

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

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2011 AND 2010**

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 statements of financial position of Lincoln Square District Management Association, Inc. as of June 30, 2011 and 2010 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, 2011 and 2010, 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*

November 16, 2011

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,019,653	\$ 1,119,680
Contributions and grants receivable	15,309	18,333
Prepaid expenses	10,924	9,167
Property and equipment, net	39,355	43,194
Security deposits	9,806	9,806
	<b>\$ 1,095,047</b>	<b>\$ 1,200,180</b>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 106,861	\$ 108,819
Total liabilities	106,861	108,819
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	772,806	872,174
Temporarily restricted	215,380	219,187
Permanently restricted	-	-
Total net assets	988,186	1,091,361
Total liabilities and net assets	<b>\$ 1,095,047</b>	<b>\$ 1,200,180</b>

**See accompanying notes to financial statements.**

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Support and Revenues:</b>		
Unrestricted:		
Assessment revenue	\$ 1,800,000	\$ 1,800,000
Program service revenue	74,877	75,383
Contributions	271,694	238,134
Contributions in-kind	65,000	52,000
Grants	10,432	7,480
Interest income	2,693	2,973
Release of prior year's restricted contributions	3,807	-
Temporarily restricted:		
Contributions	-	38,231
Release of prior year's restricted contributions	(3,807)	-
Total support and revenues	<u>2,224,696</u>	<u>2,214,201</u>
<b>Expenses:</b>		
Program Expenses:		
Marketing and promotion	668,997	602,329
Safety	381,527	414,333
Sanitation	667,511	667,908
Social services	-	33,332
Public improvements	195,685	139,313
Total program expenses	<u>1,913,720</u>	<u>1,857,215</u>
Management and general	312,516	298,798
Fundraising	101,635	124,205
Total expenses	<u>2,327,871</u>	<u>2,280,218</u>
<b>Increase/(Decrease) In Net Assets:</b>		
Unrestricted	(99,368)	(104,248)
Temporarily restricted	(3,807)	38,231
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>(103,175)</u>	<u>(66,017)</u>
Net assets, beginning of year	<u>1,091,361</u>	<u>1,157,378</u>
Net assets, end of year	<u>\$ 988,186</u>	<u>\$ 1,091,361</u>

See accompanying notes to financial statements.

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (103,175)	\$ (66,017)
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	17,657	12,779
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(1,958)	35,790
Contributions and grants receivable	3,024	132,917
Prepaid expenses	(1,757)	15,249
Security deposits	-	(500)
Net cash provided/(used) by operating activities	(86,209)	130,218
 Cash flows from investing activities:		
Redemption of certificates of deposit	-	252,467
Purchase of property and equipment	(13,818)	(20,000)
Net cash provided/(used) by investing activities	(13,818)	232,467
 Cash flows from financing activities	-	-
 Net increase/(decrease) in cash and cash equivalents	(100,027)	362,685
Cash and cash equivalents, at beginning of year	1,119,680	756,995
Cash and cash equivalents, at end of year	\$ 1,019,653	\$ 1,119,680

**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 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.

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 – coordinated an after-school program with a local public high school (through August 2009) and interacting with various 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

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.

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.

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.

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.

**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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Checking and savings	\$ 57,681	\$ 110,372
Certificates of deposit	-	255,252
Money market funds	<u>961,972</u>	<u>754,056</u>
	<u>\$1,019,653</u>	<u>\$1,119,680</u>

**Note 3 - Property and Equipment**

Property and equipment by major class consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 96,924	\$ 83,106
Leasehold improvements	43,328	43,328
Furniture and fixtures	<u>7,416</u>	<u>7,416</u>
	147,668	133,850
Less: Accumulated depreciation and amortization	<u>(108,313)</u>	<u>( 90,656)</u>
	<u>\$ 39,355</u>	<u>\$ 43,194</u>

**Note 4 - Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Beautification projects for Broadway Malls	\$167,240	\$171,047
Public Improvement projects	48,140	48,140

**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 year ended June 30, 2011 and 2010, in-kind support was provided for the marketing program's Winters Eve event which amounted to \$65,000 and \$52,000, respectively.

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

Note 6 - Commitments and Contingencies

The Association leases office space under a non-cancelable operating lease. As of June 30, 2011 minimum aggregate annual rentals are as follows:

Year ended June 30, 2012	\$ 15,797
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Total rent expense charged to operations for the years ended June 30, 2011 and 2010 was \$105,618 and \$98,670, 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Institution balances	\$1,078,557	\$1,198,357
Less: Amounts covered	<u>( 866,585)</u>	<u>( 788,822)</u>
Uninsured amounts	<u>\$ 211,972</u>	<u>\$ 409,535</u>

Note 7 - Grants

The Association was awarded grants from The City of New York Department of Youth and Community Development and The City of New York Department for the Aging to provide additional services to the public. The terms of the grants require the Association to expend grant funds for specific activities. All unexpended advances are required to be returned to the grantor. The total expenses incurred under the grants for the years ended June 30, 2011 and 2010, amounted to \$10,432 and \$7,480, respectively.

Note 8 - 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 \$24,509 and \$18,857, for the years ended June 30, 2011 and 2010, respectively.

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

Note 9 - 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 \$98,085 for 2011 and \$120,290 for 2010. The total joint costs were allocated for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Program expenses	\$409,034	\$254,370
Management and general	72,830	57,234
Fundraising	<u>98,085</u>	<u>120,290</u>
Total joint costs	<u>\$579,949</u>	<u>\$431,894</u>

Note 10 – Related Party Transactions

The Association purchased program supplies from an organization whose Vice President is on the Association's Board of Directors. Total payments for the years ended June 30, 2011 and 2010 were \$3,212 and \$3,783, respectively.

Note 11 – Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through November 16, 2011, 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, 2011 and 2010, and have issued our report thereon dated November 16, 2011, which contained an unqualified opinion on those financial statements. Our audits were 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 purposes 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 audits 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 U.S. generally accepted auditing standards. 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*

November 16, 2011

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
(Supplemental Financial Information)  
**YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010**

	2011						2010
	Program Expenses			Supporting Services			Total Expenses
	Marketing & Promotion	Safety	Sanitation	Public Improvements	Total Program	Management and General	
Personnel costs:							
Executive salaries	\$ 53,730	\$ 9,950	\$ 9,950	\$ 37,810	\$ 111,440	\$ 43,780	\$ 199,000
Staff salaries	124,430	44,055	44,055	24,441	236,981	40,063	289,875
Payroll taxes and benefits	31,298	9,725	9,294	10,286	60,603	14,242	91,064
Outside contractors	47,869	317,698	579,147	114,610	1,059,324	855	1,064,801
Total personnel costs	257,327	381,428	642,446	187,147	1,468,348	98,940	1,644,740
Direct expenses:							
Insurance	-	-	-	-	-	9,822	9,822
Depreciation and amortization	-	-	-	-	-	17,657	17,657
Rent and utilities	-	-	-	-	-	118,060	118,060
Office expenses	-	-	-	-	-	30,431	30,431
Postage and messengers	-	-	-	-	-	8,281	8,281
Professional fees	-	-	-	-	-	27,033	27,033
Project expenses	390,144	-	28	-	390,172	-	390,172
Equipment	-	-	1,338	8,492	9,830	2,821	12,651
Supplies	21,526	99	23,699	46	45,370	11,413	59,478
Telephone	-	-	-	-	-	9,546	9,546
Total direct expenses	411,670	99	25,065	8,538	445,372	235,064	683,131
Total expenses	\$ 668,997	\$ 381,527	\$ 667,511	\$ 195,685	\$ 1,913,720	\$ 312,516	\$ 2,327,871

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF EXPENSES AND BUDGET**  
**Supplemental Financial Information**  
**YEAR ENDED JUNE 30, 2011**

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Executive salaries	\$ 199,000	\$ 200,000
Staff salaries	289,875	311,020
Payroll taxes and benefits	91,064	107,280
Outside contractors	1,064,801	1,035,200
Total personnel costs	<u>1,644,740</u>	<u>1,653,500</u>
Direct expenses:		
Insurance	9,822	15,000
Depreciation and amortization	17,657	15,000
Rent and utilities	118,060	124,000
Office expenses	30,431	31,000
Postage and messengers	8,281	10,000
Professional fees	27,033	32,000
Project expenses	390,172	270,000
Equipment	12,651	13,500
Supplies	59,478	74,000
Telephone	9,546	12,000
Total direct expenses	<u>683,131</u>	<u>596,500</u>
In-kind expenses not budgeted	-	65,000
Total expenses	<u><u>\$ 2,327,871</u></u>	<u><u>\$ 2,315,000</u></u>