THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

This meeting of the Audit Committee of the Theater Subdistrict Council Local Development Corporation ("Corporation") was held at 10:32 AM on September 24, 2014 at 31 Chambers Street, New York, New York, 10007.

The following Committee Members were present:

Tom Finkelpearl, Alternate for Mayor Bill de Blasio
Carl Weisbrod, Director of Department of City Planning
Aldrin Bonilla, Alternate for Manhattan Borough President Gale Brewer
Danielle Porcaro, Alternate for New York City Council Speaker Melissa Mark-Viverito

A quorum of the Members was present.

The assessment of internal controls, attached hereto as Exhibit A, was discussed. Upon motion made and seconded, the assessment of internal controls was adopted.

There being no other business before the Audit Committee, the meeting was, upon motion made and carried, adjourned at 10:34 AM.

Aldrin Bonilla
Alternate for Secretary

EXHIBIT A

THEATER SUBDISTRICT COUNCIL
ASSESSMENT OF INTERNAL CONTROLS

The New York State Public Authorities Accountability Act sections 2800(1)(a)(9) & 2800(2)(a)(9) require that all local authorities perform a formal, documented process to assess the internal control structure and procedures, and indicate whether such controls are adequate.

This Assessment of Internal Controls for the Theater Subdistrict Council (the "Assessment") was prepared in draft form and reviewed by the Chief Financial Officer prior to the meeting. The final version of this document was adopted by the Audit Committee and submitted to the Board of Directors for adoption on September 24, 2014.

(I) Assessment of Major Business Functions

The organizational purpose of the Theater Subdistrict Council ("TSC") is to promote "theater and theater-related use and preservation within the Theater Subdistrict, and the welfare of the Theater Subdistrict generally." Programmatic goals of the TSC include (i) enhancing the long-term viability of Broadway by facilitating the production of plays and small musicals within the Theater Subdistrict; and (ii) developing new audiences for all types of theatrical productions.

The TSC pursues these goals by undertaking the following business functions:

(A) MANAGEMENT OF THE THEATER SUBDISTRICT FUND

In accordance with the Zoning Resolution of the City of New York, contributions made in connection with transfers of development rights from certain theaters in the Theater District must be deposited into the Theater Subdistrict Fund. These funds are to be spent at the direction of the TSC on activities chosen by the TSC in furtherance of its objectives and purposes, and for the purpose of inspecting and reporting on the preservation of certain theaters.

Associated Risks

- Mismanagement of funds
- Inappropriate or unauthorized use of funds
- Inaccurate financial reporting

Assessment of Internal Controls

- Investment Guidelines. Investment guidelines have been approved by the Board of Directors. However, due to the low interest rates available under the permitted investments (e.g., U.S. Treasury Bills and Notes) the funds of the Theater Subdistrict Fund are not invested. All funds remain in interest-bearing savings and checking accounts.

- Check Signatories. Every check for withdrawal of funds from the Theater Subdistrict Fund requires the signature of two authorized signatories. In practice, these must include one signatory from the New York City Department of Cultural Affairs and one from the New York City Department of City Planning.

- Approval of Annual Budget. Estimates of expenditures for each year are approved in advance by the Board of Directors.

- Approval and Audit of Financial Statements. Actual expenditures and ending balances are included in annual financial statements, which are confirmed by an independent audit and approved by the Board of Directors. The audited financial statements are then provided to the Board of Directors and made available online at http://www.nyc.gov/html/dcp/html/tsc/tsc.shtml.

Corrective Actions

- All risks associated with maintenance and management of the Theater Subdistrict Fund are mitigated by the internal controls. No corrective actions are necessary.

(B) PROCUREMENT OF PROFESSIONAL SERVICES

Fulfillment of the programmatic and legal obligations of the TSC requires the services of a grant administrator as well as an accountant/auditor.

Associated Risks

- Conflicts of interest

- Divergence from the TSC's procurement policy

- Poor hiring choices/nonperformance by service provider

Assessment of Internal Controls

- Auditor and Grant Administrator Procurements. Prior to engaging an auditor, the procurement for the auditor is reviewed with the Audit Committee, including a not-to-exceed amount, and the Audit Committee recommends to the Board of Directors that the procurement proceed. Prior to engaging the grant administrator, approval to solicit the grant administrator is reviewed with the Board of Directors and approval obtained. In accordance with the policy on procurement of professional services, procurements of the accountants/auditors and the grant administrator have all solicited at least three proposals from qualified persons. With respect to the final choice of auditor, the TSC has hired the lowest responsive bidder. With respect to the choice of grant administrator, the highest ranked proposer has been chosen by the selection committee, and hired by the TSC.

- Contract/Letter of Engagement. Contracts and letters of engagement are all reviewed by legal counsel and signed by the Chief Executive Officer and/or the Chief Financial Officer.

- Conflicts of Interest Policy. All covered persons are aware of the Conflicts of Interest Policy and no conflicts of interest have been reported with respect to the procurement of professional services.

- Ethics Policy. All covered persons are aware of the Ethics Policy and no violations of the ethics policy have been reported.

- Audited Financial Statements. All certified financial statements, reflecting actual procurement expenditures, have been provided to the Board of Directors and are available online at http://www.nyc.gov/html/dcp/html/tsc/tsc.shtml.

Corrective Actions

- All risks associated with procurement activities of the TSC are mitigated by the internal controls. No corrective actions are necessary.

(C) GRANTMAKING

Grantmaking is the primary means by which the TSC fulfills its programmatic obligations. The initial round of grants was awarded in March 2009 and the TSC awarded a total of $1.26 million to ten organizations. The second round of grants was awarded in September 2010 and the TSC awarded a total of $2.15 million to fifteen organizations. The third round of grants was awarded in January 2012 and the TSC awarded a total of approximately $1.3 million to ten organizations. The fourth round of grants was awarded in December 2013 and the TSC awarded a total of $1.0 million to two organizations.

Associated Risks

- Conflicts of interest

- Divergence from approved grantmaking procedures

- Divergence from TSC's goals

- Nonperformance by grantees

Control Functions

- Approval of Grantmaking Goals and Procedures. Prior to the initial round of grants, the grantmaking procedures were provided to the Board of Directors in draft form, publicized for public comment, revised based on comments, and finally approved by the Board of Directors. Additionally, prior to subsequent grant rounds, the Board of Directors met to consider the process and criteria used in the prior rounds, and modified the process to more closely reflect the goals of the TSC.

- Open and Publicly Advertised Meetings. Notice of all meetings is published and sent to Manhattan Community Boards 4 and 5. The grant process was approved and the grantees were selected in open meetings.

- Conflicts of Interest Policy. All covered persons are aware of the Conflicts of Interest Policy and potential conflicts of interest have been reported with respect to particular grant applicants. Potential conflicts have been reported in accordance with the policy, and the respective directors have recused themselves from all discussions and consideration of such applications.

- Ethics Policy. All covered persons are aware of the Ethics Policy and no ethics violations have been reported.

- Grantees Selected and Approved by Board of Directors. All grantees are chosen, in part, based on the consistency of the grant applications with TSC goals, and the final selection of grantees is approved by vote of the Board of Directors.

- Grant Agreements. The Board of Directors approved the form of grant agreement that has been required in conjunction with all grants. Following one instance of nonperformance by a grantee, the Board of Directors gave the Chairperson discretion to modify grant disbursement schedules, and to adjust and/or withhold grant payments.

- Audited Financial Statements. All certified financial statements, reflecting actual grant expenditures, have been provided to the Board of Directors and are available online at http://www.nyc.gov/html/dcp/html/tsc/tsc.shtml.

Corrective Actions

- All risks associated with grantmaking activities are mitigated by the internal controls. No corrective actions are necessary.

(II) CONCLUSIONS

The limited business activities of the Theater Subdistrict Council are highly regulated and subject to a large number of internal controls. All internal policies are in place as necessary to comply with local, state and federal law. Additional internal control mechanisms have been established by the officers and the Board of Directors, and have been followed. Therefore, the internal control systems are functioning effectively and no corrective actions are necessary.