

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Financial Statements and Auditors' Report

June 30, 2023 and 2022

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

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

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, 2023 and 2022, 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, 2023 and 2022, 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 judgment 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 10, 2023

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,601,304	\$ 3,910,540
Contributions and other receivables	590,481	1,317,305
Prepaid expenses	255,922	78,084
Investments	11,947,277	11,454,952
Property and equipment, net	2,696,259	882,328
Right-of-use asset - operating leases	5,603,141	4,619,600
Security deposits and other assets	328,091	808,355
Total assets	<u>\$ 23,022,475</u>	<u>\$ 23,071,164</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 1,476,790	\$ 2,614,393
Refundable advances	385,500	329,167
Security deposits receivable	21,012	21,225
Lease liability - operating leases	5,767,951	4,740,217
Total liabilities	<u>7,651,253</u>	<u>7,705,002</u>
Commitments (see notes)		
Net Assets:		
Without donor restrictions	15,361,222	15,356,162
With donor restrictions	10,000	10,000
Total net assets	<u>15,371,222</u>	<u>15,366,162</u>
Total liabilities and net assets	<u>\$ 23,022,475</u>	<u>\$ 23,071,164</u>

See accompanying notes to the financial statements.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.

Statements of Activities

Fiscal years ended June 30, 2023 and 2022

	2023			2022		
	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	401,242	-	401,242	2,347,258	-	2,347,258
Contributions and sponsorships	5,792,589	-	5,792,589	7,301,501	-	7,301,501
Contributions in-kind	103,765	-	103,765	128,415	-	128,415
Program service income	4,536,341	-	4,536,341	3,511,529	-	3,511,529
Special events:						
Event income	445,949	-	445,949	-	-	-
Less: related direct costs	(145,042)	-	(145,042)	-	-	-
Net special event income	300,907	-	300,907	-	-	-
Investment return	589,832	-	589,832	(1,185,699)	-	(1,185,699)
Total support and revenues	26,071,969	-	26,071,969	26,450,297	-	26,450,297
Expenses:						
Program expenses:						
Events and programming	8,004,963	-	8,004,963	9,417,228	-	9,417,228
Public safety	4,050,608	-	4,050,608	3,657,466	-	3,657,466
Sanitation	7,820,854	-	7,820,854	7,191,410	-	7,191,410
Policy, planning and research	841,978	-	841,978	710,419	-	710,419
Communications and external affairs	842,902	-	842,902	763,792	-	763,792
Total program expenses	21,561,305	-	21,561,305	21,740,315	-	21,740,315
Management and general	4,327,076	-	4,327,076	4,072,502	-	4,072,502
Fundraising	178,528	-	178,528	170,715	-	170,715
Total expenses	26,066,909	-	26,066,909	25,983,532	-	25,983,532
Increase in net assets	5,060	-	5,060	466,765	-	466,765
Net assets, beginning of year	15,356,162	10,000	15,366,162	14,889,397	10,000	14,899,397
Net assets, end of year	\$ 15,361,222	\$ 10,000	\$ 15,371,222	\$ 15,356,162	\$ 10,000	\$ 15,366,162

See accompanying notes to the financial statements.

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC
Statement of Expenses
Fiscal year ended June 30, 2023

	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	\$ 184,690	\$ -	\$ -	\$ 207,217	\$ 184,692	\$ 576,599	\$ 1,085,873	\$ 42,521	\$ 1,704,993
Support salaries	1,218,066	482,721	461,318	154,105	246,144	2,562,354	551,588	101,724	3,215,666
Hourly staff	39,631	1,817,377	3,149,839	2,248	12,425	5,021,520	57,301	3,321	5,082,142
Payroll taxes and benefits	309,185	1,070,725	1,422,009	98,381	108,986	3,009,286	294,772	27,824	3,331,882
Retirement plan contributions	29,696	61,453	84,897	9,717	9,841	195,604	44,131	3,138	242,873
Outside contractors	183,742	38,419	778,929	141,804	163,884	1,306,778	506,138	-	1,812,916
Total personnel costs	<u>1,965,010</u>	<u>3,470,695</u>	<u>5,896,992</u>	<u>613,472</u>	<u>725,972</u>	<u>12,672,141</u>	<u>2,539,803</u>	<u>178,528</u>	<u>15,390,472</u>
	12.8%	22.6%	38.3%	4.0%	4.7%	82.3%	16.5%	1.2%	100.0%
Operating expenses:									
Occupancy	-	164,425	316,351	-	-	480,776	596,075	-	1,076,851
Uniforms	-	72,267	74,030	-	-	146,297	-	-	146,297
Recruitment and staff development	221	709	971	1,500	54	3,455	61,197	-	64,652
Depreciation and amortization	-	-	-	-	-	-	379,422	-	379,422
Insurance	5,162	233,016	593,273	-	-	831,451	148,781	-	980,232
Printing	41,649	-	78,705	232	2,662	123,248	10,825	-	134,073
Professional fees	-	-	2,000	-	-	2,000	134,015	-	136,015
Repairs and maintenance	-	25,304	32,771	334	-	58,409	30,976	-	89,385
Supplies, equipment and other costs	47,456	40,239	372,824	39,610	28,738	528,867	285,632	-	814,499
Planning costs	-	-	-	185,955	-	185,955	-	-	185,955
Travel and meetings	73,214	6,152	29,379	875	4,337	113,957	44,433	-	158,390
Constituent expenses	59	-	4,225	-	-	4,284	93,003	-	97,287
Project expenses	5,872,192	37,801	419,333	-	81,139	6,410,465	2,914	-	6,413,379
Total operating expenses	<u>6,039,953</u>	<u>579,913</u>	<u>1,923,862</u>	<u>228,506</u>	<u>116,930</u>	<u>8,889,164</u>	<u>1,787,273</u>	<u>-</u>	<u>10,676,437</u>
	56.6%	5.4%	18.0%	2.1%	1.1%	83.3%	16.7%	0.0%	100.0%
Total expenses	<u>\$ 8,004,963</u>	<u>\$ 4,050,608</u>	<u>\$ 7,820,854</u>	<u>\$ 841,978</u>	<u>\$ 842,902</u>	<u>\$ 21,561,305</u>	<u>\$ 4,327,076</u>	<u>\$ 178,528</u>	<u>\$ 26,066,909</u>
	30.7%	15.5%	30.0%	3.2%	3.2%	82.7%	16.6%	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, 2022

	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	\$ 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 and amortization	-	-	-	-	-	-	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.**Statements of Cash Flows****Fiscal years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,060	\$ 466,765
Adjustments for noncash items included in operating activities:		
Depreciation and amortization	379,422	325,892
(Gain)/losses on investments	(207,853)	1,433,135
Amortization of right-of-use asset	440,366	335,510
Changes in assets and liabilities:		
Contributions and other receivables	726,824	461,693
Prepaid expenses	(177,838)	899
Security deposits and other assets	480,264	811,749
Accounts payable and accrued expenses	(1,137,603)	1,491,108
Refundable advances	56,333	(1,825,015)
Security deposits receivable	(213)	(83,446)
Payment of operating leases	(396,172)	(320,337)
Net cash provided by operating activities	<u>168,590</u>	<u>3,097,953</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,193,353)	-
Purchase of investments	(1,716,668)	(6,019,913)
Sale of investments	1,432,195	771,895
Net cash used in investing activities	<u>(2,477,826)</u>	<u>(5,248,018)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(2,309,236)	(2,150,065)
Cash and cash equivalents at beginning of year	<u>3,910,540</u>	<u>6,060,605</u>
Cash and cash equivalents at end of year	<u>\$ 1,601,304</u>	<u>\$ 3,910,540</u>
Supplemental Information:		
Disposal of fully depreciated assets	\$ -	\$ 495,058
Recognition of right-of-use asset and lease liability	1,423,906	-

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, 2023 and 2022 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 amortized 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.

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 in the statements of financial position.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization recognizes contributions and sponsorships when cash and other financial assets, nonfinancial assets/services, or unconditional promises to give are 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 2023 and 2022, contributions totaling approximately \$385,500 and \$329,167, 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.

The Organization receives special events revenue which contains both an exchange component and a conditional contribution component. Both components are recognized when the event takes place. Any revenue received in advance of the event is recorded as deferred revenue.

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 1 - Summary of Significant Accounting Policies (Continued)

Leases

The Organization entered into noncancellable operating lease agreements for office space to obtain right-of-use (ROU) assets. Each lease liability and ROU asset represent its lease obligations and rights to use the leased asset over the period of the lease and are recognized when the Organization enters into the lease. The lease payments are discounted using a rate determined when the lease is recognized. Since most of the Organization's leases do not provide a stated rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The related operating lease ROU asset may differ from the operating lease liability due to deferred or prepaid lease payments and lease incentives. The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Bank deposits and cash	\$ 219,583	\$ 2,063,444
Money market funds	<u>1,381,721</u>	<u>1,847,096</u>
	<u>\$ 1,601,304</u>	<u>\$ 3,910,540</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 395,817	\$ 325,047
Equipment	3,610,879	1,830,790
Vehicles	45,730	45,730
Leasehold improvements	<u>976,389</u>	<u>633,895</u>
	5,028,815	2,835,462
Less: accumulated depreciation and amortization	<u>(2,332,556)</u>	<u>(1,953,134)</u>
	<u>\$ 2,696,259</u>	<u>\$ 882,328</u>

Note 4 - Investments

Investments consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 9,382,885	\$ 9,333,351
Equity securities	<u>2,564,392</u>	<u>2,121,601</u>
Fair market value	11,947,277	11,454,952
Less: cost	<u>(12,329,847)</u>	<u>(11,968,319)</u>
Unrealized depreciation	<u>\$(382,570)</u>	<u>\$(513,367)</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Level 1	\$ 7,154,932	\$ 6,643,626
Level 2	4,792,345	4,811,326
Level 3	-	-
	<u>\$ 11,947,277</u>	<u>\$ 11,454,952</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, 2023 and 2022, net assets without donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 15,111,222	\$ 15,106,162
Board designated reserve fund	<u>250,000</u>	<u>250,000</u>
	<u>\$ 15,361,222</u>	<u>\$ 15,356,162</u>

Note 7 - Net Assets With Donor Restrictions

As of June 30, 2023 and 2022, net assets with donor restrictions are available as follows:

	<u>2023</u>	<u>2022</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, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Promotions	\$ 3,349,064	\$ 2,637,243
Event ticket sales	42,625	16,419
Kiosk and plaza rentals	1,143,792	852,086
Special event income – exchange component	145,042	-

During the years ended June 30, 2023 and 2022, the Organization earned all revenue from contracts with customers in the year of receipt.

Note 9 - 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 Code 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 \$242,873 and \$225,920 for the years ended June 30, 2023 and 2022, respectively.

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

Note 10 - Government Grants and Contracts

During the years ended June 30, 2023 and 2022, the Organization was awarded grants by governmental agencies to further the Organization's exempt purpose. During the years ended June 30, 2023 and 2022, total amounts recognized under government grants and contracts amounted to:

	<u>2023</u>	<u>2022</u>
Local	\$ 341,242	\$ 263,076
State	40,000	49,500
Federal	<u>20,000</u>	<u>2,034,682</u>
	<u>\$ 401,242</u>	<u>\$ 2,347,258</u>

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. 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 11 - Contributions In-Kind

The Organization received in-kind contributions that met the criteria for being recognized in accordance with generally accepted accounting principles. For the years ended June 30, 2023 and 2022, amounts recognized in the statements of activities are as follows:

	<u>2023</u>	<u>2022</u>
Legal services – various legal matters	\$ 103,765	\$ 128,415

In-kind contributions received during fiscal years 2023 and 2022 were not restricted and were valued 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 12 - Leases

The Organization leases space under several noncancellable operating leases set to expire in 2032. As of June 30, 2023, minimum annual rental payments are as follows:

Year ended June 30, 2024	\$ 702,360
2025	716,184
2026	730,510
2027	745,120
2028	762,933
2029 and thereafter	<u>3,625,364</u>
Total lease payments	7,282,471
Less: imputed interest (5%)	(1,514,520)
Present value of lease liabilities	<u>\$ 5,767,951</u>

The following summarizes the line items in the statement of activities which include the components of lease expenses for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating lease expenses included in:		
Program expenses	\$ 326,100	\$ 259,455
Management and general expenses	398,566	317,112
Fundraising expenses	-	-
	<u>\$ 724,666</u>	<u>\$ 576,567</u>

Note 13 - Related Party Transactions

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, 2023 and 2022, were \$809,937 and \$647,329, respectively.

The Organization received program service revenue for extra security work from two entities whose officers are on the Organization's Board of Directors. Total receipts for the fiscal years ended June 30, 2023 and 2022, were \$230,479 and \$188,222, 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, 2023 and 2022, were \$40,390 and \$5,600, 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, 2023 and 2022, were \$10,000 and \$10,000, respectively.

The Organization paid production fees to an entity whose officer is on the Organization's Board of Directors. Total payments made to this organization for the fiscal year ended June 30, 2023 were \$132,068.

The Organization paid legal fees to an entity whose officer is on the Organization's Board of Directors. Total payments made to this organization for the fiscal year ended June 30, 2023 were \$23,521.

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

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, 2023 and 2022, was \$290,142 and \$336,674, 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 \$4,297,609 for the year ended June 30, 2023 and \$4,421,328 for the year ended June 30, 2022. 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, 2023 and 2022, OTS was holding on behalf of the Organization \$326,368 and \$786,382, 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.

Note 15 - Litigation

During the years ended June 30, 2023 and 2022, 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 to be accrued as a result.

Note 16 - 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, 2023 and 2022.

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

Note 17 - 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, 2023 and 2022, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,601,304	\$ 3,910,540
Contributions and other receivables	590,481	1,317,305
Investments	<u>11,947,277</u>	<u>11,454,952</u>
Total financial assets	14,139,062	16,682,797
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>\$ 13,889,062</u>	<u>\$ 16,432,797</u>

Note 18 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through November 10, 2023, which is the date the financial statements were available to be issued.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Times Square District Management Association, Inc. as of and for the years ended June 30, 2023 and 2022, and have issued our report thereon dated November 10, 2023, 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.

New York, NY
November 10, 2023

Skody Scot & Company, CPAs, PC

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Schedule of Expenses and Budget
(Supplemental Financial Information)
Fiscal year ended June 30, 2023

	Total Expenses	Less In-Kind Contributions	Net Expenses	Assessment Budget
Personnel costs:				
Executive salaries	\$ 1,704,993	\$ -	\$ 1,704,993	\$ 1,700,000
Support salaries	3,215,666	-	3,215,666	2,873,399
Hourly staff	5,082,142	-	5,082,142	4,922,024
Payroll taxes and benefits	3,331,882	-	3,331,882	3,775,490
Retirement plan contributions	242,873	-	242,873	278,184
Outside contractors	1,812,916	-	1,812,916	1,089,200
Total personnel costs	<u>15,390,472</u>	<u>-</u>	<u>15,390,472</u>	<u>14,638,297</u>
Operating expenses:				
Occupancy	1,076,851	-	1,076,851	931,400
Uniforms	146,297	-	146,297	135,000
Recruitment & staff development	64,652	-	64,652	76,000
Depreciation and amortization	379,422	-	379,422	-
Insurance	980,232	-	980,232	957,000
Printing	134,073	-	134,073	62,000
Professional fees	136,015	(103,765)	32,250	84,555
Repairs and maintenance	89,385	-	89,385	130,000
Supplies, equipment & other costs	814,499	-	814,499	675,668
Planning costs	185,955	-	185,955	-
Travel and meetings	158,390	-	158,390	68,000
Constituent expenses	97,287	-	97,287	47,900
Project expenses	6,413,379	-	6,413,379	6,138,180
Total operating expenses	<u>10,676,437</u>	<u>(103,765)</u>	<u>10,572,672</u>	<u>9,305,703</u>
Total expenses	<u>\$26,066,909</u>	<u>\$ (103,765)</u>	<u>\$25,963,144</u>	<u>\$ 23,944,000</u>

TIMES SQUARE DISTRICT MANAGEMENT ASSOCIATION, INC.
Schedule of Public Plaza Activities and Budget
(Supplemental Financial Information)
Fiscal year ended June 30, 2023

	<u>Actual Activity</u>	<u>DOT Plaza Budget</u>
Support and Revenues:		
Concession, sponsors and event fees	<u>\$ 2,137,917</u>	<u>\$ 1,925,000</u>
Expenses:		
Cleaning/Trash Removal (Sanitation)	1,044,181	1,566,677
Landscape Maintenance (Sanitation)	308,280	195,000
Public Safety (Safety)	1,115,527	906,705
Equipment/Supplies/Other (Sanitation, Safety)	191,146	132,215
Special Events (Events & Programming, Sanitation)	1,278,311	1,419,700
Insurance (Sanitation)	421,276	430,000
Total expenses	<u>4,358,721</u>	<u>4,650,297</u>
Administrative costs:		
Professional fees	2,000	2,000
13% administrative fee	566,649	604,799
Total administrative costs	<u>568,649</u>	<u>606,799</u>
Total expenses	<u>\$ 4,927,370</u>	<u>\$ 5,257,096</u>
Deficit in revenues from plaza activities	<u>\$ (2,789,453)</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.