

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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 2, 2015

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 1,265,570	\$ 1,276,934
Prepaid expenses	8,238	20,264
Property and equipment, net	3,154	11,542
Security deposits	9,806	9,806
	\$ 1,286,768	\$ 1,318,546
	\$ 1,286,768	\$ 1,318,546

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 103,115	\$ 125,001
Deferred income	-	22,500
	103,115	147,501
	103,115	147,501
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	891,336	889,063
Temporarily restricted	292,317	281,982
Permanently restricted	-	-
	1,183,653	1,171,045
	\$ 1,286,768	\$ 1,318,546

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$2,166,665	\$2,166,665
Program service revenue	52,500	66,250
Contributions	414,112	335,284
Contributions in-kind	230,000	388,000
Interest income	2,089	2,229
Temporarily restricted:		
Contributions	10,335	26,553
Total support and revenues	<u>2,875,701</u>	<u>2,984,981</u>
Expenses:		
Program Expenses:		
Marketing and promotion	963,556	1,025,196
Safety	396,693	406,053
Sanitation	756,854	741,199
Public improvements	290,664	285,000
Total program expenses	<u>2,407,767</u>	<u>2,457,448</u>
Management and general	344,960	340,722
Fundraising	110,366	95,010
Total expenses	<u>2,863,093</u>	<u>2,893,180</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	2,273	65,248
Temporarily restricted	10,335	26,553
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>12,608</u>	<u>91,801</u>
Net assets, beginning of year	<u>1,171,045</u>	<u>1,079,244</u>
Net assets, end of year	<u><u>\$1,183,653</u></u>	<u><u>\$1,171,045</u></u>

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 12,608	\$ 91,801
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	8,388	11,797
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(21,886)	(39,887)
Deferred income	(22,500)	(12,500)
Contributions and grants receivable	-	10,000
Prepaid expenses	12,026	(12,148)
Net cash provided/(used) by operating activities	<u>(11,364)</u>	<u>49,063</u>
 Cash flows from investing activities	 -	 -
 Cash flows from financing activities	 -	 -
 Net increase/(decrease) in cash and cash equivalents	 (11,364)	 49,063
Cash and cash equivalents, at beginning of year	<u>1,276,934</u>	<u>1,227,871</u>
Cash and cash equivalents, at end of year	<u>\$ 1,265,570</u>	<u>\$1,276,934</u>

See accompanying notes to 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.

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.

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.

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.

**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.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Checking and savings	\$1,009,293	\$1,021,000
Money market funds	<u>256,277</u>	<u>255,934</u>
	<u>\$1,265,570</u>	<u>\$1,276,934</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</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>(152,659)</u>	<u>(144,271)</u>
	<u>\$ 3,154</u>	<u>\$ 11,542</u>

Note 4 - Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beautification projects for Broadway Malls	\$244,177	\$233,842
Public Improvement projects	48,140	48,140

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

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, 2015 and 2014, in-kind support was provided for the marketing program's Winters Eve event which amounted to \$230,000 and \$388,000, respectively.

Two of the BID's long term supporters, Greenacre Foundation and The Broadway Mall Association provide 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, 2015 minimum aggregate annual rentals are as follows:

Year ended June 30, 2016	\$ 102,582
2017	105,557
2018	108,618
2019	18,188

Total rent and utility expense charged to operations for the years ended June 30, 2015 and 2014 was \$120,259 and \$133,523, respectively.

The Association maintains its cash accounts with major financial institutions. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. Balances that exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance coverage's are summarized for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Institution balances	\$1,314,797	\$1,395,040
Less: Amounts covered	<u>(500,000)</u>	<u>(500,000)</u>
Uninsured amounts	<u>\$ 814,797</u>	<u>\$ 895,040</u>

Note 7 - 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 \$19,407 and \$19,513, for the years ended June 30, 2015 and 2014, respectively.

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

Note 8 - Fundraising Expenses

The Association conducted activities that included direct solicitations for sponsorships (fundraising). The costs of personnel conducting those sponsorship activities included fundraising, administrative and program expenses (collectively defined as joint costs). The total joint costs were allocated for the years ended June 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Program expenses	\$125,304	\$423,749
Management and general	52,054	91,286
Fundraising	<u>73,548</u>	<u>94,290</u>
Total joint costs	<u>\$250,906</u>	<u>\$609,325</u>

Note 9 – Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 2, 2015, 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, 2015 and 2014, and have issued our report thereon dated December 2, 2015, 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.

Skody Scot & Company, CPAs, PC

December 2, 2015

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	2015							2014	
	Program Expenses				Supporting Services			Total Expenses	
	Marketing & Promotion	Safety	Sanitation	Public Improvements	Total Program	Management and General	Fundraising		
Personnel costs:									
Executive salaries	\$ 66,862	\$ -	\$ -	\$ 47,051	\$ 113,913	\$ 47,322	\$ 66,862	\$ 228,097	\$ 228,444
Staff salaries	172,589	40,369	40,369	28,012	281,339	43,914	25,677	350,930	296,885
Payroll taxes and benefits	38,875	5,013	5,013	11,068	59,969	19,326	17,077	96,372	83,996
Outside contractors	46,612	351,311	711,425	106,297	1,215,645	-	750	1,216,395	1,195,967
Total personnel costs	<u>324,938</u>	<u>396,693</u>	<u>756,807</u>	<u>192,428</u>	<u>1,670,866</u>	<u>110,562</u>	<u>110,366</u>	<u>1,891,794</u>	<u>1,805,292</u>
Direct expenses:									
Insurance	-	-	-	-	-	13,864	-	13,864	14,210
Depreciation and amortization	-	-	-	-	-	8,388	-	8,388	11,797
Rent and utilities	-	-	-	-	-	120,259	-	120,259	133,523
Office expenses	-	-	-	-	-	31,580	-	31,580	46,193
Postage and messengers	-	-	-	-	-	2,920	-	2,920	8,130
Professional fees	-	-	-	-	-	39,859	-	39,859	31,651
Project expenses	592,051	-	-	-	592,051	-	-	592,051	702,112
Supplies and equipment	46,567	-	47	98,236	144,850	7,919	-	152,769	131,336
Telephone	-	-	-	-	-	9,609	-	9,609	8,936
Total direct expenses	<u>638,618</u>	<u>-</u>	<u>47</u>	<u>98,236</u>	<u>736,901</u>	<u>234,398</u>	<u>-</u>	<u>971,299</u>	<u>1,087,888</u>
Total expenses	<u>\$ 963,556</u>	<u>\$396,693</u>	<u>\$756,854</u>	<u>\$ 290,664</u>	<u>\$ 2,407,767</u>	<u>\$344,960</u>	<u>\$110,366</u>	<u>\$ 2,863,093</u>	<u>\$ 2,893,180</u>

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2015

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Executive salaries	\$ 228,097	\$ 224,000
Staff salaries	350,930	393,870
Payroll taxes and benefits	96,372	121,380
Outside contractors	1,216,395	1,279,500
Total personnel costs	<u>1,891,794</u>	<u>2,018,750</u>
Direct expenses:		
Insurance	13,864	15,000
Depreciation and amortization	8,388	-
Rent and utilities	120,259	128,000
Office expenses	31,580	40,500
Postage and messengers	2,920	5,000
Professional fees	39,859	31,000
Project expenses	592,051	317,000
Supplies and equipment	152,769	111,500
Telephone	9,609	9,000
Total direct expenses	<u>971,299</u>	<u>657,000</u>
Total expenses	<u>\$ 2,863,093</u>	<u>\$ 2,675,750</u>

Note: Budget does not include in-kind contributions of \$230,000 for project expenses.