

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2009 AND 2008

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, 2009 and 2008 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, 2009 and 2008, 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

December 8, 2009

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 756,995	\$ 1,011,142
Certificates of deposit	252,467	-
Contributions receivable	151,250	111,367
Prepaid expenses	24,416	15,926
Property and equipment, net	35,973	30,540
Security deposits	9,306	9,306
Total assets	\$ 1,230,407	\$ 1,178,281
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 73,029	\$ 132,524
Total liabilities	73,029	132,524
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	976,422	887,849
Temporarily restricted	180,956	157,908
Permanently restricted	-	-
Total net assets	1,157,378	1,045,757
Total liabilities and net assets	\$ 1,230,407	\$ 1,178,281

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Support and Revenues:		
Unrestricted:		
Assessment revenue	\$ 1,800,000	\$ 1,665,000
Program service revenue	36,219	15,511
Contributions	277,707	210,325
Grants	291,053	387,981
Interest income	16,247	38,007
Temporarily restricted:		
Contributions	23,048	44,766
Total support and revenues	<u>2,444,274</u>	<u>2,361,590</u>
Expenses:		
Program Expenses:		
Marketing and promotion	528,728	483,501
Safety	373,962	368,112
Sanitation	600,037	498,710
Social services	311,548	352,161
Public improvements	135,769	105,954
Total program expenses	<u>1,950,044</u>	<u>1,808,438</u>
Management and general	294,357	273,839
Fundraising	88,252	89,563
Total expenses	<u>2,332,653</u>	<u>2,171,840</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	88,573	144,984
Temporarily restricted	23,048	44,766
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>111,621</u>	<u>189,750</u>
Net assets, beginning of year	<u>1,045,757</u>	<u>856,007</u>
Net assets, end of year	<u>\$ 1,157,378</u>	<u>\$ 1,045,757</u>

See accompanying notes to financial statements.

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 111,621	\$ 189,750
Adjustments for non-cash items included in operating activities:		
Depreciation and amortization	10,760	12,761
Changes in assets and liabilities:		
Accrued expenses	(59,494)	37,420
Other receivables	(39,883)	33,964
Prepaid expenses	(8,490)	7,129
Net cash provided/(used) by operating activities	<u>14,514</u>	<u>281,024</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(252,467)	-
Purchase of property and equipment	(16,193)	(3,990)
Net cash provided/(used) by investing activities	<u>(268,660)</u>	<u>(3,990)</u>
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(254,146)	277,034
Cash and cash equivalents, at beginning of year	<u>1,011,142</u>	<u>734,108</u>
Cash and cash equivalents, at end of year	<u>\$ 756,996</u>	<u>\$ 1,011,142</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 BID's boundaries are approximately Broadway from 58th Street to 70th Street, and Columbus Avenue from 60th Street to 68th 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 - 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

In accordance with GAAP (formerly SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*) 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash	\$ 3,084	\$ 370,861
Money funds	<u>753,911</u>	<u>640,281</u>
	<u>\$ 756,995</u>	<u>\$1,011,142</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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 63,106	\$ 46,913
Leasehold improvements	43,328	43,328
Furniture and fixtures	<u>7,416</u>	<u>7,416</u>
	113,850	97,657
Less: Accumulated depreciation	<u>(77,877)</u>	<u>(67,117)</u>
	<u>\$ 35,973</u>	<u>\$ 30,540</u>

Note 4 - Commitments and Contingencies

The Association leases office space under a non-cancelable operating lease. As of June 30, 2009 minimum aggregate annual rentals are as follows:

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

Total rent expense charged to operations for the years ended June 30, 2009 and 2008 was \$99,263 and \$97,619, 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Institution balances	\$1,098,024	\$1,018,138
Less: Amounts covered	<u>(841,646)</u>	<u>(100,000)</u>
Uninsured amounts	<u>\$ 256,378</u>	<u>\$ 918,138</u>

Note 5 - Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Beautification projects for Broadway Malls	\$132,816	\$109,768
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, 2009 and 2008, amounted to \$311,548 and \$352,161, 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 \$29,284 and \$25,196, for the years ended June 30, 2009 and 2008, 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 \$83,107 for 2009 and \$78,088 for 2008. The total joint costs were allocated for the years ended June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Program expenses	\$225,905	\$233,994
Management and general	63,601	56,291
Fundraising	<u>83,107</u>	<u>78,088</u>
Total joint costs	<u>\$372,613</u>	<u>\$369,373</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

December 8, 2009

LINCOLN SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
Supplemental Financial Information
YEAR ENDED JUNE 30, 2009

	<u>Total Expenses</u>	<u>Budget</u>
Personnel costs:		
Executive salaries	\$ 365,771	\$ 370,000
Staff salaries	311,405	331,000
Payroll taxes and benefits	117,296	161,250
Outside contractors	833,737	873,900
Total personnel costs	<u>1,628,209</u>	<u>1,736,150</u>
Direct expenses:		
Insurance	21,970	18,000
Depreciation and amortization	10,760	15,000
Rent and utilities	105,673	105,000
Office expenses	26,012	53,000
Postage and messengers	12,979	15,000
Professional fees	30,834	27,000
Project expenses	392,959	375,300
Equipment	16,411	11,000
Supplies	76,234	77,200
Telephone	10,612	10,000
Total direct expenses	<u>704,444</u>	<u>706,500</u>
Total expenses	<u>\$ 2,332,653</u>	<u>\$ 2,442,650</u>