

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

**Financial Statements and Auditors' Report**

**June 30, 2019 and 2018**

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

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Times Square District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, expenses, 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 Times Square District Management Association, Inc. as of June 30, 2019 and 2018, 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.

New York, NY  
September 23, 2019

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

**TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>                            |                      |                      |
| Cash and cash equivalents                | \$ 6,677,086         | \$ 1,758,896         |
| Contributions and other receivables, net | 503,435              | 1,277,152            |
| Prepaid expenses                         | 437,361              | 531,045              |
| Investments                              | 2,164,257            | 6,082,090            |
| Property and equipment, net              | 1,465,035            | 1,410,680            |
| Security deposits and other assets       | 2,406,678            | 2,210,177            |
| Total assets                             | <u>\$ 13,653,852</u> | <u>\$ 13,270,040</u> |

**LIABILITIES AND NET ASSETS**

|                                       |                      |                      |
|---------------------------------------|----------------------|----------------------|
| Liabilities:                          |                      |                      |
| Accounts payable and accrued expenses | \$ 1,342,781         | \$ 1,282,978         |
| Deferred income and deposits          | 50,980               | 26,280               |
| Deferred rent                         | 44,939               | -                    |
| Total liabilities                     | <u>1,438,700</u>     | <u>1,309,258</u>     |
| Commitments (see notes)               |                      |                      |
| Net Assets:                           |                      |                      |
| Without donor restrictions            | 12,215,152           | 11,960,782           |
| With donor restrictions               | -                    | -                    |
| Total net assets                      | <u>12,215,152</u>    | <u>11,960,782</u>    |
| Total liabilities and net assets      | <u>\$ 13,653,852</u> | <u>\$ 13,270,040</u> |

**See accompanying notes to the financial statements.**

**TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**Statements of Activities**  
**Fiscal years ended June 30, 2019 and 2018**

|                                     | <u>2019</u>          | <u>2018</u>          |
|-------------------------------------|----------------------|----------------------|
| <b>Support and Revenues:</b>        |                      |                      |
| Without donor restrictions:         |                      |                      |
| Assessment revenue                  | \$ 13,669,048        | \$ 13,018,141        |
| Government grants and contracts     | 85,400               | 255,900              |
| Contributions and sponsorships      | 4,631,779            | 3,704,082            |
| Contributions in-kind               | 57,400               | 27,868               |
| Program service income              | 3,869,570            | 3,315,936            |
| Investment income, net              | 232,950              | 160,387              |
| Total support and revenues          | <u>22,546,147</u>    | <u>20,482,314</u>    |
| <b>Expenses:</b>                    |                      |                      |
| Program Expenses:                   |                      |                      |
| Events and programming              | 6,204,487            | 6,064,483            |
| Public safety                       | 3,884,353            | 4,035,001            |
| Sanitation                          | 7,424,136            | 7,198,455            |
| Policy, planning and research       | 1,086,530            | 1,009,763            |
| Communications and external affairs | 967,870              | 848,967              |
| Total program expenses              | <u>19,567,376</u>    | <u>19,156,669</u>    |
| Management and general              | 2,496,293            | 2,416,573            |
| Fundraising                         | 228,108              | 227,899              |
| Total expenses                      | <u>22,291,777</u>    | <u>21,801,141</u>    |
| Increase/(Decrease) In Net Assets:  |                      |                      |
| Without donor restrictions          | 254,370              | (1,318,827)          |
| With donor restrictions             | -                    | -                    |
| Increase/(decrease) in net assets   | <u>254,370</u>       | <u>(1,318,827)</u>   |
| Net assets, beginning of year       | <u>11,960,782</u>    | <u>13,279,609</u>    |
| Net assets, end of year             | <u>\$ 12,215,152</u> | <u>\$ 11,960,782</u> |

**See accompanying notes to the financial statements.**

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

**Statement of Expenses**

**Fiscal year ended June 30, 2019**

|                                     | Program Expenses       |                     |                     |                              |                                    | Support Services       |                        |                   | Total Expenses       |
|-------------------------------------|------------------------|---------------------|---------------------|------------------------------|------------------------------------|------------------------|------------------------|-------------------|----------------------|
|                                     | Events and Programming | Public Safety       | Sanitation          | Policy Planning and Research | Communication and External Affairs | Total Program Expenses | Management and General | Fundraising       |                      |
| <b>Personnel costs:</b>             |                        |                     |                     |                              |                                    |                        |                        |                   |                      |
| Executive salaries                  | \$ 338,416             | \$ 205,272          | \$ 205,272          | \$ 300,265                   | \$ 175,466                         | \$ 1,224,691           | \$ 53,126              | \$ 45,658         | \$ 1,323,475         |
| Support salaries                    | 625,030                | 432,515             | 339,703             | 174,531                      | 255,321                            | 1,827,100              | 462,220                | 107,785           | 2,397,105            |
| Hourly staff                        | 148,326                | 1,827,184           | 2,649,349           | 19,977                       | 52,971                             | 4,697,807              | 22,855                 | 23,731            | 4,744,393            |
| Payroll taxes and benefits          | 242,281                | 909,949             | 1,492,636           | 127,198                      | 100,786                            | 2,872,850              | 146,486                | 40,746            | 3,060,082            |
| Retirement plan contributions       | 60,313                 | 70,108              | 85,364              | 13,168                       | 11,643                             | 240,596                | 14,236                 | 10,188            | 265,020              |
| Outside contractors                 | 244,857                | 54,067              | 330,284             | 109,218                      | 231,510                            | 969,936                | 291,761                | -                 | 1,261,697            |
| Total personnel costs               | <u>1,659,223</u>       | <u>3,499,095</u>    | <u>5,102,608</u>    | <u>744,357</u>               | <u>827,697</u>                     | <u>11,832,980</u>      | <u>990,684</u>         | <u>228,108</u>    | <u>13,051,772</u>    |
|                                     | 12.7%                  | 26.8%               | 39.1%               | 5.7%                         | 6.3%                               | 90.6%                  | 7.6%                   | 1.8%              | 100.0%               |
| <b>Operating expenses:</b>          |                        |                     |                     |                              |                                    |                        |                        |                   |                      |
| Occupancy                           | -                      | 126,001             | 278,177             | -                            | -                                  | 404,178                | 488,070                | -                 | 892,248              |
| Uniforms                            | 111                    | 70,233              | 55,359              | -                            | -                                  | 125,703                | -                      | -                 | 125,703              |
| Recruitment and staff development   | 6,364                  | 862                 | -                   | 3,897                        | 875                                | 11,998                 | 120,396                | -                 | 132,394              |
| Depreciation                        | -                      | -                   | -                   | -                            | -                                  | -                      | 256,763                | -                 | 256,763              |
| Insurance                           | 8,599                  | 97,210              | 285,697             | -                            | -                                  | 391,506                | 33,502                 | -                 | 425,008              |
| Printing                            | 33,027                 | 1,270               | 21,601              | 9,172                        | 24,240                             | 89,310                 | 4,626                  | -                 | 93,936               |
| Professional fees                   | -                      | -                   | 2,000               | -                            | -                                  | 2,000                  | 78,450                 | -                 | 80,450               |
| Repairs and maintenance             | -                      | 11,448              | 61,889              | 2,395                        | -                                  | 75,732                 | 131,625                | -                 | 207,357              |
| Supplies, equipment and other costs | 49,442                 | 18,370              | 310,475             | 47,279                       | 14,610                             | 440,176                | 240,238                | -                 | 680,414              |
| Planning costs                      | 80,793                 | -                   | -                   | 276,806                      | -                                  | 357,599                | -                      | -                 | 357,599              |
| Travel and meetings                 | 54,328                 | 22,063              | 16,213              | 2,624                        | 10,044                             | 105,272                | 86,595                 | -                 | 191,867              |
| Constituent expenses                | -                      | 2,025               | 1,000               | -                            | 110                                | 3,135                  | 65,344                 | -                 | 68,479               |
| Project expenses                    | 4,312,600              | 35,776              | 1,289,117           | -                            | 90,294                             | 5,727,787              | -                      | -                 | 5,727,787            |
| Total operating expenses            | <u>4,545,264</u>       | <u>385,258</u>      | <u>2,321,528</u>    | <u>342,173</u>               | <u>140,173</u>                     | <u>7,734,396</u>       | <u>1,505,609</u>       | <u>-</u>          | <u>9,240,005</u>     |
|                                     | 49.2%                  | 4.2%                | 25.1%               | 3.7%                         | 1.5%                               | 83.7%                  | 16.3%                  | 0.0%              | 100.0%               |
| Total expenses                      | <u>\$ 6,204,487</u>    | <u>\$ 3,884,353</u> | <u>\$ 7,424,136</u> | <u>\$ 1,086,530</u>          | <u>\$ 967,870</u>                  | <u>\$ 19,567,376</u>   | <u>\$ 2,496,293</u>    | <u>\$ 228,108</u> | <u>\$ 22,291,777</u> |
|                                     | 27.8%                  | 17.4%               | 33.3%               | 4.9%                         | 4.4%                               | 87.8%                  | 11.2%                  | 1.0%              | 100.0%               |

See accompanying notes to the financial statements.

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

**Statement of Expenses**

**Fiscal year ended June 30, 2018**

|                                     | Program Expenses       |                     |                     |                              |                                    | Support Services       |                        |                   | Total Expenses       |
|-------------------------------------|------------------------|---------------------|---------------------|------------------------------|------------------------------------|------------------------|------------------------|-------------------|----------------------|
|                                     | Events and Programming | Public Safety       | Sanitation          | Policy Planning and Research | Communication and External Affairs | Total Program Expenses | Management and General | Fundraising       |                      |
| <b>Personnel costs:</b>             |                        |                     |                     |                              |                                    |                        |                        |                   |                      |
| Executive salaries                  | \$ 322,319             | \$ 186,335          | \$ 186,336          | \$ 289,766                   | \$ 169,296                         | \$ 1,154,052           | \$ 51,372              | \$ 43,282         | \$ 1,248,706         |
| Support salaries                    | 702,613                | 407,921             | 365,702             | 241,298                      | 233,893                            | 1,951,427              | 447,769                | 121,591           | 2,520,787            |
| Hourly staff                        | 114,826                | 1,957,290           | 2,585,108           | 18,617                       | 19,369                             | 4,695,210              | 7,064                  | 19,156            | 4,721,430            |
| Payroll taxes and benefits          | 234,731                | 940,725             | 1,331,120           | 113,395                      | 93,588                             | 2,713,559              | 140,858                | 40,055            | 2,894,472            |
| Retirement plan contributions       | 23,420                 | 66,050              | 75,582              | 14,104                       | 10,694                             | 189,850                | 12,328                 | 3,815             | 205,993              |
| Outside contractors                 | 154,039                | 62,241              | 724,727             | 76,223                       | 125,135                            | 1,142,365              | 245,542                | -                 | 1,387,907            |
| Total personnel costs               | <u>1,551,948</u>       | <u>3,620,562</u>    | <u>5,268,575</u>    | <u>753,403</u>               | <u>651,975</u>                     | <u>11,846,463</u>      | <u>904,933</u>         | <u>227,899</u>    | <u>12,979,295</u>    |
|                                     | 12.0%                  | 27.9%               | 40.6%               | 5.8%                         | 5.0%                               | 91.3%                  | 7.0%                   | 1.7%              | 100.0%               |
| <b>Operating expenses:</b>          |                        |                     |                     |                              |                                    |                        |                        |                   |                      |
| Occupancy                           | -                      | 113,377             | 279,157             | -                            | -                                  | 392,534                | 435,347                | -                 | 827,881              |
| Uniforms                            | -                      | 81,118              | 83,100              | -                            | -                                  | 164,218                | -                      | -                 | 164,218              |
| Recruitment and staff development   | 2,257                  | 13,355              | 555                 | 7,678                        | 6,091                              | 29,936                 | 106,299                | -                 | 136,235              |
| Depreciation                        | -                      | -                   | -                   | -                            | -                                  | -                      | 258,898                | -                 | 258,898              |
| Insurance                           | 9,705                  | 93,855              | 272,124             | -                            | -                                  | 375,684                | 46,336                 | -                 | 422,020              |
| Printing                            | 50,511                 | 1,232               | 12,853              | 4,492                        | 22,302                             | 91,390                 | 2,929                  | -                 | 94,319               |
| Professional fees                   | 13,421                 | -                   | 2,000               | -                            | -                                  | 15,421                 | 64,118                 | -                 | 79,539               |
| Repairs and maintenance             | 2,152                  | 17,653              | 74,442              | 21                           | -                                  | 94,268                 | 187,377                | -                 | 281,645              |
| Supplies, equipment and other costs | 39,196                 | 31,603              | 326,140             | 23,098                       | 24,513                             | 444,550                | 268,777                | -                 | 713,327              |
| Planning costs                      | 182,817                | -                   | -                   | 210,975                      | -                                  | 393,792                | -                      | -                 | 393,792              |
| Travel and meetings                 | 66,944                 | 26,770              | 14,730              | 9,046                        | 9,676                              | 127,166                | 69,572                 | -                 | 196,738              |
| Constituent expenses                | -                      | 2,840               | 1,500               | 1,050                        | -                                  | 5,390                  | 66,167                 | -                 | 71,557               |
| Project expenses                    | 4,145,532              | 32,636              | 863,279             | -                            | 134,410                            | 5,175,857              | 5,820                  | -                 | 5,181,677            |
| Total operating expenses            | <u>4,512,535</u>       | <u>414,439</u>      | <u>1,929,880</u>    | <u>256,360</u>               | <u>196,992</u>                     | <u>7,310,206</u>       | <u>1,511,640</u>       | <u>-</u>          | <u>8,821,846</u>     |
|                                     | 51.2%                  | 4.7%                | 21.9%               | 2.9%                         | 2.2%                               | 82.9%                  | 17.1%                  | 0.0%              | 100.0%               |
| Total expenses                      | <u>\$ 6,064,483</u>    | <u>\$ 4,035,001</u> | <u>\$ 7,198,455</u> | <u>\$ 1,009,763</u>          | <u>\$ 848,967</u>                  | <u>\$ 19,156,669</u>   | <u>\$ 2,416,573</u>    | <u>\$ 227,899</u> | <u>\$ 21,801,141</u> |
|                                     | 27.8%                  | 18.5%               | 33.0%               | 4.7%                         | 3.9%                               | 87.9%                  | 11.1%                  | 1.0%              | 100.0%               |

**See accompanying notes to the financial statements.**

**TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**Statements of Cash Flows**  
**Fiscal years ended June 30, 2019 and 2018**

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>                    |                     |                     |
| Change in net assets  | \$ 254,370          | \$ (1,318,827)      |
| Adjustments for noncash items included in operating activities: |                     |                     |
| Depreciation  | 256,763             | 258,898             |
| Amortization of discount on receivables                         | (15,635)            | (23,455)            |
| Losses on investments   | 49,410              | 4,980               |
| Changes in assets and liabilities:                              |                     |                     |
| Contributions and other receivables                             | 789,352             | 1,181,460           |
| Prepaid expenses  | 93,684              | (303,969)           |
| Security deposits and other assets                              | (196,501)           | 73,080              |
| Accounts payable and accrued expenses                           | 59,803              | 264,620             |
| Deferred income and deposits                                    | 24,700              | 21,280              |
| Deferred rent   | 44,939              | (6,039)             |
| Net cash provided by operating activities                       | <u>1,360,885</u>    | <u>152,028</u>      |
| <b>Cash flows from investing activities:</b>                    |                     |                     |
| Purchases of property and equipment                             | (311,118)           | (212,203)           |
| Purchase of investments   | (2,517,613)         | (6,087,070)         |
| Sale of investments   | 6,386,036           | -                   |
| Net cash provided by/(used in) investing activities             | <u>3,557,305</u>    | <u>(6,299,273)</u>  |
| <b>Cash flows from financing activities</b>                     | <u>-</u>            | <u>-</u>            |
| Net increase/(decrease) in cash and cash equivalents            | 4,918,190           | (6,147,245)         |
| Cash and cash equivalents at beginning of year                  | <u>1,758,896</u>    | <u>7,906,141</u>    |
| Cash and cash equivalents at end of year                        | <u>\$ 6,677,086</u> | <u>\$ 1,758,896</u> |
| Supplemental Information:                                       |                     |                     |
| Retirement of fully depreciated property & equipment            | <u>\$ 474,915</u>   | <u>\$ -</u>         |

**See accompanying notes to the financial statements.**



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

Note 1 - Summary of Significant Accounting Policies

The Organization

Times Square District Management Association, Inc. (the Organization), also known as the Times Square Alliance (a not-for-profit organization), was incorporated in the State of New York on July 26, 1991. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and does not believe its financial statements include any uncertain tax positions. The Organization primarily receives its support from a real estate special assessment levied by The City of New York (the City) on properties located in the Times Square Business Improvement District (the BID). The BID's boundaries are approximately from 40<sup>th</sup> Street to 53<sup>rd</sup> Street between 6<sup>th</sup> Avenue and 8<sup>th</sup> Avenue, and 46<sup>th</sup> Street between 8<sup>th</sup> Avenue and 9<sup>th</sup> Avenue in the City.

The Organization's programs include the following: Public Safety - providing increased public security through a combination of uniformed guards and a working relationship with the New York City Police Department; Sanitation - maintaining clean streets/curbs and garbage removal; Events and Programming - creating special events and distinctive programming to promote the district to residents and tourists; Policy, Planning and Research - managing public space through urban planning and conducting research to retain, support and attract prospective businesses; and Communications and External Affairs - communicating internal and external facing news and information through public relations and marketing and managing government relations and advocacy.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Change in Accounting Principle

In fiscal year 2019, the Organization adopted all reporting changes required under Financial Accounting Standards Board (the FASB) Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the fiscal year 2019 and 2018 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

Use of Estimates

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in short-term certificates of deposit and U.S. treasury bills.

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.

Property and Equipment

The Organization 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 depreciated 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.

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 statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include personnel costs and related expenses based on estimated time and effort and occupancy, insurance, and other expenses based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The real estate assessment levied by the City is recorded by the Organization when earned. The City remits these assessments to the Organization in two installments. An allowance for doubtful accounts is not provided because all assessments are received in the current year. Assessment billing errors are recorded as a direct reduction of assessment revenue.

Government contract and program service revenue relates to fees received in exchange for services. Revenue is recognized when the service is provided. Any advances or revenue received which have not been earned is recorded as refundable advances or deferred income.

Contributions are considered available for the Organization'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 revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investments

All investments are measured at fair value on a recurring basis and are reported at their fair values as of June 30, 2019 and 2018 in the statements of financial position.

Investment income (interest, dividends and capital gain distributions) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2019 and 2018:

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| Bank deposits and cash                        | \$ 2,606,692        | \$ 1,758,896        |
| Money market funds<br>and U.S. treasury bills | <u>4,070,394</u>    | <u>-</u>            |
|   | <u>\$ 6,677,086</u> | <u>\$ 1,758,896</u> |

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

**Note 3 - Contributions and Other Receivables**

As of June 30, 2019 and 2018, receivables are expected to be realized in the following periods:

|                                     | <u>2019</u>       | <u>2018</u>         |
|-------------------------------------|-------------------|---------------------|
| In one year or less                 | \$ 503,435        | \$ 1,292,787        |
| Less: Discount, at approximately 2% | <u>-</u>          | <u>( 15,635)</u>    |
|                                     | <u>\$ 503,435</u> | <u>\$ 1,277,152</u> |

**Note 4 - Property and Equipment**

Property and equipment by major class consisted of the following at June 30, 2019 and 2018:

|                                | <u>2019</u>         | <u>2018</u>         |
|--------------------------------|---------------------|---------------------|
| Furniture and fixtures         | \$ 170,705          | \$ 184,265          |
| Equipment                      | 1,874,355           | 1,846,879           |
| Vehicles                       | 138,470             | 138,470             |
| Leasehold improvements         | <u>749,954</u>      | <u>927,667</u>      |
|                                | 2,933,484           | 3,097,281           |
| Less: Accumulated depreciation | <u>(1,468,449)</u>  | <u>(1,686,601)</u>  |
|                                | <u>\$ 1,465,035</u> | <u>\$ 1,410,680</u> |

**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, 2019 and 2018, Proskauer Rose LLP and Skadden, Arps, Slate, Meagher & Flom LLP provided legal services with fair market values that totaled \$57,400 and \$27,868, respectively.

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

Note 6 - Fair Value Measurement

The FASB requires enhanced disclosures about investments that are measured and reported at fair value. The FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, exchange traded funds and long-term U.S. treasury bills.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of June 30, 2019 and 2018:

|         | <u>2019</u>         | <u>2018</u>         |
|---------|---------------------|---------------------|
| Level 1 | \$ 1,959,589        | \$ 4,052,102        |
| Level 2 | 204,668             | 2,029,988           |
| Level 3 | -                   | -                   |
|         | <u>\$ 2,164,257</u> | <u>\$ 6,082,090</u> |

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

Note 7 - Investments

Investments consisted of the following at June 30, 2019 and 2018:

|  | <u>2019</u>      | <u>2018</u>       |
|--|------------------|-------------------|
| Mutual funds & ETFs                    | \$ 1,959,589     | \$ 2,305,847      |
| U.S treasury bills (long-term)         | -                | 1,746,255         |
| Certificates of deposit                | -                | 2,029,988         |
| Hedge funds (mutual fund-based)        | <u>204,668</u>   | <u>-</u>          |
| Fair market value                      | 2,164,257        | 6,082,090         |
| Less: Cost                             | <u>2,153,786</u> | <u>6,087,070</u>  |
| Unrealized appreciation/(depreciation) | <u>\$ 10,471</u> | <u>\$ (4,980)</u> |

Note 8 - Government Grants and Contracts

During the years ended June 30, 2019 and 2018, the Organization was awarded grants by governmental agencies to further the Organization's exempt purpose. Total amounts expended under government grants and contracts amounted to:

|  | <u>2019</u>      | <u>2018</u>       |
|--|------------------|-------------------|
| New York City Department of Cultural Affairs | \$ 17,400        | \$ 17,100         |
| New York State Council on the Arts           | 23,000           | 52,500            |
| National Endowment for the Arts              | 45,000           | 30,000            |
| New York City Economic Development Corp      | <u>-</u>         | <u>156,300</u>    |
|  | <u>\$ 85,400</u> | <u>\$ 255,900</u> |

Note 9 - Concentrations

The Organization maintains its financial accounts with major institutions. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. The Federal Deposit Insurance Corporation insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation insures cash and securities, including money market funds, up to \$500,000 per financial institution. The balances of the Organization's financial accounts have exceeded the insured limits during the years ended June 30, 2019 and 2018.

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

Note 10 - Commitments and Contingencies

The Organization leases multiple sites under noncancellable operating leases. As of June 30, 2019, minimum aggregate annual rental commitments are as follows:

| Year ended June 30, | <u>Organization<br/>Commitments</u> |
|---------------------|-------------------------------------|
| 2020                | \$ 656,645                          |
| 2021                | 672,774                             |
| 2022                | 601,075                             |
| 2023                | 526,415                             |
| 2024                | 536,943                             |
| 2025 and thereafter | 2,112,029                           |

Total rent expense charged to operations for the years ended June 30, 2019 and 2018 was \$791,118 and \$710,139, respectively.

Note 11 - Retirement Plan

Effective January 1, 1993, the Organization adopted a qualified cash or deferred compensation plan under section 403(b) of the Internal Revenue Code. Under the plan, employees may elect to defer up to twenty percent (20%) of their salary, subject to Internal Revenue Service limits. In addition, the plan allows for the Organization to make discretionary contributions based on the participant's salary and class group. The Organization's contributions to the plan amounted to \$265,020 and \$205,993 for the years ended June 30, 2019 and 2018, respectively.

Note 12 - Related Party

The Organization leases office space, at fair market value, from an entity whose officers are on the Organization's Board of Directors. Total payments for fiscal years ended June 30, 2019 and 2018 were \$544,019 and \$528,266, respectively. The same entity was involved in the Lease Surrender disclosed below.

The Organization received program service revenue for extra security work from an entity whose officer is on the Organization's Board of Directors. Total receipts for the fiscal years ended June 30, 2019 and 2018 were \$169,110 and \$164,333, respectively.

The Organization received program service revenue for plaza kiosks from an entity whose officer is on the Organization's Board of Directors. Total receipts for the fiscal years ended June 30, 2019 and 2018 were \$221,894 and \$206,919, respectively.

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

Note 13 - Joint Ventures

The Organization entered into a joint venture agreement with two not-for-profit organizations to enhance Duffy Square Park, located in the center of Times Square in the City. The future repairs will be assumed by the parties of the joint venture. Total maintenance expended under the joint venture for the years ended June 30, 2019 and 2018 were \$456,200 and \$362,960, respectively.

The Organization co-produces the New Year's Eve event with OTS Events – Jamestown (OTS) and Countdown Entertainment LLC. OTS collects sponsorship and advertising revenues and remits amounts to the Organization to cover event expenses. Sponsorship revenues received from OTS amounted to \$3,562,965 for the year ended June 30, 2019 and \$3,100,671 for the year ended June 30, 2018. OTS maintains a reserve fund for future vendor installments. These funds are reported as other assets in the accompanying statements of financial position. As of June 30, 2019 and 2018, OTS was holding on behalf of the Organization \$2,384,880 and \$2,188,379, respectively.

In 2009, the Organization signed agreements with the New York City Department of Transportation (DOT) with renewal options totaling 9 years, to manage and maintain multiple public pedestrian plazas located within the BID. The agreement allows the Organization to collect special event concession fees, contributions and sponsorships which will be used to offset the cost of managing and maintaining the plazas. Any excess revenue derived from the plazas will be kept in an accrual fund. The accrual fund will be used for any future shortfall in revenue needed to provide the services set forth in the agreement. If at any time the accrual fund contains more than three times the public plaza budget, the excess amount of funds shall be used to provide any services and/or alterations in the public plaza. At the end of the term of the license agreement or at termination, the balance of the accrual fund shall be used to provide any services and/or alterations in the public plaza. The Organization is in the process of renewing its agreement with the DOT.

Note 14 - Lease Surrender

Pursuant to an amendment of its lease for its Visitor Center, the Organization vacated its premises and agreed subsequently to terminate the lease in exchange for monthly payments from the landlord of \$100,000 each month beginning in January 2015 and ending in February 2019. The aggregate sum of such payments was reduced by the remaining undepreciated balance of leasehold improvements for the Visitor Center of \$600,000, and the remaining balance of payments of \$4,400,000 was reported in the statement of activities as additional lease surrender revenue during the year ended June 30, 2015. The receivable balance was discounted at 2% or \$15,635 at June 30, 2018. The outstanding balance for the receivable was \$800,000 at June 30, 2018. The entire receivable was received in full by February 2019.



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

Note 15 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of June 30, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| Financial assets:   |                     |                     |
| Cash and cash equivalents   | \$ 6,677,086        | \$ 1,758,896        |
| Contributions and other receivables, net  | 503,435             | 1,277,152           |
| Investments   | <u>2,164,257</u>    | <u>6,082,090</u>    |
| Total financial assets  | 9,344,778           | 9,118,138           |
| Less those unavailable for general expenditures<br>within one year                        | <u>-</u>            | <u>-</u>            |
| Financial assets available to meet cash needs<br>for general expenditures within one year | <u>\$ 9,344,778</u> | <u>\$ 9,118,138</u> |

Note 16 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through September 23, 2019, 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  
Times Square District Management Association, Inc.

We have audited the financial statements of Times Square District Management Association, Inc. as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated September 23, 2019, 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 expenses and budget and public plaza activities 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*

New York, NY  
September 23, 2019

**TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**Schedule of Expenses and Budget**  
**(Supplemental Financial Information)**  
**Fiscal year ended June 30, 2019**

|                                   | Total<br>Expenses   | Less<br>In-Kind<br>Contributions | Net<br>Expenses     | Assessment<br>Budget |
|-----------------------------------|---------------------|----------------------------------|---------------------|----------------------|
| <b>Personnel costs:</b>           |                     |                                  |                     |                      |
| Executive salaries                | \$ 1,323,475        | \$ -                             | \$ 1,323,475        | \$ 1,286,727         |
| Support salaries                  | 2,397,105           | -                                | 2,397,105           | 2,602,333            |
| Hourly staff                      | 4,744,393           | -                                | 4,744,393           | 4,788,097            |
| Payroll taxes and benefits        | 3,060,082           | -                                | 3,060,082           | 3,398,888            |
| Retirement plan contributions     | 265,020             | -                                | 265,020             | 251,216              |
| Outside contractors               | 1,261,697           | -                                | 1,261,697           | 979,320              |
| <b>Total personnel costs</b>      | <b>13,051,772</b>   | <b>-</b>                         | <b>13,051,772</b>   | <b>13,306,581</b>    |
| <b>Operating expenses:</b>        |                     |                                  |                     |                      |
| Occupancy                         | 892,248             | -                                | 892,248             | 777,996              |
| Uniforms                          | 125,703             | -                                | 125,703             | 83,500               |
| Recruitment & staff development   | 132,394             | -                                | 132,394             | 105,000              |
| Depreciation                      | 256,763             | -                                | 256,763             | -                    |
| Insurance                         | 425,008             | -                                | 425,008             | 458,937              |
| Printing                          | 93,936              | -                                | 93,936              | 240,580              |
| Professional fees                 | 80,450              | (57,400)                         | 23,050              | 40,000               |
| Repairs and maintenance           | 207,357             | -                                | 207,357             | 205,500              |
| Supplies, equipment & other costs | 680,414             | -                                | 680,414             | 548,030              |
| Planning costs                    | 357,599             | -                                | 357,599             | 688,986              |
| Travel and meetings               | 191,867             | -                                | 191,867             | 225,519              |
| Constituent expenses              | 68,479              | -                                | 68,479              | 46,900               |
| Project expenses                  | 5,727,787           | -                                | 5,727,787           | 5,755,692            |
| <b>Total operating expenses</b>   | <b>9,240,005</b>    | <b>(57,400)</b>                  | <b>9,182,605</b>    | <b>9,176,640</b>     |
| <b>Total expenses</b>             | <b>\$22,291,777</b> | <b>\$ (57,400)</b>               | <b>\$22,234,377</b> | <b>\$ 22,483,221</b> |

**TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.**  
**Schedule of Public Plaza Activities and Budget**  
**(Supplemental Financial Information)**  
**Fiscal year ended June 30, 2019**

|   | <u>Actual<br/>Activity</u> | <u>DOT Plaza<br/>Budget</u> |
|---|----------------------------|-----------------------------|
| Support and Revenues:                             |                            |                             |
| Concession, sponsors and event fees               | <u>\$ 2,106,400</u>        | <u>\$ 1,764,000</u>         |
| Expenses:   |                            |                             |
| Cleaning/Trash Removal (Sanitation)               | 1,292,892                  | 1,628,127                   |
| Landscape Maintenance (Sanitation)                | 1,119,937                  | 115,000                     |
| Repairs/Replacement (Sanitation)                  | -                          | 270,000                     |
| Public Safety (Safety)                            | 424,979                    | 1,268,923                   |
| Equipment/Supplies/Other (Sanitation, Safety)     | 221,730                    | 158,979                     |
| Special events (Events & Programming, Sanitation) | 983,116                    | 1,009,968                   |
| Insurance (Sanitation)                            | 98,533                     | -                           |
| Total expenses                                    | <u>4,141,187</u>           | <u>4,450,997</u>            |
| Administrative costs:                             |                            |                             |
| Professional fees                                 | 2,000                      | 2,000                       |
| 11.4% administrative fee                          | 470,096                    | 512,616                     |
| Total administrative costs                        | <u>472,096</u>             | <u>514,616</u>              |
| Total expenses                                    | <u>4,613,283</u>           | <u>\$ 4,965,613</u>         |
| Deficit in revenues from plaza activities         | <u>\$ (2,506,883)</u>      |                             |
| Balance of Accrual Fund, at end of year           | <u>\$ -</u>                |                             |

Note - The above information is prepared in accordance with agreement #CT 841 20100010240 with New York City Department of Transportation dated September 9, 2009 and amended on January 7, 2010. The above expenses are included on Page 4 in the (program) noted above.