

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Lincoln Square District Management Association, Inc. as of June 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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. at June 30, 2008 and 2007, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Skody Scot & Company, CPAs, PC

October 8, 2008

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 1,011,142	\$ 734,109
Contributions receivable	111,367	145,331
Prepaid expenses	15,926	23,055
Property and equipment, net	30,540	39,312
Security deposits	9,306	9,306
	<u>\$ 1,178,281</u>	<u>\$ 951,113</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 132,524	\$ 95,106
Total liabilities	<u>132,524</u>	<u>95,106</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	887,849	742,865
Temporarily restricted	157,908	113,142
Permanently restricted	-	-
Total net assets	<u>1,045,757</u>	<u>856,007</u>
Total liabilities and net assets	<u>\$ 1,178,281</u>	<u>\$ 951,113</u>

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 1,665,000	\$ 1,535,277
Program service revenue	15,511	12,472
Contributions	210,325	237,018
Grants	387,981	385,330
Interest income	38,007	36,188
Temporarily restricted:		
Contributions	44,766	14,087
Total support and revenues	<u>2,361,590</u>	<u>2,220,372</u>
Expenses:		
Program Expenses:		
Marketing and promotion	483,501	454,384
Safety	368,112	368,731
Sanitation	498,710	455,909
Social services	352,161	357,312
Public improvements	105,954	124,424
Total program expenses	<u>1,808,438</u>	<u>1,760,760</u>
Management and general	273,839	231,473
Fundraising	89,563	72,490
Total expenses	<u>2,171,840</u>	<u>2,064,723</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	144,984	141,562
Temporarily restricted	44,766	14,087
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>189,750</u>	<u>155,649</u>
Net assets, beginning of year	<u>856,007</u>	<u>700,358</u>
Net assets, end of year	<u>\$ 1,045,757</u>	<u>\$ 856,007</u>

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 189,750	\$ 155,649
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	12,761	13,427
Changes in assets and liabilities:		
Accrued expenses	37,419	(3,605)
Other receivables	33,964	(20,125)
Prepaid expenses	7,129	(11,107)
Security deposit	-	(5,502)
Net cash provided/(used) by operating activities	<u>281,023</u>	<u>128,737</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>(3,990)</u>	<u>(40,444)</u>
Net cash provided/(used) by investing activities	<u>(3,990)</u>	<u>(40,444)</u>
 Cash flows from financing activities	<u>-</u>	<u>-</u>
 Net increase/(decrease) in cash and cash equivalents	277,033	88,293
Cash and cash equivalents, at beginning of year	<u>734,109</u>	<u>645,816</u>
Cash and cash equivalents, at end of year	<u>\$ 1,011,142</u>	<u>\$ 734,109</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. 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 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; Social Services - coordinating an after-school program with a local public high school and interacting with other social service organizations located in the district; and Public Improvements - improving the overall appearance of the district through a combination of beautification and other projects.

Basis of Financial Statements

The Association presents its financial statements using SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, 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.

Management uses estimates and assumptions in preparing 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 Flows

Cash receipts and payments are classified according to operating, investing, and financing activities. Only investments with maturities of three months or less are classified as cash equivalents.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

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.

Assessment Revenue

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 equal installments. An allowance for doubtful accounts is not provided because all assessments are received in the current year.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash	\$ 370,861	\$ 131,439
Money funds	<u>640,281</u>	<u>602,670</u>
	<u>\$1,011,142</u>	<u>\$ 734,109</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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 46,913	\$ 44,085
Leasehold improvements	43,328	43,328
Furniture and fixtures	<u>7,416</u>	<u>6,255</u>
	97,657	93,668
Less: Accumulated depreciation	<u>(67,117)</u>	<u>(54,356)</u>
	<u>\$ 30,540</u>	<u>\$ 39,312</u>

Note 4 - Commitments and Contingencies

The Association leases office space under a non-cancelable operating lease. As of June 30, 2008 minimum aggregate annual rentals are as follows:

Year ended June 30, 2009	\$ 90,722
2010	90,439
2011	93,830
2012	15,797

Total rent expense charged to operations for the years ended June 30, 2008 and 2007 was \$97,619 and \$73,162, respectively.

The Association maintains its cash accounts with major financial institutions. Institutional balances 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Institution balances	\$1,018,138	\$ 824,889
Less: Amounts covered	<u>(100,000)</u>	<u>(200,000)</u>
Uninsured amounts	<u>\$ 918,138</u>	<u>\$ 624,889</u>

Note 5 - Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Beautification projects for Broadway Malls	\$109,768	\$ 65,002
Public Improvement projects	48,140	48,140

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

Note 6 - Grants

The Association was awarded grants from the After School Corporation and the NYS Education Department for development of an after-school program at a public high school. The terms of the grants require the Association to expend grant funds for specific activities. The grants also require the Association to receive matching grants from other entities for the after-school program. All unexpended advances are required to be returned to the grantor. The total expenses incurred under the grants for the years ended June 30, 2008 and 2007, amounted to \$352,161 and \$357,312, respectively.

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 \$25,196 and \$17,449, for the years ended June 30, 2008 and 2007, respectively.

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 amount allocated to fundraising activities was \$78,088 for 2008 and \$72,490 for 2007. The total joint costs were allocated for the years ended June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Program expenses	\$233,994	\$205,116
Management and general	56,291	35,894
Fundraising	<u>78,088</u>	<u>72,490</u>
Total joint costs	<u>\$368,373</u>	<u>\$313,500</u>



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our audits of the basic financial statements included in the preceding section of this report were performed for the purpose of forming an opinion on those statements taken as a whole. The supplemental material presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Skody Scot & Company, CPAs, PC

October 8, 2008

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
 Supplemental Financial Information
YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	2008							2007	
	Program Expenses				Supporting Services			Total Expenses	
	Marketing & Promotion	Safety	Sanitation	Social Services	Public Improvements	Total Program	Management and General		Fundraising
Personnel costs:									
Executive salaries	\$ 108,285	\$ 40,500	\$ 40,500	\$ 11,600	\$ 52,145	\$ 253,030	\$ 34,810	\$ 54,660	\$ 342,500
Staff salaries	18,028	23,000	23,000	250,878	-	314,906	13,195	12,525	340,626
Payroll taxes and benefits	22,228	15,066	16,425	45,521	9,144	108,384	8,286	10,903	127,573
Outside contractors	31,097	288,988	398,377	-	-	718,462	3,135	11,475	733,072
Total personnel costs	179,638	367,554	478,302	307,999	61,289	1,394,782	59,426	89,563	1,543,771
Direct expenses:									
Insurance	1,849	-	-	9,057	-	10,906	7,955	-	18,861
Depreciation and amortization	-	-	-	-	-	-	12,761	-	12,761
Rent and utilities	-	-	-	-	-	-	98,794	-	98,794
Office expenses	-	-	-	-	-	-	26,564	-	26,564
Postage and messengers	-	-	-	-	-	-	8,101	-	8,101
Professional fees	-	-	-	1,971	-	1,971	31,204	-	33,175
Project expenses	273,619	-	-	30,556	35,419	339,594	-	-	339,594
Equipment	-	9	-	-	9,246	9,255	4,656	-	13,911
Supplies	28,395	549	20,408	2,578	-	51,930	13,556	-	65,486
Telephone	-	-	-	-	-	-	10,822	-	10,822
Total direct expenses	303,863	558	20,408	44,162	44,665	413,656	214,413	-	628,069
Total expenses	\$ 483,501	\$ 368,112	\$ 498,710	\$ 352,161	\$ 105,954	\$ 1,808,438	\$ 273,839	\$ 89,563	\$ 2,171,840
									\$ 2,064,723

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
Supplemental Financial Information
YEAR ENDED JUNE 30, 2008

	Total Expenses	Budget
Personnel costs:		
Executive salaries	\$ 342,500	\$ 345,500
Staff salaries	340,626	326,200
Payroll taxes and benefits	127,573	150,500
Outside contractors	733,072	808,500
Total personnel costs	1,543,771	1,630,700
 Direct expenses:		
Insurance	18,861	18,000
Depreciation and amortization	12,761	15,000
Rent and utilities	98,794	102,000
Office expenses	26,564	51,000
Postage and messengers	8,101	7,000
Professional fees	33,175	25,000
Project expenses	339,594	334,650
Equipment	13,911	19,000
Supplies	65,486	81,200
Telephone	10,822	10,000
Total direct expenses	628,069	662,850
 Total expenses	\$2,171,840	\$ 2,293,550