

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

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2013 AND 2012**

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, 2013 and 2012, 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 audits 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, 2013 and 2012, 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 25, 2013

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$1,227,871	\$1,111,237
Contributions and grants receivable	10,000	7,480
Prepaid expenses	8,116	17,061
Property and equipment, net	23,339	35,137
Security deposits	9,806	9,806
Total assets	\$1,279,132	\$1,180,721
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 164,888	\$ 115,904
Deferred income	35,000	-
Total liabilities	199,888	115,904
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	823,815	835,534
Temporarily restricted	255,429	229,283
Permanently restricted	-	-
Total net assets	1,079,244	1,064,817
Total liabilities and net assets	\$1,279,132	\$1,180,721

**See accompanying notes to financial statements.**

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Support and Revenues:</b>		
Unrestricted:		
Assessment revenue	\$2,000,000	\$2,000,000
Program service revenue	74,035	65,550
Contributions	298,862	316,378
Contributions in-kind	314,000	65,000
Grants	-	7,480
Interest income	1,858	1,085
Temporarily restricted:		
Contributions	26,146	13,903
Total support and revenues	<u>2,714,901</u>	<u>2,469,396</u>
 <b>Expenses:</b>		
Program Expenses:		
Marketing and promotion	951,752	694,816
Safety	405,227	392,518
Sanitation	700,444	691,582
Public improvements	220,519	185,249
Total program expenses	<u>2,277,942</u>	<u>1,964,165</u>
Management and general	341,881	336,648
Fundraising	80,651	91,952
Total expenses	<u>2,700,474</u>	<u>2,392,765</u>
 <b>Increase/(Decrease) In Net Assets:</b>		
Unrestricted	(11,719)	62,728
Temporarily restricted	26,146	13,903
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>14,427</u>	<u>76,631</u>
 Net assets, beginning of year	<u>1,064,817</u>	<u>988,186</u>
 Net assets, end of year	<u>\$1,079,244</u>	<u>\$1,064,817</u>

See accompanying notes to financial statements.

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 14,427	\$ 76,631
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	11,798	12,363
Changes in assets and liabilities:		
Accounts payable and accrued expenses	48,984	9,043
Deferred income	35,000	-
Contributions and grants receivable	(2,520)	7,829
Prepaid expenses	8,945	(6,137)
Net cash provided/(used) by operating activities	<u>116,634</u>	<u>99,729</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(8,145)
Net cash provided/(used) by investing activities	<u>-</u>	<u>(8,145)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	116,634	91,584
Cash and cash equivalents, at beginning of year	<u>1,111,237</u>	<u>1,019,653</u>
Cash and cash equivalents, at end of year	<u>\$ 1,227,871</u>	<u>\$1,111,237</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.

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 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 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)

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.

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Checking and savings	\$ 968,532	\$ 98,215
Money market funds	<u>259,339</u>	<u>1,013,022</u>
	<u>\$1,227,871</u>	<u>\$1,111,237</u>

**Note 3 - Property and Equipment**

Property and equipment by major class consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</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>(132,474)</u>	<u>(120,676)</u>
	<u>\$ 23,339</u>	<u>\$ 35,137</u>

**Note 4 - Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Beautification projects for Broadway Malls	\$207,289	\$181,143
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 years ended June 30, 2013 and 2012, in-kind support was provided for the marketing program's Winters Eve event which amounted to \$314,000 and \$65,000, 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.

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

**Note 6 - Commitments and Contingencies**

The Association leases office space under several non-cancelable operating leases. As of June 30, 2013 minimum aggregate annual rentals are as follows:

Year ended June 30, 2014	\$ 96,881
2015	99,690
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, 2013 and 2012 was \$108,162 and \$117,455, 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Institution balances	\$1,303,458	\$1,159,613
Less: Amounts covered	<u>( 500,000)</u>	<u>( 896,591)</u>
Uninsured amounts	<u>\$ 803,458</u>	<u>\$ 263,022</u>

**Note 7 - Grants**

The Association was awarded grants from several agencies of The City of New York to provide additional services to the public. The terms of the grants require the Association to expend grant funds for specific activities. The total expenses incurred under the grants for the years ended June 30, 2013 and 2012, amounted to \$0 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 \$29,132 and \$19,839, for the years ended June 30, 2013 and 2012, 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 \$80,051 for 2013 and \$91,952 for 2012. The total joint costs were allocated for the years ended June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Program expenses	\$433,978	\$430,059
Management and general	88,579	79,260
Fundraising	<u>80,051</u>	<u>91,592</u>
Total joint costs	<u>\$602,608</u>	<u>\$600,911</u>

**Note 10 – Subsequent Events**

Subsequent events were evaluated for potential additional disclosures and corrections through November 25, 2013, 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, 2013 and 2012, and have issued our report thereon dated November 25, 2013, 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*

November 25, 2013

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
(Supplemental Financial Information)  
**YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012**

	2013						2012	
	Program Expenses			Supporting Services			Total Expenses	Total Expenses
	Marketing & Promotion	Safety	Sanitation	Public Improvements	Total Program	Management and General		
<b>Personnel costs:</b>								
Executive salaries	\$ 58,860	\$ 10,900	\$ 10,900	\$ 41,420	\$ 122,080	\$ 47,960	\$ 47,960	\$ 218,000
Staff salaries	122,679	48,925	49,175	26,002	246,781	26,004	19,945	292,730
Payroll taxes and benefits	29,178	12,713	12,713	10,513	65,117	14,615	12,146	91,878
Outside contractors	52,605	332,494	605,073	119,025	1,109,197	4,073	600	1,113,870
Total personnel costs	263,322	405,032	677,861	196,960	1,543,175	92,652	80,651	1,716,478
<b>Direct expenses:</b>								
Insurance	-	-	-	-	-	16,249	-	16,249
Depreciation and amortization	-	-	-	-	-	11,798	-	11,798
Rent and utilities	-	-	-	-	-	108,162	-	108,162
Office expenses	-	-	-	-	-	56,690	-	56,690
Postage and messengers	-	-	-	-	-	12,693	-	12,693
Professional fees	-	-	-	-	-	27,772	-	27,772
Project expenses	641,713	-	-	-	641,713	-	-	641,713
Supplies and equipment	46,717	195	22,583	23,559	93,054	7,904	-	100,958
Telephone	-	-	-	-	-	7,961	-	7,961
Total direct expenses	688,430	195	22,583	23,559	734,767	249,229	-	983,996
Total expenses	\$951,752	\$405,227	\$700,444	\$220,519	\$2,277,942	\$341,881	\$80,651	\$2,700,474
								\$2,392,765

**LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF EXPENSES AND BUDGET**  
**(Supplemental Financial Information)**  
**YEAR ENDED JUNE 30, 2013**

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Executive salaries	\$ 218,000	\$ 217,346
Staff salaries	292,730	370,864
Payroll taxes and benefits	91,878	107,580
Outside contractors	1,113,870	1,136,000
Total personnel costs	<u>1,716,478</u>	<u>1,831,790</u>
 Direct expenses:		
Insurance	16,249	15,000
Depreciation and amortization	11,798	13,000
Rent and utilities	108,162	125,000
Office expenses	56,690	46,500
Postage and messengers	12,693	10,000
Professional fees	27,772	31,000
Project expenses	641,713	312,000
Supplies and equipment	100,958	75,500
Telephone	7,961	10,000
Total direct expenses	<u>983,996</u>	<u>638,000</u>
Total expenses	<u>\$ 2,700,474</u>	<u>\$ 2,469,790</u>

Note: Budget does not include in-kind contributions of \$314,000 for project expenses.



# Skody Scot & Company, CPAs, P.C.

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## Lincoln Square District Management Association, Inc.

Audit Communication – June 2013

Dear Audit Committee Members:

We have audited the financial statements of Lincoln Square District Management Association, Inc. (the Organization) for the year ended June 30, 2013, and have issued our report thereon dated November 25, 2013. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. We have requested certain representations from management that are contained in a letter issued to us.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

# Lincoln Square District Management Association, Inc.

Audit Communication – June 2013

## **Accounting Practices – Policies, Transactions, and Estimates**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in the Note 1 to financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop various accounting estimates in order to determine their reasonableness in relations to the financial statements taken as a whole, and noted no exceptions.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



## **Lincoln Square District Management Association, Inc.**

Audit Communication – June 2013

### **Audit Adjustments and Corrections**

Professional standards require us to accumulate all known and likely misstatements (adjustments) identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the individual adjustments we proposed, indicate matters that did not have a significant effect on the Organization's financial reporting process. Management has indicated that it intends to correct and record all adjustments and misstatements.

### **Internal Controls**

We considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control. However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This matter was: Fiscal year-end bank reconciliations are currently being performed by the bookkeeper before the books are closed for the year. All bank reconciliations should be performed after all the checks are written for the month of June. Reconciliations should be performed on all savings accounts on a monthly basis. The Vice President should review the reconciliations to help identify problems (checks not clearing) and help the bookkeeper resolve them.

**This information is intended solely for the use of the Audit Committee, the Board of Directors and Management of the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.**

*Skody Scot & Company, CPAs, PC*