

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

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2017 AND 2016**

**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, 2017 and 2016, 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, 2017 and 2016, 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  
December 1, 2017

**COURT-LIVINGSTON-SCHERMERHORN  
DISTRICT MANAGEMENT ASSOCIATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 418,245	\$ 628,737
Prepaid expenses	792	3,426
Property and equipment, net	10,494	13,992
Total assets	\$ 429,531	\$ 646,155
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 76,800	\$ 135,082
Due to affiliate	29,912	174,250
Total liabilities	106,712	309,332
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	322,819	336,823
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	322,819	336,823
Total liabilities and net assets	\$ 429,531	\$ 646,155

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

**COURT-LIVINGSTON-SCHERMERHORN  
DISTRICT MANAGEMENT ASSOCIATION, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Support and Revenues:</b>		
Unrestricted:		
Assessments revenue	\$ 907,000	\$ 700,000
Program service revenue	-	4,046
Interest income	1,083	3,119
Total support and revenues	<u>908,083</u>	<u>707,165</u>
<b>Expenses:</b>		
Program Expenses:		
Sanitation	405,726	318,810
Marketing	46,299	77,627
Merchant and public improvements	168,614	176,871
Public Safety	108,373	93,013
Total program expenses	<u>729,012</u>	<u>666,321</u>
Management and general	193,075	220,388
Total expenses	<u>922,087</u>	<u>886,709</u>
<b>Increase/(Decrease) In Net Assets:</b>		
Unrestricted	(14,004)	(179,544)
Temporarily restricted	-	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>(14,004)</u>	<u>(179,544)</u>
Net assets, beginning of year	<u>336,823</u>	<u>516,367</u>
Net assets, end of year	<u>\$ 322,819</u>	<u>\$ 336,823</u>

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

**COURT-LIVINGSTON-SCHERMERHORN  
DISTRICT MANAGEMENT ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (14,004)	\$ (179,544)
Adjustments for non-cash items included in operating activities:		
Depreciation	3,498	4,165
Changes in assets and liabilities:		
Prepaid expenses	2,634	2,663
Accounts payable and accrued expenses	(58,282)	94,542
Due to affiliate	(144,338)	137,450
Net cash provided/(used) by operating activities	(210,492)	59,276
Cash flows from investing activities:		
Purchase of property and equipment	-	(17,490)
Net cash provided/(used) by investing activities	-	(17,490)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(210,492)	41,786
Cash and cash equivalents at beginning of year	628,737	586,951
Cash and cash equivalents at end of year	\$ 418,245	\$ 628,737

**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.

In accordance with grant provisions, grants are recorded as revenue when earned, either through expenditure or accomplishment of a specific goal or benchmark. All unreimbursed expenses as of the period-end are recorded as grant receivable and all advanced funds not expended are recorded as refundable advances.

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.

**COURT-LIVINGSTON-SCHERMERHORN  
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 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.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Checking	\$ 239,377	\$ 125,953
Money market funds	<u>178,868</u>	<u>502,784</u>
	<u>\$ 418,245</u>	<u>\$ 628,737</u>

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 19,776	\$ 19,776
Accumulated depreciation	<u>( 9,282)</u>	<u>( 5,784)</u>
	<u>\$ 10,494</u>	<u>\$ 13,992</u>

Note 4 - 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, 2017 and 2016.

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

Note 5 - 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, 2017 and 2016, the following related party transactions occurred:

	<u>2017</u>	<u>2016</u>
Staff salaries and benefits	\$ 107,255	\$ 155,280
Subcontractors for program expenses	<u>13,905</u>	<u>39,007</u>
Total amount of program charges	<u>121,160</u>	<u>194,287</u>
Legal fees	2,112	6,059
Rent and related costs	9,029	7,943
Other office expenses	14,640	19,431
Administrative fee	<u>120,000</u>	<u>120,000</u>
Total amount of administrative charges	<u>145,781</u>	<u>153,433</u>
Total amount allocated from DBP	<u>\$ 266,941</u>	<u>\$ 347,720</u>

Amounts due to the related organization at June 30, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Downtown Brooklyn Partnership	\$ <u>29,912</u>	\$ <u>174,250</u>

Note 6 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through December 1, 2017, 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, 2017 and 2016, and have issued our report thereon dated December 1, 2017, 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  
December 1, 2017

**COURT-LIVINGSTON-SCHERMERHORN  
DISTRICT MANAGEMENT ASSOCIATION, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
(Supplemental Financial Information)  
YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	2017							2016
	Program Expenses				Total Program Expenses	Supporting Management and General		Total Expenses
	Sanitation	Marketing	Merchant & Public Improvements	Public Safety		Total Expenses	Total Expenses	
Staff salaries	\$ -	\$ -	\$ 27,697	\$ 37,027	\$ 64,724	\$ 24,208	\$ 88,932	\$ 134,799
Payroll taxes & benefits	-	-	9,058	4,429	13,487	5,136	18,623	28,004
Management fee	-	-	-	-	-	120,000	120,000	120,000
Consultants & contractors	404,147	44,850	125,233	58,252	632,482	1,774	634,256	527,511
Depreciation	-	-	-	3,498	3,498	-	3,498	4,165
Equipment, maintenance & repair	198	-	3,420	808	4,426	768	5,194	1,317
Insurance	-	-	-	-	-	12,113	12,113	13,984
Office expenses	777	1,074	497	429	2,777	4,146	6,923	6,847
Printing	-	375	389	-	764	446	1,210	7,866
Professional fees	-	-	598	1,920	2,518	13,864	16,382	25,042
Rent and utilities	-	-	1,546	1,987	3,533	6,281	9,814	8,914
Telephone & communications	-	-	-	-	-	2,088	2,088	4,553
Travel, meetings & conferences	604	-	176	23	803	2,251	3,054	3,707
<b>Total expenses</b>	<b>\$405,726</b>	<b>\$ 46,299</b>	<b>\$ 168,614</b>	<b>\$ 108,373</b>	<b>\$ 729,012</b>	<b>\$ 193,075</b>	<b>\$ 922,087</b>	<b>\$ 886,709</b>

**COURT-LIVINGSTON-SCHERMERHORN  
DISTRICT MANAGEMENT ASSOCIATION, INC.  
SCHEDULE OF EXPENSES AND BUDGET  
(Supplemental Financial Information)  
YEAR ENDED JUNE 30, 2017**

	<u>Total Expenses</u>	<u>Budget</u>
Staff salaries	\$ 88,932	\$ 109,512
Payroll taxes & benefits	18,623	36,517
Management fee	120,000	120,000
Consultants & contractors	634,256	692,934
Depreciation	3,498	3,500
Equipment, maintenance & repair	5,194	23,303
Insurance	12,113	15,355
Office expenses	6,923	11,680
Printing	1,210	1,573
Professional fees	16,382	22,589
Rent and utilities	9,814	24,116
Telephone & communications	2,088	2,470
Travel, meetings & conferences	3,054	3,470
Total expenses	<u>\$ 922,087</u>	<u>\$ 1,067,019</u>