

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 29, 2021

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,249,209	\$ 1,721,027
Prepaid expenses	7,570	7,570
Property and equipment, net	112,743	74,547
Security deposits	26,974	26,974
	\$ 2,396,496	\$ 1,830,118
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 254,697	\$ 155,724
Refundable advances	10,000	25,000
Total liabilities	264,697	180,724
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	1,747,167	1,271,875
With donor restrictions	384,632	377,519
Total net assets	2,131,799	1,649,394
Total liabilities and net assets	\$ 2,396,496	\$ 1,830,118

See accompanying notes to the financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Assessment revenue	\$ 2,850,000	\$ -	\$ 2,850,000	\$ 2,850,000	\$ -	\$ 2,850,000
Government grants	18,256	-	18,256	132,187	-	132,187
Contributions	186,370	7,113	193,483	410,586	-	410,586
Contributions in-kind	63,000	-	63,000	358,945	-	358,945
Interest income	411	-	411	628	-	628
Net assets released from restriction:						
Satisfaction of purpose restrictions	-	-	-	16,229	(16,229)	-
Total support and revenues	3,118,037	7,113	3,125,150	3,768,575	(16,229)	3,752,346
Expenses:						
Program expenses:						
Marketing and promotion	334,197	-	334,197	969,997	-	969,997
Safety	639,172	-	639,172	561,775	-	561,775
Sanitation	795,705	-	795,705	943,173	-	943,173
Public improvements	342,412	-	342,412	326,778	-	326,778
Total program expenses	2,111,486	-	2,111,486	2,801,723	-	2,801,723
Management and general	399,786	-	399,786	388,419	-	388,419
Fundraising	131,473	-	131,473	145,043	-	145,043
Total expenses	2,642,745	-	2,642,745	3,335,185	-	3,335,185
Increase/(decrease) in net assets	475,292	7,113	482,405	433,390	(16,229)	417,161
Net assets, beginning of year	1,271,875	377,519	1,649,394	838,485	393,748	1,232,233
Net assets, end of year	\$ 1,747,167	\$ 384,632	\$ 2,131,799	\$ 1,271,875	\$ 377,519	\$ 1,649,394

See accompanying notes to the financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Program Expenses</u>				<u>Supporting Services</u>			
	<u>Marketing & Promotion</u>	<u>Safety</u>	<u>Sanitation</u>	<u>Public Improvements</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel costs:								
Management salaries	\$ 100,834	\$ 138,249	\$ 138,249	\$ 132,900	\$ 510,232	\$ 82,974	\$ 82,975	\$ 676,181
Staff salaries	70,831	-	-	12,379	83,210	24,046	30,055	137,311
Payroll taxes and benefits	28,965	24,754	24,737	28,775	107,231	18,415	18,038	143,684
Outside contractors	46,700	451,741	608,533	153,982	1,260,956	-	405	1,261,361
Total personnel costs	<u>247,330</u>	<u>614,744</u>	<u>771,519</u>	<u>328,036</u>	<u>1,961,629</u>	<u>125,435</u>	<u>131,473</u>	<u>2,218,537</u>
Direct expenses:								
Depreciation and amortization	12,500	-	-	-	12,500	11,804	-	24,304
Insurance	-	-	-	-	-	10,445	-	10,445
Rent and utilities	-	24,000	24,000	-	48,000	125,258	-	173,258
Office expenses	-	-	-	-	-	34,569	-	34,569
Postage and messengers	-	-	-	-	-	1,021	-	1,021
Professional fees	-	-	-	-	-	70,360	-	70,360
Project expenses	74,117	-	-	2,687	76,804	-	-	76,804
Supplies and equipment	250	428	186	11,689	12,553	7,609	-	20,162
Telephone	-	-	-	-	-	13,285	-	13,285
Total direct expenses	<u>86,867</u>	<u>24,428</u>	<u>24,186</u>	<u>14,376</u>	<u>149,857</u>	<u>274,351</u>	<u>-</u>	<u>424,208</u>
Total expenses	<u>\$ 334,197</u>	<u>\$ 639,172</u>	<u>\$ 795,705</u>	<u>\$ 342,412</u>	<u>\$2,111,486</u>	<u>\$ 399,786</u>	<u>\$ 131,473</u>	<u>\$2,642,745</u>

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENT OF EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program Expenses</u>				<u>Supporting Services</u>			
	<u>Marketing & Promotion</u>	<u>Safety</u>	<u>Sanitation</u>	<u>Public Improvements</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel costs:								
Management salaries	\$ 119,034	\$ 144,643	\$ 137,254	\$ 104,255	\$ 505,186	\$ 93,075	\$ 100,465	\$ 698,726
Staff salaries	84,545	2,241	2,241	9,020	98,047	31,672	24,697	154,416
Payroll taxes and benefits	31,482	24,485	23,125	17,198	96,290	24,797	19,476	140,563
Outside contractors	32,583	364,578	768,068	174,971	1,340,200	-	405	1,340,605
Total personnel costs	<u>267,644</u>	<u>535,947</u>	<u>930,688</u>	<u>305,444</u>	<u>2,039,723</u>	<u>149,544</u>	<u>145,043</u>	<u>2,334,310</u>
Direct expenses:								
Depreciation and amortization	-	-	-	-	-	11,804	-	11,804
Insurance	-	-	-	-	-	12,623	-	12,623
Rent and utilities	-	24,000	12,000	-	36,000	84,944	-	120,944
Office expenses	-	-	-	-	-	43,105	-	43,105
Postage and messengers	-	-	-	-	-	7,390	-	7,390
Professional fees	-	-	-	-	-	59,274	-	59,274
Project expenses	691,096	-	-	85	691,181	-	-	691,181
Supplies and equipment	11,257	1,828	485	21,249	34,819	11,844	-	46,663
Telephone	-	-	-	-	-	7,891	-	7,891
Total direct expenses	<u>702,353</u>	<u>25,828</u>	<u>12,485</u>	<u>21,334</u>	<u>762,000</u>	<u>238,875</u>	<u>-</u>	<u>1,000,875</u>
Total expenses	<u>\$ 969,997</u>	<u>\$ 561,775</u>	<u>\$ 943,173</u>	<u>\$ 326,778</u>	<u>\$ 2,801,723</u>	<u>\$ 388,419</u>	<u>\$ 145,043</u>	<u>\$ 3,335,185</u>

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 482,405	\$ 417,161
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	24,304	11,804
Changes in assets and liabilities:		
Accounts payable and accrued expenses	98,973	4,644
Refundable advances	(15,000)	(5,000)
Deferred rent	-	(16,701)
Prepaid expenses	-	3
Security deposits	-	17,404
Net cash provided/(used) by operating activities	<u>590,682</u>	<u>429,315</u>
Cash flows from investing activities:		
Purchase of property and equipment	(62,500)	(23,267)
Net cash provided/(used) by investing activities	<u>(62,500)</u>	<u>(23,267)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	528,182	406,048
Cash and cash equivalents, at beginning of year	1,721,027	1,314,979
Cash and cash equivalents, at end of year	<u>\$ 2,249,209</u>	<u>\$ 1,721,027</u>

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.

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.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 to the Association of three months or less.

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 and amortization. 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.

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.

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 and related expenses based on estimated time and effort. The Association classifies expenses, which are not directly related to a specific program, as Management and General expenses.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

The Association recognizes contributions when cash, noncash assets, or unconditional promises to give are 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 statements of financial position. At June 30, 2021 and 2020, contributions totaling \$28,500 and \$44,000, respectively, have not been recognized in the accompanying statements of activities because the conditions on which they depend have not been met. The recognition of these contributions is conditioned upon the Association completing certain program goals in the next fiscal year.

All 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 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.

The Association received grants from governmental agencies. Depending upon the terms of the grant, it can be either an exchange transaction or a contribution. In accordance with grant provisions, the grant can be an expense reimbursement grant which requires that approved expenses be incurred prior to reimbursement by the grantor. Other grants permit advances of grant funds or full payment of grant funds at the start of the grant. If the grant is an exchange type grant, all unreimbursed expenses, for approved purposes, as of year-end are recorded as receivables and any unexpended advances are recorded as refundable advances. If the grant is a contribution, it is recognized in accordance with the contribution recognition policy described above.

During the year ended June 30, 2020, the Association received \$123,687 of Paycheck Protection Program funds from the U.S. Small Business Administration. Management has determined that the correct model to follow is the grant model and that the purpose-related conditions imposed on the grant were met by year-end. Therefore, the full amount has been recognized as revenue. The amount is included with government grants in the statement of activities for the year ended June 30, 2020.

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

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2021 and 2020:

	2021	2020
Bank deposits and cash	\$ 1,994,531	\$ 1,466,038
Money market funds	254,678	254,989
	\$ 2,249,209	\$ 1,721,027

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2021 and 2020:

	2021	2020
Equipment	\$ 73,566	\$ 11,066
Leasehold improvements	22,406	22,406
Furniture and fixtures	52,879	52,879
	148,851	86,351
Less: Accumulated depreciation and amortization	(36,108)	(11,804)
	\$ 112,743	\$ 74,547

Note 4 - Net Assets With Donor Restrictions

As of June 30, 2021 and 2020, net assets with donor restrictions are available as follows:

	2021	2020
Streetscape and beautification	\$ 384,632	\$ 377,519

Note 5 - Contributions In-Kind

Significant services were donated to the Association that meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are reported at their estimated fair market values at the date of donation. For the years ended June 30, 2021 and 2020, in-kind support was provided for the marketing program's Winters Eve event which amounted to \$0 and \$232,945, respectively.

The BID also receives in-kind contributions for landscape contracting and field and administrative offices, which amounted to \$63,000 and \$126,000 for the years ended June 30, 2021 and 2020, respectively.

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

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 \$35,343 and \$36,653 for the years ended June 30, 2021 and 2020, respectively.

Note 7 - Government Grants

During the years ended June 30, 2021 and 2020, the Association was awarded grants by various governmental entities. Total revenue recognized under the grants amounted to \$18,256 and \$132,187 for the years ended June 30, 2021 and 2020, respectively.

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, 2021, minimum aggregate annual rentals are as follows:

Year ended June 30, 2022	\$ 183,852
2023	187,581
2024	191,386
2025	200,033
2026	210,760
2027 and thereafter	790,369

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 exceeded insured limits during the years ended June 30, 2021 and 2020.

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

Note 10 - Liquidity and Availability of Financial Assets

The Association 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 Association 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 Association's financial assets, as of June 30, 2021 and 2020, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2021	2020
Financial assets:		
Cash and cash equivalents	<u>\$ 2,249,209</u>	<u>\$ 1,721,027</u>
Total financial assets	2,249,209	1,721,027
Less those unavailable for general expenditures within one year	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,249,209</u>	<u>\$ 1,721,027</u>

Note 11 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through November 29, 2021, 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, 2021 and 2020, and have issued our report thereon dated November 29, 2021, 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 29, 2021

Skody Scot & Company, CPAs, PC

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2021

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Management salaries	\$ 676,181	\$ 673,380
Staff salaries	137,311	156,700
Payroll taxes and benefits	143,684	164,780
Outside contractors	1,261,361	1,627,500
Total personnel costs	<u>2,218,537</u>	<u>2,622,360</u>
Direct expenses:		
Depreciation and amortization	24,304	-
Insurance	10,445	17,000
Rent and utilities	173,258	183,000
Office expenses	34,569	56,500
Postage and messengers	1,021	8,000
Professional fees	70,360	50,000
Project expenses	76,804	129,500
Supplies and equipment	20,162	20,000
Telephone	13,285	9,000
Total direct expenses	<u>424,208</u>	<u>473,000</u>
Total expenses	<u><u>\$ 2,642,745</u></u>	<u><u>\$ 3,095,360</u></u>

Note: Budget does not include in-kind contributions of \$48,000 for rent and \$15,000 for outside contractors.