

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

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2019 AND 2018**

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

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## 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, 2019 and 2018, and the related statements of activities, expenses, 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, 2019 and 2018, 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  
November 14, 2019

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,314,979	\$ 1,261,825
Prepaid expenses	7,573	7,573
Property and equipment, net	63,084	-
Security deposits	44,378	16,264
	\$ 1,430,014	\$ 1,285,662

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 151,080	\$ 154,027
Deferred income	30,000	25,000
Deferred rent	16,701	-
Total liabilities	197,781	179,027
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	838,485	721,932
With donor restrictions	393,748	384,703
Total net assets	1,232,233	1,106,635
Total liabilities and net assets	\$ 1,430,014	\$ 1,285,662

**See accompanying notes to the financial statements.**

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Assessment revenue	\$ 2,600,000	\$ -	\$ 2,600,000	\$ 2,400,000	\$ -	\$ 2,400,000
Government grants	3,500	-	3,500	-	-	-
Contributions	392,320	9,045	401,365	429,567	1,958	431,525
Contributions in-kind	307,730	-	307,730	234,485	-	234,485
Interest income	729	-	729	742	-	742
Total support and revenues	3,304,279	9,045	3,313,324	3,064,794	1,958	3,066,752
<b>Expenses:</b>						
Program Expenses:						
Marketing and promotion	979,155	-	979,155	887,011	-	887,011
Safety	548,374	-	548,374	519,768	-	519,768
Sanitation	932,577	-	932,577	886,167	-	886,167
Public improvements	219,776	-	219,776	255,850	-	255,850
Total program expenses	2,679,882	-	2,679,882	2,548,796	-	2,548,796
Management and general	383,362	-	383,362	398,422	-	398,422
Fundraising	124,482	-	124,482	113,531	-	113,531
Total expenses	3,187,726	-	3,187,726	3,060,749	-	3,060,749
Increase/(Decrease) in net assets	116,553	9,045	125,598	4,045	1,958	6,003
Net assets, beginning of year	721,932	384,703	1,106,635	717,887	382,745	1,100,632
Net assets, end of year	\$ 838,485	\$ 393,748	\$ 1,232,233	\$ 721,932	\$ 384,703	\$ 1,106,635

See accompanying notes to the financial statements.

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENT OF EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Program Expenses</u>					<u>Supporting Services</u>		
	<u>Marketing &amp; Promotion</u>	<u>Safety</u>	<u>Sanitation</u>	<u>Public Improvement</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel Costs:								
Executive salaries	\$ 47,208	\$ 47,208	\$ 47,208	\$ 47,208	\$ 188,832	\$ 47,208	\$ 47,208	\$ 283,248
Staff salaries	141,749	82,394	78,673	41,484	344,300	57,035	60,945	462,280
Payroll taxes and benefits	24,616	21,587	21,357	14,019	81,579	18,210	16,104	115,893
Outside contractors	49,172	396,098	785,263	101,257	1,331,790	-	225	1,332,015
Total personnel costs	<u>262,745</u>	<u>547,287</u>	<u>932,501</u>	<u>203,968</u>	<u>1,946,501</u>	<u>122,453</u>	<u>124,482</u>	<u>2,193,436</u>
Direct expenses:								
Insurance	-	-	-	-	-	11,835	-	11,835
Rent and utilities	-	374	-	-	374	168,997	-	169,371
Office expenses	-	-	-	-	-	23,058	-	23,058
Postage and messengers	-	-	-	-	-	7,383	-	7,383
Professional fees	-	-	-	-	-	36,648	-	36,648
Project expenses	705,020	-	-	-	705,020	-	-	705,020
Supplies and equipment	11,390	713	76	15,808	27,987	7,120	-	35,107
Telephone	-	-	-	-	-	5,868	-	5,868
Total direct expenses	<u>716,410</u>	<u>1,087</u>	<u>76</u>	<u>15,808</u>	<u>733,381</u>	<u>260,909</u>	<u>-</u>	<u>994,290</u>
Total expenses	<u>\$ 979,155</u>	<u>\$ 548,374</u>	<u>\$ 932,577</u>	<u>\$ 219,776</u>	<u>\$ 2,679,882</u>	<u>\$ 383,362</u>	<u>\$ 124,482</u>	<u>\$ 3,187,726</u>

See accompanying notes to financial statements.

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENT OF EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	<u>Program Expenses</u>				<u>Supporting Services</u>			Total Expenses
	Marketing & Promotion	Safety	Sanitation	Public Improvement	Total Program	Management and General	Fundraising	
Personnel Costs:								
Executive salaries	\$ 46,187	\$ 46,187	\$ 46,187	\$ 46,187	\$ 184,748	\$ 45,505	\$ 46,187	\$ 276,440
Staff salaries	109,533	77,665	77,665	36,110	300,973	54,092	50,899	405,964
Payroll taxes and benefits	19,684	22,187	22,187	13,317	77,375	16,326	15,207	108,908
Outside contractors	39,235	372,831	739,848	138,279	1,290,193	1,369	1,238	1,292,800
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>
Direct expenses:								
Insurance	-	-	-	-	-	14,011	-	14,011
Rent and utilities	-	277	-	34	311	133,032	-	133,343
Office expenses	-	-	-	-	-	45,251	-	45,251
Postage and messengers	-	-	-	-	-	10,006	-	10,006
Professional fees	-	-	-	-	-	52,842	-	52,842
Project expenses	634,545	-	-	244	634,789	-	-	634,789
Supplies and equipment	37,827	621	280	21,679	60,407	11,795	-	72,202
Telephone	-	-	-	-	-	14,193	-	14,193
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>
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>

See accompanying notes to financial statements.

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 125,598	\$ 6,003
Adjustments for non-cash items included in operating activities	-	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(2,947)	13,994
Deferred income	5,000	25,000
Deferred rent	16,701	-
Contributions receivable	-	21,157
Prepaid expenses	-	12,211
Security deposits	(28,114)	(6,458)
Net cash provided/(used) by operating activities	116,238	71,907
Cash flows from investing activities:		
Purchase of property, plant & equipment	(63,084)	-
Net cash provided/(used) by investing activities	(63,084)	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	53,154	71,907
Cash and cash equivalents, at beginning of year	1,261,825	1,189,918
Cash and cash equivalents, at end of year	\$ 1,314,979	\$ 1,261,825
Supplementary information:		
Asset retirement	\$ 155,813	\$ -

**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 58<sup>th</sup> Street to 70<sup>th</sup> Street, and Columbus Avenue from 60<sup>th</sup> Street to 68<sup>th</sup> Street, as well as two blocks on Central Park West and the east side of Amsterdam Avenue from 60<sup>th</sup> to 70<sup>th</sup> 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.

Change in Accounting Principle

In fiscal year 2019, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the fiscal year 2019 and 2018 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

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)

Net Assets

Net assets, revenue, 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 that resources be maintained in perpetuity.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

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 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 increase net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

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 statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Association allocates salaries based on estimated time. 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Bank deposits and cash	\$1,058,718	\$1,005,799
Money market funds	<u>256,261</u>	<u>256,026</u>
	<u>\$1,314,979</u>	<u>\$1,261,825</u>

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

**Note 3 - Property and Equipment**

Property and equipment by major class consisted of the following at June 30, 2019 and 2018:

	2019	2018
Equipment	\$ -	\$105,069
Leasehold improvements	36,434	43,328
Furniture and fixtures	26,650	7,416
	63,084	155,813
Less: Accumulated depreciation and amortization	( - )	(155,813)
	\$ 63,084	\$ -

**Note 4 - Net Assets With Donor Restrictions**

As of June 30, 2019 and 2018, net assets with donor restrictions are available as follows:

	2019	2018
Beautification projects for Broadway Malls	\$ 346,926	\$ 337,881
Public Improvement projects	46,822	46,822
	\$ 393,748	\$ 384,703

**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, 2019 and 2018, in-kind support was provided for the marketing program's Winters Eve event which amounted to \$307,730 and \$234,485, 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 - 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 \$29,116 and \$28,800, for the years ended June 30, 2019 and 2018, respectively

**Note 7 - Government Grants**

During the year ended June 30, 2019, the Association was awarded a grant by a governmental entity. Total revenue recognized under the grant amounted to \$3,500 for the year ended June 30, 2019.

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

Note 8 - Commitments and Contingencies

The Association leases office space under a non-cancelable operating lease set to expire January 31, 2030. As of June 30, 2019 minimum aggregate annual rentals are as follows:

Year ended June 30, 2020	\$ 89,344
2021	180,499
2022	184,160
2023	187,895
2024	191,706
2025 and thereafter	1,185,025

Note 9 - 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 have exceeded insured limits during the years ended June 30, 2019 and 2018.

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, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ <u>1,314,979</u>	\$ <u>1,261,825</u>
Total financial assets	1,314,979	1,261,825
Less those unavailable for general expenditures within one year	( <u>          -</u> )	( <u>          -</u> )
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,314,979</u>	<u>\$ 1,261,825</u>

Note 11 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through November 14, 2019, 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 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, 2019 and 2018, and have issued our report thereon dated November 14, 2019, 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 schedule of expenses and budget is 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  
November 14, 2019

*Skody Scot & Company, CPAs, PC*

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF EXPENSES AND BUDGET**  
**(Supplemental Financial Information)**  
**YEAR ENDED JUNE 30, 2019**

	<u><b>Total Expenses</b></u>	<u><b>Budget</b></u>
Personnel Costs:		
Executive salaries	\$ 283,248	\$ 300,752
Staff salaries	462,280	490,848
Payroll taxes and benefits	115,893	160,900
Outside contractors	1,332,015	1,523,500
Total personnel costs	<u>2,193,436</u>	<u>2,476,000</u>
Direct expenses:		
Insurance	11,835	15,000
Rent and utilities	169,371	160,000
Office expenses	23,058	53,000
Postage and messengers	7,383	10,780
Professional fees	36,648	35,000
Project expenses	705,020	455,500
Supplies and equipment	35,107	58,000
Telephone	5,868	9,000
Total direct expenses	<u>994,290</u>	<u>796,280</u>
Total expenses	<u><u>\$ 3,187,726</u></u>	<u><u>\$ 3,272,280</u></u>

Note: Budget does not include in-kind contributions of \$307,730 for project expenses.