

**LINCOLN SQUARE DISTRICT MANAGEMENT
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of June 30, 2018 and 2017	2
Statements of activities for the years ended June 30, 2018 and 2017	3
Statements of cash flows for the years ended June 30, 2018 and 2017	4
Notes to financial statements	5 - 9
 <u>Supplementary Financial Information</u>	
Independent Auditors' Report on Supplementary Information	10
Schedule of functional expenses for the year ended June 30, 2018 with comparative totals for 2017	11
Schedule of expenses and budget for the year ended June 30, 2018	12



Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Lincoln Square District Management Association, Inc.

We have audited the accompanying financial statements of Lincoln Square District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 auditor's 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 Lincoln Square District Management Association, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Skody Scot & Company, CPAs, P.C.

New York, NY
December 3, 2018

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,261,825	\$ 1,189,918
Contributions and other receivables	-	21,157
Prepaid expenses	7,573	19,784
Security deposits	16,264	9,806
	\$ 1,285,662	\$ 1,240,665

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 154,027	\$ 140,033
Deferred income	25,000	-
Total liabilities	179,027	140,033
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	721,932	717,887
Temporarily restricted	384,703	382,745
Permanently restricted	-	-
Total net assets	1,106,635	1,100,632
Total liabilities and net assets	\$ 1,285,662	\$ 1,240,665

See accompanying notes to the financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 2,400,000	\$ 2,300,000
Program service revenue	-	17,428
Contributions	429,567	475,664
Contributions in-kind	234,485	278,936
Interest income	742	725
Temporarily restricted:		
Contributions	1,958	34,325
Total support and revenues	3,066,752	3,107,078
Expenses:		
Program Expenses:		
Marketing and promotion	887,011	1,023,574
Safety	519,768	515,882
Sanitation	886,167	859,837
Public improvements	255,850	250,402
Total program expenses	2,548,796	2,649,695
Management and general	398,422	399,824
Fundraising	113,531	95,999
Total expenses	3,060,749	3,145,518
Increase/(Decrease) In Net Assets:		
Unrestricted	4,045	(72,765)
Temporarily restricted	1,958	34,325
Permanently restricted	-	-
Increase/(decrease) in net assets	6,003	(38,440)
Net assets, beginning of year	1,100,632	1,139,072
Net assets, end of year	\$ 1,106,635	\$ 1,100,632

See accompanying notes to the financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 6,003	\$ (38,440)
Adjustments for non-cash items included in operating activities	-	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	13,994	13,777
Deferred income	25,000	-
Contributions receivable	21,157	(12,657)
Prepaid expenses	12,211	-
Security deposits	(6,458)	
Net cash provided/(used) by operating activities	71,907	(37,320)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	71,907	(37,320)
Cash and cash equivalents, at beginning of year	1,189,918	1,227,238
Cash and cash equivalents, at end of year	\$ 1,261,825	\$ 1,189,918

See accompanying notes to the financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Association

Lincoln Square District Management Association, Inc. (Association), a not-for-profit organization, was incorporated in the State of New York on December 6, 1996. The Association 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 Association does not believe its financial statements contain any uncertain tax positions. The Association primarily receives its support from a real estate special assessment levied by The City of New York (City) on properties located in the Lincoln Square Business Improvement District (BID). The BID's boundaries are approximately Broadway from 58th Street to 70th Street, and Columbus Avenue from 60th Street to 68th Street, as well as two blocks on Central Park West and the east side of Amsterdam Avenue from 60th to 70th streets.

The Association's programs (as initially disclosed in the district plan) include the following: Safety - providing increased public security and general assistance through a combination of uniformed security officers/ambassadors and a working relationship with the New York City Police Department; Sanitation - maintaining clean streets/curbs/sidewalks and garbage removal; Marketing & Promotion - promoting the district to residents and tourists and to retain and develop prospective businesses; and Public Improvements - improving the overall appearance of the district through a combination of beautification and other projects.

As part of its commitment to social services, the BID's sanitation and area maintenance program includes utilizing the services of Goddard Riverside Community Center's Green Keepers, a training program for the formerly homeless, who are under contract with the BID to clean the malls five days a week. The BID also works with Midtown Community Court which provides nonviolent offenders who perform community service work in the district five days a week.

Basis of Accounting

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

Basis of Presentation

In accordance with GAAP the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows.

Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Association considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposits and treasury bills, with an original maturity of three months or less.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing the 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.

Property and Equipment

The Association capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to ten 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.

Revenue Recognition

The real estate assessment levied by the City is recorded by the Association when earned. The City remits these assessments to the Association in two installments. An allowance for doubtful accounts is not provided because all assessments are received in the current year. Assessment billing adjustments are corrected in the next billing cycle.

Program service revenue relates to fees received in exchange for program services and includes banner sponsorship. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

Contributions are considered available for the Association's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets.

In accordance with grant provisions, grants are recorded as revenue when earned, either through expenditure or accomplishment of a specific goal or benchmark. All unreimbursed expenses as of the period-end are recorded as a receivable and all advanced funds not expended are recorded as refundable advances.

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Expense Allocation

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

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 received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Checking and savings	\$1,005,799	\$ 934,127
Money market funds	<u>256,026</u>	<u>255,791</u>
	<u>\$1,261,825</u>	<u>\$1,189,918</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment	\$105,069	\$105,069
Leasehold improvements	43,328	43,328
Furniture and fixtures	<u>7,416</u>	<u>7,416</u>
	155,813	155,813
Less: Accumulated depreciation and amortization	<u>(155,813)</u>	<u>(155,813)</u>
	<u>\$ -</u>	<u>\$ -</u>

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	2018	2017
Beautification projects for Broadway Malls	\$ 337,881	\$ 335,923
Public Improvement projects	46,822	46,822
	\$ 384,703	\$ 382,745

Note 5 - Contributions In-Kind

Contributions in-kind represent noncash contributions, which are recorded at their estimated fair value, and are reported as support and expensed in the period in which received. For the years ended June 30, 2018 and 2017, in-kind support was provided for the marketing program's Winters Eve event which amounted to \$234,485 and \$278,936, respectively.

The BID also receives long term significant support from Greenacre Foundation, which provides funding directly to the BID's landscape contractor to help cover beautification costs. These costs have not been included in the Statements of Activities.

Note 6 - Commitments and Contingencies

The Association leases office space under several non-cancelable operating leases. As of June 30, 2018 minimum aggregate annual rentals are as follows:

Year ended June 30, 2019	\$ 151,061
2020	136,590
2021	140,415
2022	144,348
2023	148,389
2024 and thereafter	792,050

Note 7 - Concentrations

The Association maintains its cash and cash equivalents in various accounts with major financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts may have exceeded insured limits during the years ended June 30, 2018 and 2017.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 8 - Pension Plan

The Association adopted a simplified employee pension plan. The plan allows for the Association to make discretionary contributions based on the participant's salary. Association contributions to the plan amounted to \$28,800 and \$29,967, for the years ended June 30, 2018 and 2017, respectively.

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 3, 2018, which is the date the financial statements were available to be issued.



Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To: The Board of Directors of
Lincoln Square District Management Association, Inc.

We have audited the financial statements of Lincoln Square District Management Association, Inc. as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated December 3, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses, and expenses and budget are presented for the purpose of additional analysis and are 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 audit 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.

New York, NY
December 3, 2018

Skody Scot & Company, CPAs, PC

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	2 0 1 8								2 0 1 7
	Program Expenses				Supporting Services				
	Marketing & Promotion	Safety	Sanitation	Public Improvement	Total Program	Management and General	Fundraising	Total Expenses	Total Expenses
Personnel Costs:									
Executive salaries	\$ 46,187	\$ 46,187	\$ 46,187	\$ 46,187	\$ 184,748	\$ 45,505	\$ 46,187	\$ 276,440	\$ 270,640
Staff salaries	109,533	77,665	77,665	36,110	300,973	54,092	50,899	405,964	396,113
Payroll taxes and benefits	19,684	22,187	22,187	13,317	77,375	16,326	15,207	108,908	118,333
Outside contractors	39,235	372,831	739,848	138,279	1,290,193	1,369	1,238	1,292,800	1,243,806
Total personnel costs	<u>214,639</u>	<u>518,870</u>	<u>885,887</u>	<u>233,893</u>	<u>1,853,289</u>	<u>117,292</u>	<u>113,531</u>	<u>2,084,112</u>	<u>2,028,892</u>
Direct expenses:									
Insurance	-	-	-	-	-	14,011	-	14,011	10,878
Rent and utilities	-	277	-	34	311	133,032	-	133,343	154,093
Office expenses	-	-	-	-	-	45,251	-	45,251	31,809
Postage and messengers	-	-	-	-	-	10,006	-	10,006	9,158
Professional fees	-	-	-	-	-	52,842	-	52,842	39,848
Project expenses	634,545	-	-	244	634,789	-	-	634,789	799,136
Supplies and equipment	37,827	621	280	21,679	60,407	11,795	-	72,202	61,755
Telephone	-	-	-	-	-	14,193	-	14,193	9,949
Total direct expenses	<u>672,372</u>	<u>898</u>	<u>280</u>	<u>21,957</u>	<u>695,507</u>	<u>281,130</u>	<u>-</u>	<u>976,637</u>	<u>1,116,626</u>
Total expenses	<u>\$ 887,011</u>	<u>\$ 519,768</u>	<u>\$ 886,167</u>	<u>\$ 255,850</u>	<u>\$ 2,548,796</u>	<u>\$ 398,422</u>	<u>\$ 113,531</u>	<u>\$ 3,060,749</u>	<u>\$ 3,145,518</u>

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018

	<u>Total Expenses</u>	<u>Budget</u>
Personnel Costs:		
Executive salaries	\$ 276,440	\$ 270,300
Staff salaries	405,964	462,045
Payroll taxes and benefits	108,908	148,900
Outside contractors	1,292,800	1,348,000
Total personnel costs	<u>2,084,112</u>	<u>2,229,245</u>
Direct expenses:		
Insurance	14,011	15,000
Rent and utilities	133,343	145,000
Office expenses	45,251	44,500
Postage and messengers	10,006	8,000
Professional fees	52,842	35,000
Project expenses	634,789	448,000
Supplies and equipment	72,202	66,500
Telephone	14,193	9,000
Total direct expenses	<u>976,637</u>	<u>771,000</u>
Total expenses	<u><u>\$ 3,060,749</u></u>	<u><u>\$ 3,000,245</u></u>

Note: Budget does not include in-kind contributions of \$234,485 for project expenses.