayment of bond principal	(1,935,000)	(1,845,000)
Net cash provided/(used) by financing activities	(1,266,920)	(2,195,015)
Net increase/(decrease) in cash	(1,503,647)	801,424
Cash at beginning of year	3,323,575	2,522,151
Cash at end of year	$ 1,819,928	$ 3,323,575
Supplemental information:		
Interest paid	$ 108,499	$ 189,000
Recognition of operating leases	3,487,571	-

See accompanying notes to the combined financial statements.

Note 1 - Summary of Significant Accounting Policies

Grand Central Partnership, Inc.

Grand Central Partnership, Inc. (GCP), a not-for-profit organization, was incorporated in the State of New York in 1985. GCP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. GCP primarily receives its support from promotional program service revenue, lease revenues from an economic development project and general contributions.

Grand Central District Management Association, Inc.

Grand Central District Management Association, Inc. (GCDMA), a not-for-profit organization, was incorporated in the State of New York in 1988. GCDMA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. GCDMA primarily receives its support from a real estate special assessment levied by The City of New York (City) on properties located in the Grand Central Business Improvement District (BID), and from several organizations, which are not legally or otherwise required to make special assessment payments, but voluntarily choose to make such payments. The GCDMA district is comprised of 70 square blocks with irregular boundaries running from East 35th Street to East 54th Street, and from Second Avenue to Fifth Avenue.

Combined Financial Statements

Due to their close organizational relationship, including common management and overlapping Boards of Directors, it has been deemed appropriate to prepare combined financial statements of GCP and GCDMA (referred to collectively as "the Organization"). GCP and GCDMA do not separately record and account for their financial transactions. The Organization maintains its books and records on a combined basis.

Basis of Accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing the combined financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Continued)

Major Programs

The Organization's seven major programs include the following: Sanitation - Maintaining clean streets/curbs, litter and graffiti removal; Public Safety - Providing increased public security through a combination of uniformed officers and a working relationship with the New York City Police Department and other public and private law enforcement; Tourist Greeters - Providing information, brochures and maps, and tours to visitors, workers, residents and others, at multiple locations in the district; External Affairs - Promoting the district through corporate communications, social media and public relations campaigns; retail and commercial business support; marketing; sponsorship opportunities and special events; and the compilation of demographic and other key data about the Midtown East neighborhood; District-Wide Maintenance - Improving and maintaining the overall appearance of the district by installing streetscape amenities such as public furniture and street lighting, and the cost of financing those improvements; Horticulture - Enhancing the district through plantings and decorations; and the Organization also supports Social Services - Contracting with a homeless outreach organization to provide at-risk individuals with crisis intervention services such as emergency medical and mental health assistance, food, clothing, and temporary and long-term housing.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be collected within one year and as such have been stated at their net realizable value with no allowance for uncollectible receivables.

Investments

All investments are measured at fair value on a recurring basis and are reported at their fair values as of June 30, 2022 and 2021, in the combined statements of financial position.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is computed by the straight-line method over estimated useful lives ranging from three to thirty years. Leasehold improvements are amortized by the straight-line method over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are charged as an expense, and major renewals and betterments are capitalized.

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates those resources be maintained in perpetuity.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the combined statements of activities and in the combined statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses based on estimated time and effort and rent, insurance, and other expenses based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Lease Liability and Right-of-Use Asset

The Organization entered into multiple operating lease agreements for office space and retail space to obtain right of use (ROU) assets. Each lease liability and ROU asset represent its lease obligations and rights to use the leased asset over the period of the lease and are recognized when the Organization enters into the lease. The lease payments are discounted using a rate determined when the lease is recognized. Since most of the Organization’s leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The related operating lease ROU asset may differ from the operating lease liability due to deferred or prepaid lease payments and lease incentives. The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The real estate assessment levied by the City is recorded by the Organization when earned. The City remits these assessments to the Organization in two installments. An allowance for doubtful accounts is not provided because all assessments are received in the current year. Assessment billing errors are recorded as a direct reduction of assessment revenue.

Program service revenue relates to fees received in exchange for program services and mainly includes payments in lieu of assessments, promotional fees, and maintenance fees. Revenue is recognized ratably over time as the service is provided, risks and rewards transfer, and all performance obligations are considered satisfied. Any revenue received which has not been earned is recorded as deferred income.

The Organization recognizes contributions when cash, a nonfinancial asset, or an unconditional promise to give is received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to the meeting of these conditions are reported as refundable advances in the combined statements of financial position. As of June 30, 2022 and 2021, the Organization did not have any conditional pledges that were not recognized.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted for a purpose by the donor are reported as support with donor restrictions and increases in net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investment income is recognized when earned. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pershing Square rental income is recognized ratably over time as the license is provided, risks and rewards transfer, and all performance obligations are considered satisfied. Any revenue received which has not been earned is recorded as deferred income.

Note 2 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2022 and 2021, all of the Organization's investments fall within Level 2 of the fair value hierarchy.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Organization's Board of Directors assesses and approves these policies and procedures. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Note 3 - Concentrations

The Organization maintains its cash and investments in various accounts. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to $250,000 per financial institution. The Securities Investor Protection Corporation insures cash and securities, including money market funds, up to $500,000 per financial institution. At times, the balances of the accounts may have exceeded the insured limits during the years ended June 30, 2022 and 2021.

Note 4 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2022 and 2021:

	2022	2021
District public furniture and fixtures	$38,450,586	$38,450,586
Equipment	146,257	146,257
Furniture and fixtures	212,893	212,893
Leasehold improvements	556,672	556,672
Pershing leasehold improvements	1,729,934	1,729,934
	41,096,342	41,096,342
Less: Accumulated depreciation and amortization	(37,611,726)	(36,159,823)
	$ 3,484,616	$ 4,936,519

Note 5 - Investments

Investment in long-term bank notes include the following fair values and unrealized appreciation at June 30, 2022 and 2021:

	2022	2021
Fair market value (Level 2)	$ 4,748,492	$ 1,847,953
Cost	4,846,000	1,802,000
Unrealized appreciation/(depreciation)	$(97,508)	$ 45,953

Note 6 - Pension Plan

In 2005, the Organization adopted a deferred compensation plan, which allows matching up to 2% of participant's salary. Organization contributions to the plan for the fiscal years ended June 30, 2022 and 2021, amounted to $49,014 and $54,514, respectively.

Note 7 - Fundraising Expenses

The Organization conducted activities that included direct solicitations for sponsorships (fundraising). However, the costs of personnel conducting those sponsorship activities were immaterial and not separately stated.

Note 8 - Leases

Operating Leases

The Organization leases space under several non-cancelable operating leases that are set to expire at various times through fiscal year 2032. As of June 30, 2022, the maturities of lease liabilities are as follows:

Year ended June 30, 2023	$ 770,166
2024	787,865
2025	804,275
2026	758,556
2027	763,219
Thereafter	4,032,796
Total lease payments	7,916,877
Less: imputed interest	(1,160,395)
Present value of lease liabilities	$ 6,756,482

The following summarizes the weighted average lease term and discount rate for operating leases as of June 30, 2022 and 2021:

	2022	2021
Weighted average remaining lease term	9.7 years	11 years
Weighted average discount rate	3.25%	3.25%

One lease contains a renewal option. The Organization did not include the renewal option in the establishment of the lease term because it is not reasonably certain that the Organization will exercise it. One lease agreement includes variable payments based on a percentage of operating income, which were not determinable at the lease commencement and are not included in the measurement of the lease asset and liability.

The following summarizes the line items in the combined statements of activities which include the components of lease expenses for the years ended June 30, 2022 and 2021:

	2022	2021
Operating lease expenses included in:		
Program expenses	$ 285,179	$ 333,654
Management and general expenses	380,783	374,341
Pershing Square rental income, net	75,000	75,000
Total operating lease expenses	$ 740,962	$ 782,995

Note 8 - Leases (Continued)

Pershing Square Operating Sublease

In September 1995, GCP entered into an agreement with the New York City Economic Development Corporation to assume the lease of retail space under the Pershing Square viaduct for the purpose of developing a first-class restaurant. This lease agreement was amended in June 2001 and again in July 2022. In April 1997, GCP entered into a sublease with a subtenant, which was modified in October 1999 and in June 2022. The lease and sublease both have provisions for additional rents based on a percentage of operating income. In the first quarter of FY 2023, the Organization entered into a Sublease Modification with subtenant, and a modification of the Main Lease with the City of New York, lease documents that would impact payments attributed to certain periods of year that ended June 30, 2022. The sublease modification addressed subtenant rent and PILOT receivables retroactive to October 1, 2021, the reduction of subtenant's base rent, and changed the schedule for subtenant payments of percentage rent. The sublease modification also extended the Sublease through August 15, 2025. The Main Lease modification changed the schedule for the payment of Residual Subrents by GCP to the City. Receipt of all payments related to the Sublease and Main Lease occurred in FY2023. As of June 30, 2022, the minimum aggregate annual rental commitments and subtenant commitments are as follows:

	Organization Commitment	Subtenant Commitment
Year ended June 30, 2023	$ 75,000	$ 300,000
2024	75,000	300,000
2025	75,000	300,000
2026	12,500	37,500

Net rental income for the years ended June 30, 2022 and 2021 is comprised of the following:

	2022	2021
Sublease base rental income	$ 225,000	$ -
One time license fee	437,417	-
Taxes billed and other income	267,001	260,196
Less: Lease base rent	(56,250)	(43,750)
Lease additional rent	(60,805)	(9,207)
Amortization of improvements	(66,647)	-
Taxes and other expenses	(134,999)	(267,054)
Net rental income	$ 610,717	$(59,815)

Note 9 - Net Assets With Donor Restrictions

As of June 30, 2022 and 2021, net assets with donor restrictions are available as follows:

	2022	2021
Centerline project	$ 76,847	$ 46,847
Homeless outreach	25,000	-
	$ 101,847	$ 46,847

Note 10 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2022	2021
Financial assets:		
Cash	$ 1,819,928	$ 3,323,575
Receivables	246,102	73,858
Investments	4,748,492	1,847,953
Total financial assets	6,814,522	5,245,386
Less those unavailable for general expenditures within one year	-	-
Financial assets available to meet cash needs for general expenditures within one year	$ 6,814,522	$ 5,245,386

Note 11 - Bonds Payable

In 1994, GCDMA issued $29,855,000 in Capital Improvement Refunding Bonds-Series 1994 (Series 1994 Bonds) to refinance Capital Improvement Bonds-Series 1992 (Series 1992) which were issued to finance various street improvements within the District. In January 2002, the Series 1992 Bonds were called for $27,336,000, and in January 2003 the remaining bonds were repaid.

In February 2004, GCDMA issued $26,545,000 in Capital Improvement Refunding Bonds-Series 2004 (Series 2004 Bonds) to refund $28,646,000 of the Series 1994 Bonds (the Refunded Bonds). In connection with these bonds, GCDMA incurred issuance costs of $893,900, which were amortized over the life of the debt. Proceeds of the Series 2004 Bonds, together with other available funds of the Series 1994 Bonds, were deposited with the trustee and used to (a) pay the Refunded Bonds and related costs of the Series 2004 Bonds; and (b) pay the costs of remaining street improvements. This series allowed redemption in January 2014, and the GCDMA exercised this option.

In December 2013, GCDMA issued $13,590,000 in Capital Improvement Refunding Bonds - Series 2013 (Series 2013 Bonds) at a premium of $1,296,334. The Series 2013 Bonds were issued for the purpose of refunding $14,660,000 of the Series 2004 Bonds. This series has no early redemption provision. In connection with the Series 2013 Bonds, GCDMA incurred issuance costs of $193,287, which were amortized over the life of the debt. The bonds were repaid in-full during the year ended June 30, 2022.

Note 12 - Revenue from Contracts with Customers

Detail of revenue from contracts with customers during the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Payments in lieu of assessment	$ 177,223	$ 170,128
Sponsorships	244,510	183,472
Pershing Square:		
Rental income	662,417	-
Less: rental expenses	(51,700)	(59,815)
Net rental income	610,717	(59,815)

The following table provides information about significant changes in the deferred income related to contracts with customers for the years ended June 30, 2022 and 2021:

	2022	2021
Deferred income, beginning	$ 118,400	$ 89,248
Revenue recognized that was included in deferred income at beginning of year	(93,100)	(89,248)
Increase due to payments in lieu of assessment received before earned	88,112	93,100
Increase due to special event income received for future event	-	25,300
Deferred income, ending	$ 113,412	$ 118,400

Note 13 - Related Party Transactions

The Organization rents office space disclosed in Note 8. A board member is the Vice Chair of the entity serving as the management agent for the landlord.

The Organization also leases economic development space from The City of New York which is disclosed in Note 8 - Pershing Square. Representatives from the City serve as board members of the Organization.

The Organization leases exterior roof-top space for neighborhood lighting from entities related to three board members. The entities are reimbursed for electric costs based on electrical usage for this purpose. For the years ended June 30, 2022 and 2021, amounts paid to the entities amounted to $13,764 and $13,119, respectively.

The Organization is a dues-paying member of the Real Estate Board of New York (REBNY). The president of REBNY is member of the board of the Organization.

Note 14 - Restatements

The COVID pandemic and government health restrictions severely curtailed the operations of the Organization's subtenant in the Pershing Square premises, resulting in receivables during the year that ended June 30, 2022 and for a period going back to April 1, 2020. The total amount of the receivables that was written off was $465,117, $425,000 of that was related to fiscal year 2021 and the remainder related to earlier years.

The Organization negotiated an abatement of PILOT installment payments with the City of New York based on the fact that the Organization had not received rent and PILOT payments from its subtenant during the period of April 1, 2020 through September 30, 2021. The Organization passed on the benefit of the forgiveness of the PILOT receivable to the subtenant for the rent receivable for the same period.

In addition, it was determined that due to the operating changes, some improvements should not have been amortized in fiscal year 2021. Therefore, $66,647 of fiscal year 2021 amortization expenses were reversed.

Note 15 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through October 20, 2022, which is the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To: The Board of Directors
Grand Central Partnership, Inc.
Grand Central District Management
Association, Inc.

We have audited the combined financial statements of Grand Central Partnership, Inc. and Grand Central District Management Association, Inc. as of and for the years ended June 30, 2022 and 2021, and have issued our report thereon dated October 20, 2022, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combined schedule of expenses and budget are presented for the purpose of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Skody Scot & Company, CPAs, PC

New York, NY
October 20, 2022

GRAND CENTRAL PARTNERSHIP, INC.
GRAND CENTRAL DISTRICT MANAGEMENT ASSOCIATION, INC.
COMBINED SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2022

	Total Expenses	Assessment Budget
Personnel costs:		
Staff salaries	$ 3,403,150	$ 3,338,345
Hourly staff	3,226,383	3,744,339
Payroll taxes/benefits	1,790,303	2,153,963
Total personnel costs	8,419,836	9,236,647
Other expenses:		
Depreciation & amortization	1,385,256	1,444,876
Dues, memberships & permits	38,863	40,000
Insurance	451,272	544,175
Interest	60,124	60,124
Maintenance	56,643	93,475
Office expenses	71,715	95,629
Outside contractors	1,013,437	1,541,780
Professional fees	168,514	209,808
Rent and utilities	785,352	851,241
Supplies	207,144	411,305
Telephone & communications	37,293	42,034
Travel and meetings	15,416	21,560
Total expenses	$ 12,710,865	$ 14,592,654