

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Financial Statements and Auditors' Report

June 30, 2020 and 2019

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

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Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

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, 2020 and 2019, 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, 2020 and 2019, 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
October 29, 2020

Skody Scot & Company, CPAs, P.C.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 4,945,869	\$ 6,677,086
Contributions and other receivables	367,616	503,435
Prepaid expenses	257,037	437,361
Investments	6,248,333	2,164,257
Property and equipment, net	1,580,011	1,465,035
Security deposits and other assets	2,413,442	2,406,678
Total assets	<u>\$ 15,812,308</u>	<u>\$ 13,653,852</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 1,122,652	\$ 1,342,781
Deferred income and deposits	198,697	50,980
Refundable advances	1,935,220	-
Deferred rent	80,152	44,939
Total liabilities	<u>3,336,721</u>	<u>1,438,700</u>
Commitments (see notes)		
Net Assets:		
Without donor restrictions	12,475,587	12,215,152
With donor restrictions	-	-
Total net assets	<u>12,475,587</u>	<u>12,215,152</u>
Total liabilities and net assets	<u>\$ 15,812,308</u>	<u>\$ 13,653,852</u>

See accompanying notes to the financial statements.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Statements of Activities
Fiscal years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Support and Revenues:		
Without donor restrictions:		
Assessment revenue	\$ 14,347,293	\$ 13,669,048
Government grants and contracts	99,495	85,400
Contributions and sponsorships	4,526,603	4,631,779
Contributions in-kind	162,496	57,400
Program service income	2,759,348	3,869,570
Investment income, net	136,427	232,950
Total support and revenues	<u>22,031,662</u>	<u>22,546,147</u>
Expenses:		
Program expenses:		
Events and programming	6,457,660	6,204,487
Public safety	3,901,488	3,884,353
Sanitation	6,624,479	7,424,136
Policy, planning and research	825,005	1,086,530
Communications and external affairs	963,127	967,870
Total program expenses	<u>18,771,759</u>	<u>19,567,376</u>
Management and general	2,733,154	2,496,293
Fundraising	266,314	228,108
Total expenses	<u>21,771,227</u>	<u>22,291,777</u>
Increase In Net Assets:		
Without donor restrictions	260,435	254,370
With donor restrictions	-	-
Increase in net assets	<u>260,435</u>	<u>254,370</u>
Net assets, beginning of year	<u>12,215,152</u>	<u>11,960,782</u>
Net assets, end of year	<u>\$ 12,475,587</u>	<u>\$ 12,215,152</u>

See accompanying notes to the financial statements.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statement of Expenses

Fiscal year ended June 30, 2020

	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	
Personnel costs:									
Executive salaries	\$ 327,893	\$ 205,514	\$ 205,514	\$ 305,668	\$ 186,523	\$ 1,231,112	\$ 50,264	\$ 44,558	\$ 1,325,934
Support salaries	892,349	467,908	352,445	124,571	258,516	2,095,789	603,995	154,643	2,854,427
Hourly staff	93,065	1,890,956	2,653,853	20,291	22,216	4,680,381	4,673	15,207	4,700,261
Payroll taxes and benefits	276,683	820,795	1,381,643	89,053	83,334	2,651,508	162,862	47,048	2,861,418
Retirement plan contributions	25,443	67,354	80,558	10,148	11,520	195,023	16,011	4,148	215,182
Outside contractors	224,577	41,031	424,524	53,261	266,519	1,009,912	288,544	-	1,298,456
Total personnel costs	<u>1,840,010</u>	<u>3,493,558</u>	<u>5,098,537</u>	<u>602,992</u>	<u>828,628</u>	<u>11,863,725</u>	<u>1,126,349</u>	<u>265,604</u>	<u>13,255,678</u>
	13.9%	26.4%	38.5%	4.5%	6.3%	89.5%	8.5%	2.0%	100.0%
Operating expenses:									
Occupancy	-	135,236	261,471	-	-	396,707	498,570	-	895,277
Uniforms	-	70,795	63,586	-	-	134,381	-	-	134,381
Recruitment and staff development	9,794	874	4,609	623	275	16,175	86,465	-	102,640
Depreciation	-	-	-	-	-	-	269,060	-	269,060
Insurance	-	110,286	290,744	-	-	401,030	42,696	-	443,726
Printing	71,378	1,744	24,269	-	15,080	112,471	6,914	-	119,385
Professional fees	-	-	2,000	-	32	2,032	191,496	-	193,528
Repairs and maintenance	-	2,518	51,001	-	-	53,519	142,179	-	195,698
Supplies, equipment and other costs	42,249	17,344	283,368	4,846	28,691	376,498	255,280	-	631,778
Planning costs	1,744	-	-	212,000	-	213,744	-	-	213,744
Travel and meetings	40,274	15,026	13,136	4,544	7,234	80,214	46,707	-	126,921
Constituent expenses	-	250	260	-	300	810	66,536	-	67,346
Project expenses	4,452,211	53,857	531,498	-	82,887	5,120,453	902	710	5,122,065
Total operating expenses	<u>4,617,650</u>	<u>407,930</u>	<u>1,525,942</u>	<u>222,013</u>	<u>134,499</u>	<u>6,908,034</u>	<u>1,606,805</u>	<u>710</u>	<u>8,515,549</u>
	54.2%	4.8%	17.9%	2.6%	1.6%	81.1%	18.9%	0.0%	100.0%
Total expenses	<u>\$ 6,457,660</u>	<u>\$ 3,901,488</u>	<u>\$ 6,624,479</u>	<u>\$ 825,005</u>	<u>\$ 963,127</u>	<u>\$ 18,771,759</u>	<u>\$ 2,733,154</u>	<u>\$ 266,314</u>	<u>\$ 21,771,227</u>
	29.7%	17.9%	30.4%	3.8%	4.4%	86.2%	12.6%	1.2%	100.0%

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	
Personnel costs:									
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%	90.7%	7.6%	1.7%	100.0%
Operating expenses:									
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.
Statements of Cash Flows
Fiscal years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 260,435	\$ 254,370
Adjustments for noncash items included in operating activities:		
Depreciation	269,060	256,763
Amortization of discount on receivables	-	(15,635)
Losses on investments	15,314	49,410
Changes in assets and liabilities:		
Contributions and other receivables	135,819	789,352
Prepaid expenses	180,324	93,684
Security deposits and other assets	(6,764)	(196,501)
Accounts payable and accrued expenses	(220,129)	59,803
Deferred income and deposits	147,717	24,700
Refundable advances	1,935,220	-
Deferred rent	35,213	44,939
Net cash provided by operating activities	<u>2,752,209</u>	<u>1,360,885</u>
Cash flows from investing activities:		
Purchases of property and equipment	(384,036)	(311,118)
Purchase of investments	(6,752,674)	(2,517,613)
Sale of investments	2,653,284	6,386,036
Net cash (used in)/provided by investing activities	<u>(4,483,426)</u>	<u>3,557,305</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(1,731,217)	4,918,190
Cash and cash equivalents at beginning of year	<u>6,677,086</u>	<u>1,758,896</u>
Cash and cash equivalents at end of year	<u>\$ 4,945,869</u>	<u>\$ 6,677,086</u>
Supplemental Information:		
Retirement of fully depreciated property & equipment	<u>\$ -</u>	<u>\$ 474,915</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 40th Street to 53rd Street between 6th Avenue and 8th Avenue, and 46th Street between 8th Avenue and 9th 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 2020, the Organization adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* using the full retrospective approach. Analysis of various provisions of the standards resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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)

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. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectible receivables.

Investments

All investments are measured at fair value on a recurring basis and are reported at their fair values as of June 30, 2020 and 2019 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.

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 and vehicles 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.

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. As of June 30, 2020 and 2019, the Organization did not have any net assets with donor restrictions.

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.

The Organization recognizes contributions when cash, a noncash asset, or an unconditional promise to give is received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to the meeting of these conditions are reported as deferred income or refundable advances in the statements of financial position. As of June 30, 2020 and 2019, the Organization did not have any conditional pledges that were not recognized.

All 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 support with donor restrictions and increases in net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support 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.

The Organization received grants from governmental agencies. Depending upon the terms of the grant, it can be either an exchange transaction or a contribution. In accordance with grant provisions, the grant can be an expense reimbursement grant which requires that approved expenses be incurred prior to reimbursement by the grantor. Other grants permit advances of grant funds or full payment of grant funds at the start of the grant. If the grant is an exchange type grant, all unreimbursed expenses, for approved purposes, as of year-end are recorded as receivables and any unexpended advances are recorded as refundable advances. If the grant is a contribution, it is recognized in accordance with the contribution recognition policy described above.

Program service revenue relates to program services and consists primarily of event ticket sales, kiosk rentals, and promotional fees. Revenue is recognized when the program service is provided. Any revenue which has not been earned is recorded as deferred income.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Bank deposits and cash	\$ 197,454	\$ 2,606,692
Money market funds and U.S. treasury bills	<u>4,748,415</u>	<u>4,070,394</u>
	<u>\$ 4,945,869</u>	<u>\$ 6,677,086</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 328,702	\$ 170,705
Equipment	2,003,394	1,874,355
Vehicles	138,470	138,470
Leasehold improvements	<u>846,954</u>	<u>749,954</u>
	3,317,520	2,933,484
Less: accumulated depreciation	<u>(1,737,509)</u>	<u>(1,468,449)</u>
	<u>\$ 1,580,011</u>	<u>\$ 1,465,035</u>

Note 4 - Investments

Investments consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mutual funds & ETFs	\$ 4,496,845	\$ 1,959,589
Equity securities	1,751,488	-
Hedge funds (mutual fund-based)	<u>-</u>	<u>204,668</u>
Fair market value	6,248,333	2,164,257
Less: cost	<u>(6,035,402)</u>	<u>(2,153,786)</u>
Unrealized appreciation/(depreciation)	<u>\$ 212,931</u>	<u>\$ 10,471</u>

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

Note 5 - Fair Value Measurement

The FASB requires enhanced disclosures about investments that are measured and reported at fair value. The FASB establishes a hierarchical 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Level 1	\$ 6,248,333	\$ 1,959,589
Level 2	-	204,668
Level 3	-	-
	<u>\$ 6,248,333</u>	<u>\$ 2,164,257</u>

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

Note 6 - Net Assets Without Donor Restrictions

In December 2019, the Board of Directors created a dedicated reserve fund with \$250,000 for Times Square Arts. As of June 30, 2020 and 2019, net assets without donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 12,225,587	\$ 12,215,152
Board designated reserve fund	<u>250,000</u>	<u>-</u>
	<u>\$ 12,475,587</u>	<u>\$ 12,215,152</u>

Note 7 - Government Grants and Contracts

During the years ended June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
New York City Department of Cultural Affairs	\$ 18,495	\$ 17,400
New York State Council on the Arts	26,000	23,000
National Endowment for the Arts	<u>55,000</u>	<u>45,000</u>
	<u>\$ 99,495</u>	<u>\$ 85,400</u>

During the year ended June 30, 2020, the Organization received a \$1,935,220 Paycheck Protection Program loan from the U.S. Small Business Administration and has chosen to defer the revenue recognition of this amount until the Organization receives confirmation that it has successfully met the grant conditions, which the Organization believes that it has fully met in order to convert this loan to a grant. The amount is listed as a refundable advance on the statement of financial position for the year ended June 30, 2020.

Note 8 - Revenue from Contracts with Customers

Detail of revenue from contracts with customers during the years ended June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Promotions	\$ 1,894,039	\$ 2,476,554
Event ticket sales	50,610	87,180
Kiosk and plaza rentals	810,501	1,303,147

At June 30, 2020 and 2019, \$66,217 and \$0, respectively, was recorded as deferred income from revenue relating to contracts with customers.

Note 9 - 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, 2020 and 2019, Proskauer Rose LLP and Skadden, Arps, Slate, Meagher & Flom LLP provided legal services with a fair market value of \$162,496 and \$57,400, respectively.

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

Note 10 - Concentrations

The Organization maintains its financial accounts with major institutions. 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. At times, the balances of the Organization's financial accounts have exceeded the insured limits during the years ended June 30, 2020 and 2019.

Note 11 - Commitments and Contingencies

The Organization leases multiple sites under noncancellable operating leases. As of June 30, 2020, minimum aggregate annual rental commitments are as follows:

Year ended June 30,	<u>Organization Commitments</u>
2021	\$ 672,774
2022	601,075
2023	526,415
2024	536,943
2025	547,682
2026 and thereafter	1,564,347

Total rent expense charged to operations for the years ended June 30, 2020 and 2019, was \$828,539 and \$791,118, 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, 2020 and 2019, were \$584,130 and \$544,019, respectively. The same entity was involved in the Lease Surrender disclosed in Note 13.

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, 2020 and 2019, were \$174,262 and \$169,110, 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, 2020 and 2019, were \$64,358 and \$221,894, respectively.

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

Note 13 - 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 \$215,182 and \$265,020 for the years ended June 30, 2020 and 2019, respectively.

Note 14 - 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, 2020 and 2019, was \$177,268 and \$456,200, 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 \$3,651,622 for the year ended June 30, 2020 and \$3,562,965 for the year ended June 30, 2019. 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, 2020 and 2019, OTS was holding on behalf of the Organization \$2,391,644 and \$2,384,880, 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.

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

Note 15 - 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. All monthly payments were received in full by February 2019.

Note 16 - 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, 2020 and 2019, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 4,945,869	\$ 6,677,086
Contributions and other receivables	367,616	503,435
Investments	<u>6,248,333</u>	<u>2,164,257</u>
Total financial assets	11,561,818	9,344,778
Less those unavailable for general expenditures within one year	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,561,818</u>	<u>\$ 9,344,778</u>

Note 17 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through October 29, 2020, which is the date the financial statements were available to be issued.



Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002
www.skodyscot.com

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, 2020 and 2019, and have issued our report thereon dated October 29, 2020, 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
October 29, 2020

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Schedule of Expenses and Budget
(Supplemental Financial Information)
Fiscal year ended June 30, 2020

	Total Expenses	Less In-Kind Contributions	Net Expenses	Assessment Budget
Personnel costs:				
Executive salaries	\$ 1,325,934	\$ -	\$ 1,325,934	\$ 1,336,214
Support salaries	2,854,427	-	2,854,427	2,795,908
Hourly staff	4,700,261	-	4,700,261	4,923,686
Payroll taxes and benefits	2,861,418	-	2,861,418	3,427,567
Retirement plan contributions	215,182	-	215,182	253,476
Outside contractors	1,298,456	-	1,298,456	1,391,216
Total personnel costs	13,255,678	-	13,255,678	14,128,067
Operating expenses:				
Occupancy	895,277	-	895,277	846,000
Uniforms	134,381	-	134,381	151,000
Recruitment & staff development	102,640	-	102,640	121,500
Depreciation	269,060	-	269,060	-
Insurance	443,726	-	443,726	510,000
Printing	119,385	-	119,385	178,350
Professional fees	193,528	(162,496)	31,032	37,000
Repairs and maintenance	195,698	-	195,698	183,920
Supplies, equipment & other costs	631,778	-	631,778	629,050
Planning costs	213,744	-	213,744	326,383
Travel and meetings	126,921	-	126,921	185,450
Constituent expenses	67,346	-	67,346	48,400
Project expenses	5,122,065	-	5,122,065	5,743,625
Total operating expenses	8,515,549	(162,496)	8,353,053	8,960,678
Total expenses	\$21,771,227	\$ (162,496)	\$21,608,731	\$ 23,088,745

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Schedule of Public Plaza Activities and Budget
(Supplemental Financial Information)
Fiscal year ended June 30, 2020

	<u>Actual</u> <u>Activity</u>	<u>DOT Plaza</u> <u>Budget</u>
Support and Revenues:		
Concession, sponsors and event fees	<u>\$ 1,551,501</u>	<u>\$ 1,794,250</u>
Expenses:		
Cleaning/Trash Removal (Sanitation)	1,296,630	1,247,278
Landscape Maintenance (Sanitation)	513,734	100,000
Repairs/Replacement (Sanitation)	-	150,000
Public Safety (Safety)	352,919	1,109,824
Equipment/Supplies/Other (Sanitation, Safety)	175,318	174,665
Special Events (Events & Programming, Sanitation)	905,742	1,008,753
Insurance (Sanitation)	100,261	110,250
Total expenses	<u>3,344,604</u>	<u>3,900,770</u>
Administrative costs:		
Professional fees	2,000	2,000
11.2% administrative fee	374,595	447,668
Total administrative costs	<u>376,595</u>	<u>449,668</u>
Total expenses	<u>3,721,199</u>	<u>\$ 4,350,438</u>
Deficit in revenues from plaza activities	<u>\$ (2,169,698)</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.