

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Financial Statements and Auditors' Report

June 30, 2022 and 2021

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.

Opinion

We have audited the financial statements of Times Square District Management Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Times Square District Management Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Times Square District Management Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they could reasonably be expected to influence the judgement made by a reasonable user based on these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Times Square District Management Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Times Square District Management Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Skody Scot & Company, CPAs, P.C.

New York, NY
November 21, 2022

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 3,910,540	\$ 6,060,605
Contributions and other receivables	1,317,305	1,778,998
Prepaid expenses	78,084	78,983
Investments	11,454,952	7,640,069
Property and equipment, net	882,328	1,208,220
Security deposits and other assets	808,355	1,620,104
Total assets	<u>\$ 18,451,564</u>	<u>\$ 18,386,979</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 2,614,393	\$ 1,123,285
Deferred income and deposits	21,225	104,671
Refundable advances	329,167	2,154,182
Deferred rent	120,617	105,444
Total liabilities	<u>3,085,402</u>	<u>3,487,582</u>
Commitments (see notes)		
Net Assets:		
Without donor restrictions	15,356,162	14,889,397
With donor restrictions	10,000	10,000
Total net assets	<u>15,366,162</u>	<u>14,899,397</u>
Total liabilities and net assets	<u>\$ 18,451,564</u>	<u>\$ 18,386,979</u>

See accompanying notes to the financial statements.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statements of Activities

Fiscal years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Assessment revenue	\$ 14,347,293	\$ -	\$ 14,347,293	\$ 14,347,293	\$ -	\$ 14,347,293
Government grants and contracts	2,347,258	-	2,347,258	2,013,290	-	2,013,290
Contributions and sponsorships	7,301,501	-	7,301,501	4,218,048	10,000	4,228,048
Contributions in-kind	128,415	-	128,415	159,013	-	159,013
Program service income	3,511,529	-	3,511,529	574,170	-	574,170
Investment return	(1,185,699)	-	(1,185,699)	1,366,672	-	1,366,672
Total support and revenues	<u>26,450,297</u>	<u>-</u>	<u>26,450,297</u>	<u>22,678,486</u>	<u>10,000</u>	<u>22,688,486</u>
Expenses:						
Program expenses:						
Events and programming	9,417,228	-	9,417,228	6,683,819	-	6,683,819
Public safety	3,657,466	-	3,657,466	3,573,139	-	3,573,139
Sanitation	7,191,410	-	7,191,410	5,553,234	-	5,553,234
Policy, planning and research	710,419	-	710,419	661,523	-	661,523
Communications and external affairs	763,792	-	763,792	954,366	-	954,366
Total program expenses	<u>21,740,315</u>	<u>-</u>	<u>21,740,315</u>	<u>17,426,081</u>	<u>-</u>	<u>17,426,081</u>
Management and general	4,072,502	-	4,072,502	2,632,942	-	2,632,942
Fundraising	170,715	-	170,715	205,653	-	205,653
Total expenses	<u>25,983,532</u>	<u>-</u>	<u>25,983,532</u>	<u>20,264,676</u>	<u>-</u>	<u>20,264,676</u>
Increase in net assets	466,765	-	466,765	2,413,810	10,000	2,423,810
Net assets, beginning of year	14,889,397	10,000	14,899,397	12,475,587	-	12,475,587
Net assets, end of year	<u>\$ 15,356,162</u>	<u>\$ 10,000</u>	<u>\$ 15,366,162</u>	<u>\$ 14,889,397</u>	<u>\$ 10,000</u>	<u>\$ 14,899,397</u>

See accompanying notes to the financial statements.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statement of Expenses

Fiscal year ended June 30, 2022

	Program Expenses					Support Services			
	Events and Programming	Public Safety	Sanitation	Policy, Planning and Research	Communications and External Affairs	Total Program Expenses	Management and General	Fundraising	Total Expenses
Personnel costs:									
Executive salaries	\$ 189,181	\$ 32,642	\$ -	\$ 194,767	\$ 165,193	\$ 581,783	\$ 1,018,011	\$ 40,964	\$ 1,640,758
Support salaries	1,095,360	431,798	326,285	119,210	161,639	2,134,292	531,555	92,001	2,757,848
Hourly staff	75,745	1,556,792	2,249,059	24,630	74,884	3,981,110	28,069	6,606	4,015,785
Payroll taxes and benefits	309,889	970,981	1,420,877	84,030	89,586	2,875,363	299,224	28,222	3,202,809
Retirement plan contributions	26,602	54,795	77,273	9,137	11,454	179,261	43,737	2,922	225,920
Outside contractors	372,500	67,475	756,316	151,481	138,961	1,486,733	439,273	-	1,926,006
Total personnel costs	<u>2,069,277</u>	<u>3,114,483</u>	<u>4,829,810</u>	<u>583,255</u>	<u>641,717</u>	<u>11,238,542</u>	<u>2,359,869</u>	<u>170,715</u>	<u>13,769,126</u>
	15.0%	22.6%	35.1%	4.2%	4.7%	81.6%	17.1%	1.2%	100.0%
Operating expenses:									
Occupancy	-	154,727	314,505	-	-	469,232	563,154	-	1,032,386
Uniforms	-	65,902	57,418	-	-	123,320	383	-	123,703
Recruitment and staff development	925	5,095	1,588	435	50	8,093	96,471	-	104,564
Depreciation	-	-	-	-	-	-	325,892	-	325,892
Insurance	8,849	201,034	525,143	-	-	735,026	107,739	-	842,765
Printing	68,340	-	22,444	527	9,283	100,594	17,390	-	117,984
Professional fees	55	-	2,000	-	-	2,055	158,715	-	160,770
Repairs and maintenance	-	-	27,413	-	-	27,413	124,629	-	152,042
Supplies, equipment and other costs	172,233	36,184	331,439	26,209	24,505	590,570	234,807	-	825,377
Planning costs	221	-	-	98,427	-	98,648	-	-	98,648
Travel and meetings	69,952	6,250	17,890	566	12,384	107,042	58,379	-	165,421
Constituent expenses	-	-	3,025	1,000	-	4,025	25,074	-	29,099
Project expenses	7,027,376	73,791	1,058,735	-	75,853	8,235,755	-	-	8,235,755
Total operating expenses	<u>7,347,951</u>	<u>542,983</u>	<u>2,361,600</u>	<u>127,164</u>	<u>122,075</u>	<u>10,501,773</u>	<u>1,712,633</u>	<u>-</u>	<u>12,214,406</u>
	60.2%	4.4%	19.3%	1.0%	1.0%	86.0%	14.0%	0.0%	100.0%
Total expenses	<u>\$ 9,417,228</u>	<u>\$ 3,657,466</u>	<u>\$ 7,191,410</u>	<u>\$ 710,419</u>	<u>\$ 763,792</u>	<u>\$ 21,740,315</u>	<u>\$ 4,072,502</u>	<u>\$ 170,715</u>	<u>\$ 25,983,532</u>
	36.2%	14.1%	27.7%	2.7%	2.9%	83.7%	15.7%	0.7%	100.0%

See accompanying notes to the financial statements.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statement of Expenses

Fiscal year ended June 30, 2021

	Program Expenses					Support Services			Total Expenses
	Events and Programming	Public Safety	Sanitation	Policy, Planning and Research	Communications and External Affairs	Total Program Expenses	Management and General	Fundraising	
Personnel costs:									
Executive salaries	\$ 290,047	\$ 194,314	\$ 208,387	\$ 251,126	\$ 165,110	\$ 1,108,984	\$ 181,799	\$ 40,693	\$ 1,331,476
Support salaries	590,678	454,304	355,630	108,791	286,067	1,795,470	342,952	104,897	2,243,319
Hourly staff	48,740	1,445,298	1,681,028	12,895	37,970	3,225,931	1,700	8,178	3,235,809
Payroll taxes and benefits	279,750	917,843	1,476,326	85,520	118,027	2,877,466	150,365	47,420	3,075,251
Retirement plan contributions	27,127	70,538	80,633	12,207	16,775	207,280	17,459	4,465	229,204
Outside contractors	70,316	40,431	335,433	26,306	160,423	632,909	350,687	-	983,596
Total personnel costs	1,306,658	3,122,728	4,137,437	496,845	784,372	9,848,040	1,044,962	205,653	11,098,655
	11.8%	28.1%	37.3%	4.5%	7.1%	88.7%	9.4%	1.9%	100.0%
Operating expenses:									
Occupancy	-	147,103	245,248	-	-	392,351	541,979	-	934,330
Uniforms	-	67,176	50,690	-	-	117,866	1,204	-	119,070
Recruitment and staff development	-	-	500	-	-	500	43,266	-	43,766
Depreciation	-	-	-	-	-	-	381,791	-	381,791
Insurance	4,370	111,346	331,445	-	-	447,161	59,377	-	506,538
Printing	67,471	-	18,847	720	1,064	88,102	624	-	88,726
Professional fees	349	800	2,000	-	-	3,149	189,813	-	192,962
Repairs and maintenance	-	2,192	52,739	-	-	54,931	135,526	-	190,457
Supplies, equipment and other costs	24,106	23,856	251,747	30,419	21,243	351,371	208,580	-	559,951
Planning costs	3,150	-	-	133,444	-	136,594	-	-	136,594
Travel and meetings	12,920	8,689	12,425	-	-	34,034	10,188	-	44,222
Constituent expenses	3,000	-	-	-	-	3,000	15,632	-	18,632
Project expenses	5,261,795	89,249	450,156	95	147,687	5,948,982	-	-	5,948,982
Total operating expenses	5,377,161	450,411	1,415,797	164,678	169,994	7,578,041	1,587,980	-	9,166,021
	58.7%	4.9%	15.4%	1.8%	1.9%	82.7%	17.3%	0.0%	100.0%
Total expenses	\$ 6,683,819	\$ 3,573,139	\$ 5,553,234	\$ 661,523	\$ 954,366	\$ 17,426,081	\$ 2,632,942	\$ 205,653	\$ 20,264,676
	33.0%	17.6%	27.4%	3.3%	4.7%	86.0%	13.0%	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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 466,765	\$ 2,423,810
Adjustments for noncash items included in operating activities:		
Depreciation	325,892	381,791
Losses/(gain) on investments	1,433,135	(1,220,271)
Changes in assets and liabilities:		
Contributions and other receivables	461,693	(1,411,382)
Prepaid expenses	899	178,054
Security deposits and other assets	811,749	793,338
Accounts payable and accrued expenses	1,491,108	633
Deferred income and deposits	(83,446)	79,474
Refundable advances	(1,825,015)	45,462
Deferred rent	15,173	25,292
Net cash provided by operating activities	<u>3,097,953</u>	<u>1,296,201</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(10,000)
Purchase of investments	(6,019,913)	(4,872,539)
Sale of investments	771,895	4,701,074
Net cash used in investing activities	<u>(5,248,018)</u>	<u>(181,465)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(2,150,065)	1,114,736
Cash and cash equivalents at beginning of year	<u>6,060,605</u>	<u>4,945,869</u>
Cash and cash equivalents at end of year	<u>\$ 3,910,540</u>	<u>\$ 6,060,605</u>
Supplemental Information:		
Disposal of fully depreciated assets	\$ 495,058	\$ -

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), and from contributions, grants and program service revenue. 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.

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.

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, with an original maturity, to the Organization, of three months or less.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

All investments are measured at fair value on a recurring basis and are reported at their fair values as of June 30, 2022 and 2021 in the statements of financial position.

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.

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 such as insurance, supplies and printing, based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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. Any significant discrepancies due to changes in total amount assessed are recorded as a receivable on the statements of financial position.

The Organization recognizes contributions and sponsorships 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 refundable advances in the statements of financial position. As of June 30 2022 and 2021, contributions totaling approximately \$329,167 and \$173,500, respectively, have not been recognized in the accompanying statements of activities because the conditions on which they depend have not been met. The recognition of these contributions is conditioned upon the Organization meeting certain related goals.

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 for a purpose 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. Program service generally contains a single delivery/service element and revenue is recognized at a single point in time when ownership, risks and rewards transfer, and all performance obligations are considered to be satisfied. Any revenue received which has not been earned is recorded as deferred income.

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.

**TIMES SQUARE 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Bank deposits and cash	\$ 2,063,444	\$ 1,518,706
Money market funds	<u>1,847,096</u>	<u>4,541,899</u>
	<u>\$ 3,910,540</u>	<u>\$ 6,060,605</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 325,047	\$ 338,702
Equipment	1,830,790	2,003,394
Vehicles	45,730	138,470
Leasehold improvements	<u>633,895</u>	<u>846,954</u>
	2,835,462	3,327,520
Less: accumulated depreciation	<u>(1,953,134)</u>	<u>(2,119,300)</u>
	<u>\$ 882,328</u>	<u>\$ 1,208,220</u>

Note 4 - Investments

Investments consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 9,333,351	\$ 5,046,288
Equity securities	<u>2,121,601</u>	<u>2,593,781</u>
Fair market value	11,454,952	7,640,069
Less: cost	<u>(11,968,319)</u>	<u>(6,509,730)</u>
Unrealized (depreciation)/appreciation	<u>\$ (513,367)</u>	<u>\$ 1,130,339</u>

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

Note 5 - Fair Value Measurement

The Financial Accounting Standards Board (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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Level 1	\$ 6,643,626	\$ 7,640,069
Level 2	4,811,326	-
Level 3	-	-
	<u>\$ 11,454,952</u>	<u>\$ 7,640,069</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, 2022 and 2021, net assets without donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 15,106,162	\$ 14,639,397
Board designated reserve fund	<u>250,000</u>	<u>250,000</u>
	<u>\$ 15,356,162</u>	<u>\$ 14,889,397</u>

Note 7 - Net Assets With Donor Restrictions

As of June 30, 2022 and 2021, net assets with donor restrictions are available as follows:

	<u>2022</u>	<u>2021</u>
Poetry initiative	\$ 10,000	\$ 10,000

Note 8 - Revenue from Contracts with Customers

Detail of revenue from contracts with customers during the years ended June 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Promotions	\$ 2,637,243	\$ 61,588
Event ticket sales	16,419	-
Kiosk and plaza rentals	852,086	507,390

The following table provides information about significant changes in the contract liabilities for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred kiosk rental income, beginning of the year	\$ 81,191	\$ 66,217
Revenue recognized that was included in deferred income at beginning of year	(81,191)	-
Increase in deferred kiosk income due to cash received during the period	<u>-</u>	<u>14,974</u>
Deferred kiosk rental income, end of the year	<u>\$ -</u>	<u>\$ 81,191</u>

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

Note 9 - Government Grants and Contracts

During the years ended June 30, 2022 and 2021, the Organization was awarded grants by governmental agencies to further the Organization's exempt purpose. During the years ended June 30, 2022 and 2021, total amounts recognized under government grants and contracts amounted to:

	<u>2022</u>	<u>2021</u>
Local	\$ 17,610	\$ 17,070
State	294,966	26,000
Federal	<u>2,034,682</u>	<u>1,970,220</u>
	<u>\$ 2,347,258</u>	<u>\$ 2,013,290</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 chose to defer the revenue recognition of this amount until the Organization received confirmation that it has successfully met the grant conditions. The amount was listed as a refundable advance on the accompanying statement of financial position for the year ended June 30, 2020. During the year ended June 30, 2021, the Organization received confirmation that it has successfully met the grant conditions and has recognized the amount as government grant revenue.

During the year ended June 30, 2021, the Organization received a \$1,980,682 Paycheck Protection Program loan from the U.S. Small Business Administration and chose to defer the revenue recognition of this amount until the Organization receives confirmation that it has successfully met the grant conditions. The amount is listed as a refundable advance on the accompanying statement of financial position for the year ended June 30, 2021. During the year ended June 30, 2022, the Organization received confirmation that it has successfully met the grant conditions and has recognized the amount as government grant revenue.

The *Consolidated Appropriations Act, 2021* broadened the applicability of the Employee Retention Credit (ERC), bringing eligible employers the ability for greater financial relief. Based on the eligibility requirements, the Organization was deemed eligible for the ERC during a portion of the year ended June 30, 2021 and, accordingly, requested such eligible credits in the amount of \$1,635,108 for the year then ended. In addition, the Organization was deemed eligible for ERC during the year ended June 30, 2022 and, accordingly, requested such eligible credits in the amount of \$854,306 for the year then ended.

Note 10 - Contributions In-Kind

The Organization received in-kind contributions that met the criteria for being recognized in accordance with GAAP. For the years ended June 30, 2022 and 2021, \$128,415 and \$159,013, respectively, was recognized in the statements of activities.

In-kind contributions received during fiscal years 2022 and 2021 were not restricted and consisted of legal services which were used by the Organization for various issues. The valuation technique used by the Organization to value the legal services is based on rates charged to unrelated parties for similar services.

A partner at one of the in-kind donors is on the Organization's Board of Directors.

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

Note 11 - Commitments and Contingencies

The Organization leases multiple sites under noncancellable operating leases. As of June 30, 2022, minimum aggregate annual rental commitments are as follows:

	<u>Organization Commitments</u>
Year ended June 30, 2023	\$ 526,415
2024	536,943
2025	547,682
2026	558,635
2027	569,808
2028	435,903

Total rent expense charged to operations for the years ended June 30, 2022 and 2021, was \$868,591 and \$827,188, respectively.

During the years ended June 30, 2022 and 2021, the Organization was the defendant in various liability claims. The outcome that may arise from these various claims cannot be determined as of the date of the audit report, and all such claims are likely to be covered by insurance policy coverage. No additional liabilities are required as a result.

Note 12 - Related Parties

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, 2022 and 2021, were \$647,329 and \$625,283, respectively.

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, 2022 and 2021, were \$188,222 and \$178,545, respectively.

The Organization paid for the funding of homeless outreach services and uniform laundry services to an entity whose officer is on the Organization's Board of Directors. Total payments made to this organization for the fiscal years ended June 30, 2022 and 2021, was \$5,600 and \$33,275, respectively.

The Organization paid a licensing fee to an entity whose officer is on the Organization's Board of Directors. Total payments made to this organization for the fiscal years ended June 30, 2022 and 2021, was \$10,000 and \$10,000, respectively.

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

Note 13 - 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, 2022 and 2021.

Note 14 - Retirement Plan

The Organization maintains a qualified cash or deferred compensation plan (the Plan) under section 403(b) of the Internal Revenue Code. All employees who normally work twenty hours or more per week or who complete one year of service are eligible to participate in the Plan. Under the Plan, employees may elect to defer a portion 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 \$225,920 and \$229,204 for the years ended June 30, 2022 and 2021, respectively.

Note 15 - 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, 2022 and 2021, was \$336,674 and \$190,336, 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 \$4,421,328 for the year ended June 30, 2022 and \$4,725,643 for the year ended June 30, 2021. 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, 2022 and 2021, OTS was holding on behalf of the Organization \$786,382 and \$1,598,156, respectively.

In 2009, the Organization signed agreements with the New York City Department of Transportation (DOT) with renewal options totaling nine 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 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, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 3,910,540	\$ 6,060,605
Contributions and other receivables	1,317,305	1,778,998
Investments	<u>11,454,952</u>	<u>7,640,069</u>
Total financial assets	16,682,797	15,479,672
Less those unavailable for general expenditures within one year:		
Board designated reserve fund	<u>(250,000)</u>	<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,432,797</u>	<u>\$ 15,229,672</u>

Note 17 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through November 21, 2022, 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, 2022 and 2021, and have issued our report thereon dated November 21, 2022, 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
November 21, 2022

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Schedule of Expenses and Budget
(Supplemental Financial Information)
Fiscal year ended June 30, 2022

	Total Expenses	Less In-Kind Contributions	Net Expenses	Assessment Budget
Personnel costs:				
Executive salaries	\$ 1,640,758	\$ -	\$ 1,640,758	\$ 1,620,442
Support salaries	2,757,848	-	2,757,848	2,472,942
Hourly staff	4,015,785	-	4,015,785	4,944,502
Payroll taxes and benefits	3,202,809	-	3,202,809	3,585,250
Retirement plan contributions	225,920	-	225,920	260,733
Outside contractors	1,926,006	-	1,926,006	805,800
Total personnel costs	<u>13,769,126</u>	<u>-</u>	<u>13,769,126</u>	<u>13,689,669</u>
Operating expenses:				
Occupancy	1,032,386	-	1,032,386	947,000
Uniforms	123,703	-	123,703	130,000
Recruitment & staff development	104,564	-	104,564	70,286
Depreciation	325,892	-	325,892	-
Insurance	842,765	-	842,765	580,033
Printing	117,984	-	117,984	36,500
Professional fees	160,770	(128,415)	32,355	32,000
Repairs and maintenance	152,042	-	152,042	137,368
Supplies, equipment & other costs	825,377	-	825,377	558,782
Planning costs	98,648	-	98,648	239,000
Travel and meetings	165,421	-	165,421	86,836
Constituent expenses	29,099	-	29,099	44,826
Project expenses	8,235,755	-	8,235,755	6,107,700
Total operating expenses	<u>12,214,406</u>	<u>(128,415)</u>	<u>12,085,991</u>	<u>8,970,331</u>
Total expenses	<u>\$25,983,532</u>	<u>\$ (128,415)</u>	<u>\$25,855,117</u>	<u>\$ 22,660,000</u>

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Schedule of Public Plaza Activities and Budget
(Supplemental Financial Information)
Fiscal year ended June 30, 2022

	<u>Actual Activity</u>	<u>DOT Plaza Budget</u>
Support and Revenues:		
Concession, sponsors and event fees	<u>\$ 2,848,479</u>	<u>\$ 1,252,500</u>
Expenses:		
Cleaning/Trash Removal (Sanitation)	1,151,245	1,488,488
Landscape Maintenance (Sanitation)	482,059	145,000
Public Safety (Safety)	1,139,854	959,128
Equipment/Supplies/Other (Sanitation, Safety)	447,179	136,404
Special Events (Events & Programming, Sanitation)	1,650,653	1,193,648
Insurance (Sanitation)	363,087	260,517
Total expenses	<u>5,234,077</u>	<u>4,183,185</u>
Administrative costs:		
Professional fees	2,000	2,000
11.2% administrative fee	586,214	468,740
Total administrative costs	<u>588,214</u>	<u>470,740</u>
Total expenses	<u>\$ 5,822,291</u>	<u>\$ 4,653,925</u>
Deficit in revenues from plaza activities	<u>\$ (2,973,812)</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 5 in the (program) noted above.