

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

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2016 AND 2015**

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, 2016 and 2015, 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, 2016 and 2015, 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 7, 2016

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,227,238	\$ 1,265,570
Contributions receivable	8,500	-
Prepaid expenses	19,784	8,238
Property and equipment, net	-	3,154
Security deposits	9,806	9,806
Total assets	\$ 1,265,328	\$ 1,286,768

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 126,256	\$ 103,115
Total liabilities	126,256	103,115
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	790,652	891,336
Temporarily restricted	348,420	292,317
Permanently restricted	-	-
Total net assets	1,139,072	1,183,653
Total liabilities and net assets	\$ 1,265,328	\$ 1,286,768

**See accompanying notes to financial statements.**

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>Support and Revenues:</b>		
Unrestricted:		
Assessment revenue	\$2,166,665	\$2,166,665
Program service revenue	7,687	52,500
Contributions	385,285	414,112
Contributions in-kind	267,000	230,000
Interest income	826	2,089
Temporarily restricted:		
Contributions	56,103	10,335
Total support and revenues	2,883,566	2,875,701
<b>Expenses:</b>		
Program Expenses:		
Marketing and promotion	908,293	963,556
Safety	523,313	396,693
Sanitation	807,364	756,854
Public improvements	213,158	290,664
Total program expenses	2,452,128	2,407,767
Management and general	387,290	344,960
Fundraising	88,729	110,366
Total expenses	2,928,147	2,863,093
<b>Increase/(Decrease) In Net Assets:</b>		
Unrestricted	(100,684)	2,273
Temporarily restricted	56,103	10,335
Permanently restricted	-	-
Increase/(decrease) in net assets	(44,581)	12,608
Net assets, beginning of year	1,183,653	1,171,045
Net assets, end of year	\$1,139,072	\$1,183,653

**See accompanying notes to financial statements.**

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (44,581)	\$ 12,608
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	3,154	8,388
Changes in assets and liabilities:		
Accounts payable and accrued expenses	23,141	(21,886)
Deferred income	-	(22,500)
Contributions receivable	(8,500)	-
Prepaid expenses	(11,546)	12,026
Net cash provided/(used) by operating activities	<u>(38,332)</u>	<u>(11,364)</u>
 Cash flows from investing activities	 -	 -
 Cash flows from financing activities	 -	 -
 Net increase/(decrease) in cash and cash equivalents	 (38,332)	 (11,364)
Cash and cash equivalents, at beginning of year	<u>1,265,570</u>	<u>1,276,934</u>
Cash and cash equivalents, at end of year	<u>\$ 1,227,238</u>	<u>\$1,265,570</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 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.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Checking and savings	\$ 971,724	\$1,009,293
Money market funds	<u>255,514</u>	<u>256,277</u>
	<u>\$1,227,238</u>	<u>\$1,265,570</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</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>(152,659)</u>
	<u>\$ -</u>	<u>\$ 3,154</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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beautification projects for Broadway Malls	\$276,598	\$244,177
Public Improvement projects	46,822	48,140
Fiscal year 2017 events	25,000	-

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, 2016 and 2015, in-kind support was provided for the marketing program's Winters Eve event which amounted to \$267,000 and \$230,000, 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, 2016 minimum aggregate annual rentals are as follows:

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

Total rent and utility expense charged to operations for the years ended June 30, 2016 and 2015 was \$130,180 and \$120,259, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Institution balances	\$1,362,234	\$1,314,797
Less: Amounts covered	<u>( 500,000)</u>	<u>( 500,000)</u>
Uninsured amounts	<u>\$ 862,234</u>	<u>\$ 814,797</u>

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

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 \$25,315 and \$19,407, for the years ended June 30, 2016 and 2015, respectively.

Note 8 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 7, 2016, 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, 2016 and 2015, and have issued our report thereon dated December 7, 2016, 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 7, 2016

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**(Supplemental Financial Information)**  
**YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015**

	2016							2015	
	Program Expenses				Supporting Services			Total Expenses	
	Marketing & Promotion	Safety	Sanitation	Public Improvements	Total Program	Management and General	Fundraising		
Personnel costs:									
Executive salaries	\$ 43,154	\$ 86,307	\$ -	\$ 43,154	\$ 172,615	\$ 43,154	\$ 43,154	\$ 258,923	\$ 228,097
Staff salaries	101,702	69,825	69,825	32,048	273,400	58,365	32,708	364,473	350,930
Payroll taxes and benefits	22,707	18,538	18,538	11,858	71,641	19,982	12,597	104,220	96,372
Outside contractors	24,874	348,500	718,242	116,127	1,207,743	-	270	1,208,013	1,216,395
Total personnel costs	<u>192,437</u>	<u>523,170</u>	<u>806,605</u>	<u>203,187</u>	<u>1,725,399</u>	<u>121,501</u>	<u>88,729</u>	<u>1,935,629</u>	<u>1,891,794</u>
Direct expenses:									
Insurance	-	-	-	-	-	14,011	-	14,011	13,864
Depreciation and amortization	-	-	-	-	-	3,154	-	3,154	8,388
Rent and utilities	-	-	-	-	-	130,180	-	130,180	120,259
Office expenses	-	-	-	-	-	42,791	-	42,791	31,580
Postage and messengers	-	-	-	-	-	12,239	-	12,239	2,920
Professional fees	-	-	-	-	-	47,936	-	47,936	39,859
Project expenses	686,621	-	-	1,200	687,821	-	-	687,821	592,051
Supplies and equipment	29,235	143	759	8,771	38,908	5,910	-	44,818	152,769
Telephone	-	-	-	-	-	9,568	-	9,568	9,609
Total direct expenses	<u>715,856</u>	<u>143</u>	<u>759</u>	<u>9,971</u>	<u>726,729</u>	<u>265,789</u>	<u>-</u>	<u>992,518</u>	<u>971,299</u>
Total expenses	<u>\$ 908,293</u>	<u>\$523,313</u>	<u>\$807,364</u>	<u>\$ 213,158</u>	<u>\$ 2,452,128</u>	<u>\$387,290</u>	<u>\$ 88,729</u>	<u>\$ 2,928,147</u>	<u>\$ 2,863,093</u>

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF EXPENSES AND BUDGET**  
**(Supplemental Financial Information)**  
**YEAR ENDED JUNE 30, 2016**

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Executive salaries	\$ 258,923	\$ 234,000
Staff salaries	364,473	407,450
Payroll taxes and benefits	104,220	131,980
Outside contractors	1,208,013	1,323,000
Total personnel costs	<u>1,935,629</u>	<u>2,096,430</u>
Direct expenses:		
Insurance	14,011	15,000
Depreciation and amortization	3,154	-
Rent and utilities	130,180	130,000
Office expenses	42,791	40,500
Postage and messengers	12,239	5,000
Professional fees	47,936	31,000
Project expenses	687,821	367,000
Supplies and equipment	44,818	66,500
Telephone	9,568	9,000
Total direct expenses	<u>992,518</u>	<u>664,000</u>
Total expenses	<u>\$ 2,928,147</u>	<u>\$ 2,760,430</u>

Note: Budget does not include in-kind contributions of \$267,000 for project expenses.