

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.**

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Court-Livingston-Schermerhorn
District Management Association, Inc.

We have audited the accompanying financial statements of Court-Livingston-Schermerhorn District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Court-Livingston-Schermerhorn District Management Association, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Skody Scot & Company, CPAs, P.C.

New York, NY
October 15, 2018

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 348,105	\$ 418,245
Prepaid expenses	-	792
Property and equipment, net	6,996	10,494
Total assets	\$ 355,101	\$ 429,531

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 71,143	\$ 76,800
Due to affiliate	63,302	29,912
Total liabilities	134,445	106,712
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	220,656	322,819
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	220,656	322,819
Total liabilities and net assets	\$ 355,101	\$ 429,531

See accompanying notes to the financial statements.

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Support and Revenues:		
Unrestricted:		
Assessments revenue	\$ 907,000	\$ 907,000
Program service revenue	3,690	-
Interest income	871	1,083
Total support and revenues	911,561	908,083
Expenses:		
Program Expenses:		
Sanitation	453,555	405,726
Marketing	67,613	46,299
Merchant & public improvements	156,634	168,614
Public Safety	126,929	108,373
Total program expenses	804,731	729,012
Management and general	208,993	193,075
Total expenses	1,013,724	922,087
Increase/(Decrease) In Net Assets:		
Unrestricted	(102,163)	(14,004)
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	(102,163)	(14,004)
Net assets, beginning of year	322,819	336,823
Net assets, end of year	\$ 220,656	\$ 322,819

See accompanying notes to the financial statements.

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (102,163)	\$ (14,004)
Adjustments for non-cash items included in operating activities:		
Depreciation	3,498	3,498
Changes in assets and liabilities:		
Prepaid expenses	792	2,634
Accounts payable and accrued expenses	(5,657)	(58,282)
Due to affiliate	33,390	(144,338)
Net cash provided/(used) by operating activities	(70,140)	(210,492)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(70,140)	(210,492)
Cash and cash equivalents at beginning of year	418,245	628,737
Cash and cash equivalents at end of year	\$ 348,105	\$ 418,245

See accompanying notes to the financial statements.

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Association

Court-Livingston-Schermerhorn District Management Association, Inc. (Association), a not-for-profit organization, was incorporated in the State of New York on September 20, 2007. The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Association does not believe its financial statements contain any uncertain tax positions. The Association primarily receives its support from a real estate special assessment levied by The City of New York (City) on properties located in the Court-Livingston-Schermerhorn Business Improvement District (BID). The BID's boundaries are approximately Schermerhorn and Livingston Streets from Flatbush Avenue to Court Street, and Court Street from Atlantic Avenue to Joralemon Street.

The Association's programs include the following: Sanitation - maintaining clean streets/curbs and garbage removal; Marketing - promoting the district to residents and tourists and to retain and develop prospective businesses; Merchant and Public Improvements - developing and implementing merchant services including facade enhancements and signage; and Public Safety - providing increased public security through a combination of uniformed guards and a working relationship with the New York City Police Department.

In October 2007, the Association entered into a management agreement with the Downtown Brooklyn Partnership, Inc. The agreement provides for program and general administration of the Association. The agreement may be terminated with thirty days' notice and allows a management fee to be charged to the Association.

Basis of Accounting

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

Basis of Presentation

In accordance with GAAP the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing the 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.

**COURT-LIVINGSTON-SCHERMERHORN
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 Association considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposits and treasury bills, with an original maturity of three months or less.

Revenue Recognition

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

All contributions are considered available for the Association's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program service revenue relates to fees received in exchange for program services and includes payments related to banner sponsorship. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

Property and Equipment

The Association capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of equipment is computed by the straight-line method over estimated useful lives ranging from three to ten years. 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 schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Association allocates salaries and other expenses between affiliates based on revenues. The Association classifies expenses, which are not directly related to a specific program, as Management and General expenses.

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Checking	\$ 122,389	\$ 239,377
Money market funds	<u>225,716</u>	<u>178,868</u>
	<u>\$ 348,105</u>	<u>\$ 418,245</u>

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 19,776	\$ 19,776
Accumulated depreciation	<u>(12,780)</u>	<u>(9,282)</u>
	<u>\$ 6,996</u>	<u>\$ 10,494</u>

Note 4 - Related Parties and Affiliates

The Association shares office facilities and employees with the Downtown Brooklyn Partnership, Inc. (DBP). DBP is a not-for-profit corporation, organized for the purpose of providing economic development in Brooklyn.

During the fiscal years ended June 30, 2018 and 2017, the following related party transactions occurred:

	<u>2018</u>	<u>2017</u>
Staff salaries and benefits	\$ 150,715	\$ 107,255
Subcontractors for program expenses	<u>52,833</u>	<u>13,905</u>
Total amount of program charges	<u>203,548</u>	<u>121,160</u>
Legal fees	4,066	2,112
Rent and related costs	12,317	9,029
Other office expenses	9,365	14,640
Administrative fee	<u>120,000</u>	<u>120,000</u>
Total amount of administrative charges	<u>145,748</u>	<u>145,781</u>
Total amount allocated from DBP	<u>\$ 349,296</u>	<u>\$ 266,941</u>

Amounts due to the related organization at June 30, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Downtown Brooklyn Partnership	\$ 63,302	\$ 29,912

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 5 - Concentrations

The Association maintains its checking and money market accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. At times, the balances of the accounts exceeded the insured limits during the years ended June 30, 2018 and 2017.

Note 6 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through October 15, 2018, 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
Court-Livingston-Schermerhorn
District Management Association, Inc.

We have audited the financial statements of Court-Livingston-Schermerhorn District Management Association, Inc. as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated October 15, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses, and expenses and budget are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Skody Scot & Company, CPAs, PC

New York, NY
October 15, 2018

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018							2017
	Program Expenses				Supporting			Total Expenses
	Sanitation	Marketing	Merchant & Public Improvements	Public Safety	Total Program Expenses	Management and General	Total Expenses	
Staff salaries	\$ -	\$ 16,719	\$ 37,255	\$ 43,985	\$ 97,959	\$ 26,456	\$ 124,415	\$ 88,932
Payroll taxes & benefits	-	4,161	11,463	5,619	21,243	5,057	26,300	18,623
Management fee	-	-	-	-	-	120,000	120,000	120,000
Consultants & contractors	453,531	45,150	92,880	70,512	662,073	2,017	664,090	634,256
Depreciation	-	-	-	3,498	3,498	-	3,498	3,498
Equipment, maintenance & repair	-	-	11,637	-	11,637	1,689	13,326	5,194
Insurance	-	-	-	-	-	13,599	13,599	12,113
Office expenses	-	850	1,258	1,668	3,776	9,602	13,378	6,923
Printing	-	733	-	-	733	265	998	1,210
Professional fees	24	-	-	-	24	17,889	17,913	16,382
Rent and utilities	-	-	1,452	1,641	3,093	8,670	11,763	9,814
Telephone & communications	-	-	-	-	-	2,707	2,707	2,088
Travel, meetings & conferences	-	-	689	6	695	1,042	1,737	3,054
Total expenses	\$453,555	\$ 67,613	\$ 156,634	\$ 126,929	\$ 804,731	\$ 208,993	\$1,013,724	\$ 922,087

**COURT-LIVINGSTON-SCHERMERHORN
DISTRICT MANAGEMENT ASSOCIATION, INC.
SCHEDULE OF EXPENSES AND BUDGET
(Supplemental Financial Information)
YEAR ENDED JUNE 30, 2018**

	<u>Total Expenses</u>	<u>Budget</u>
Staff salaries	\$ 124,415	\$ 132,247
Payroll taxes & benefits	26,300	37,135
Management fee	120,000	126,683
Consultants & contractors	664,090	619,772
Depreciation	3,498	3,498
Equipment, maintenance & repair	13,326	23,524
Insurance	13,599	14,200
Office expenses	13,378	10,700
Printing	998	1,000
Professional fees	17,913	85,670
Rent and utilities	11,763	29,422
Telephone & communications	2,707	3,076
Travel, meetings & conferences	1,737	4,442
Total expenses	<u>\$ 1,013,724</u>	<u>\$ 1,091,369</u>