

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION**

**Annual Report  
Fiscal Year 6/1/2013 - 5/31/2014**

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION  
Annual Report  
Fiscal Year End Date: 5/31/2014**

**Operations and Accomplishments**

On April 1, 2013, the TSC held a meeting of directors. Proposed guidelines for the 4<sup>th</sup> round of grants were distributed. The directors discussed the process and criteria for awarding the 4<sup>th</sup> round of grants, including input which was received from non-Board member experts. The Board discussed a proposed framework for the 4<sup>th</sup> round of grants.

On August 20, 2013, the TSC held a meeting of directors. The Directors considered nine Letters of Intent (“LOIs”) at the meeting for the 4<sup>th</sup> round of grants and invited five of these nine to submit full grant applications.

On December 18, 2013, the TSC held a meeting of directors. Grants in the amount of \$500,000 were awarded to two organizations.

## **Project Summary**

The TSC previously awarded thirty-five grants totaling approximately \$4.7 million in three rounds. In a fourth round, two grants were awarded totaling approximately \$1.0 million. These 37 grants were designed to foster the creation of new theatrical work and audience development.

Those organizations which received grants in the fourth round of grant awards were:

- New York Shakespeare Festival dba The Public Theater
- Pregones Touring Puerto Rican Theatre Collection, Inc. dba Pregones Theater

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**Board Member Summary**

<b>Name</b>	<b>Position</b>
Bill de Blasio	Chairperson, Mayor of the City of New York
Tom Finkelpearl	Alternate to the Mayor
Melissa Mark-Viverito	Vice Chair, Speaker of the New York City Council
Danielle Porcaro	Alternate to the Speaker
Gale Brewer	Secretary, Manhattan Borough President
Aldrin Bonilla	Alternate to the Borough President
Carl Weisbrod	Treasurer, Director of NYC Dept. of City Planning
Purnima Kapur	Alternate to Director of NYC Dept. of City Planning
Jed Bernstein	Mayor's Appointee
Ben Cameron	Mayor's Appointee
George C. Wolfe	Mayor's Appointee
Paige Price	Speaker's Designee

**Employee Summary**

The TSC has no employees.

**Compensation Schedule**

Members and directors receive no compensation for their service to the TSC.

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**Schedule of Debt**

The TSC has no outstanding debts.

**Real and Personal Property Transactions Summary**

The TSC has no real or personal property. No real or personal property was disposed during the fiscal year.

**Procurement Summary**

Number of Current Contracts	1
Total Value of Contracts	\$50,000

**Investment Report**

The TSC does not maintain any investments.

THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2014

THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION

FOR THE YEAR ENDED MAY 31, 2014

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**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Theater Subdistrict Council Local Development Corporation

We have audited the accompanying financial statements of Theater Subdistrict Council Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of May 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Theater Subdistrict Council Local Development Corporation as of May 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As discussed in Note 7 to the financial statements, the Organization reclassified its temporary restricted net assets to unrestricted due to a correction of a material misstatement. Our opinion is not modified with respect to this matter.



October 7, 2014



Theater Subdistrict Council Local Development Corporation  
Statement of Financial Position  
May 31, 2014

ASSETS

Current Assets

Cash	<u>\$2,952,746</u>
Total Assets	<u>\$2,952,746</u>

LIABILITIES & NET ASSETS

Current Liabilities

Accrued expenses	<u>\$ 2,750</u>
Total Current Liabilities	<u>2,750</u>

Commitments & Contingencies (Note 4)

Net Assets

Unrestricted	<u>2,949,996</u>
Total Net Assets	<u>2,949,996</u>
Total Liabilities & Net Assets	<u>\$2,952,746</u>

See notes to financial statements.

Theater Subdistrict Council Local Development Corporation  
Statement of Activities  
For the Year Ended May 31, 2014

	<u>Unrestricted</u>
<u>Revenue &amp; Support:</u>	
Contributions -	
Governmental support	\$1,819,491
Interest income	<u>2,056</u>
Total Revenue & Support	<u>1,821,547</u>
 <u>Expenses:</u>	
<u>Program Expenses</u>	
Grants	693,929
Consultant	<u>20,020</u>
Total Program Expenses	<u>713,949</u>
 <u>Management &amp; General</u>	
Professional fees	4,700
Fees & permits	135
Board meetings	<u>109</u>
Total Management & General	<u>4,944</u>
Total Expenses	<u>718,893</u>
Net increase (decrease) in net assets	<u>1,102,654</u>
Net assets at beginning of year	<u>1847,342</u>
Net assets at end of year	<u>\$2,949,996</u>

See notes to financial statements.

Theater Subdistrict Council Local Development Corporation  
Statement of Cash Flows  
For the Year Ended May 31, 2014

Cash flows from Operating Activities:

Increase (decrease) in net assets \$1,102,654

Adjustments to Reconcile Increase (Decrease) in  
Net Assets to Net Cash Provided (Used) by  
Operating Activities:

Changes in assets and liabilities

Increase (Decrease) in accrued expenses 2,750

Net cash provided (used) by operating activities 1,105,404

Net increase (decrease) in cash 1,105,404

Cash, beginning of year 1,847,342

Cash, end of year \$2,952,746

See notes to financial statements.

Theater Subdistrict Council Local Development Corporation  
Notes to Financial Statements  
May 31, 2014

Note 1. Nature of Operations

Theater Subdistrict Council Local Development Corporations (TSC), is a not-for-profit corporation, formed under New York Not-For-Profit Corporation Law. The corporation was established pursuant to the Theater Subdistrict regulations of a 1998 New York City Zoning Resolution.

TSC was formed for the purpose of promoting theater and theater-related use and preserving and promoting the welfare of the New York City Theater Subdistrict. The Theater Subdistrict is a designated area in New York City that includes several Broadway theaters.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Theater Subdistrict Council Local Development Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized as earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

Financial Statement Presentation

Theater Subdistrict Council Local Development Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based upon the existence or absence of donor imposed restrictions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. All net assets of TSC are unrestricted.

Income Taxes

Theater Subdistrict Council Local Development Corporation is exempt from Federal income tax as an organization described in Section 501(C)(3) of the Internal Revenue Code. TSC qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation.

Uncertain Tax Positions

As of May 31, 2014, the tax years that remain subject to examination by taxing authorities begin with 2011. Tax returns for 2011, 2012 and 2013 remain open to examination by taxing authorities, generally three years after they are filed.

Theater Subdistrict Council Local Development Corporation  
Notes to Financial Statements  
May 31, 2014

Note 2. Summary of Significant Accounting Policies (continued)

Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

Revenues

Under the Zoning resolution when unused developments rights of a Broadway theater are transferred, the parties to the transaction must make a payment that is deposited in the Theater Subdistrict Fund established by the corporation. Revenue is recognized when payments are received as governmental support.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants. At May 31, 2014 there were no temporary or permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The corporation is only permitted to invest in Federal discount notes, US Treasury bills, US Treasury notes and Guaranteed Federal Government Securities.

Note 3. Concentration of Credit Risk

TSC maintains bank accounts in one financial institution in New York City. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. TSC's uninsured bank balances at May 31, 2014 totaled approximately \$2,702,746. Management does not believe it is exposed to any significant credit risk on cash.

Theater Subdistrict Council Local Development Corporation  
Notes to Financial Statements  
May 31, 2014

Note 4. Commitments and Contingent Liabilities

TSC is required to maintain \$75,000 of its net assets for inspection and maintenance reporting and the amount is included in the unrestricted net assets on the statement of financial position.

TSC entered into grant agreements with theater organizations to provide funding for theater related promotions and preservation. Initial payments were made during the year. Remaining payments as of May 31, 2014 will be paid upon fulfillment of the grant services as follows:

Grants payable in 2015	\$375,000
Grants payable in 2016	<u>275,000</u>
Total	<u>\$650,000</u>

Note 5. Fair Value of Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities that are financial instruments approximate the carrying value of such amounts.

Note 6. Subsequent Events

Management has evaluated subsequent events through September 17, 2014, the date on which the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets. Subsequent events after that date have not been evaluated.

Note 7. Reclassification

During the year management became aware of a material error in the classification of its net assets. As a result, \$1,712,215 of the prior year balance in temporary restricted net assets was reclassified as unrestricted on the Statement of Activities. All the net assets of TSC are classified as unrestricted on both the Statement of Financial Position and the Statement of Activities.

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION**

**Annual Report**

**Fiscal Year End Date: 5/31/2014**

**Code of Ethics**

This Code of Ethics shall apply to all members, directors, officers of the TSC and staff to such members, directors and officers (“Covered Persons”) providing assistance to the Theater Subdistrict Council Local Development Corporation (“TSC”). These policies shall serve as a guide for official conduct and are intended to enhance the ethical and professional performance of covered persons, and to preserve public confidence in TSC’s mission.

This Code of Ethics is intended to supplement but not replace any applicable state or federal laws governing conflicts of interest and the ethical duties applicable to not-for-profit corporations.

**Responsibilities of Members, Directors, Officers and Staff**

1. Covered Persons shall perform their duties with transparency, without favor, and shall refrain from engaging in outside matters of financial or personal interest that could impair independence of judgment or prevent the proper exercise of official duties.
2. Covered Persons shall not directly or indirectly, make, advise, or assist any person to make any financial investment based upon information available through their official position that could create any conflict between their public duties and interests and their private interests.
3. Covered Persons shall not accept or receive any gift or gratuities where the circumstances would permit the inference that the gift is intended to influence the individual in the performance of official business, or that the gift constitutes a tip, reward, or sign of appreciation for any official act. Gifts subject to this provision may take the form of financial payments, services, loans, travel reimbursement, entertainment, hospitality, thing or promise from any entity doing business with or before the TSC. In the event that a Covered Person receives any such gift or gratuity, he or she shall immediately notify the Chairperson of the Governance Committee in order to make proper disposition of such gift or gratuity. Notwithstanding the foregoing, meals and gifts that are permissible and not deemed valuable under §2604(b)(5) of the Charter of the City of New York and implementing regulations, as defined in Title 53 of the Rules of the City of New York, shall neither require reporting nor violate this policy.
4. Covered Persons shall not use or attempt to use their official position with the TSC to secure unwarranted privileges for themselves, members of their family or others, including grants or contracts with the TSC.
5. Covered Persons must conduct themselves at all times in a manner that avoids any appearance that they can be improperly or unduly influenced, that they could be affected by the position of or relationship with any other party, or that they are acting in violation of their public trust.
6. Except as otherwise authorized pursuant to the TSC policy on Conflicts of Interest, Covered Persons may not engage in any transaction with an outside entity in which they

have a direct or indirect financial interest that may reasonably conflict with the proper discharge of their official duties.

7. Except as otherwise authorized pursuant to the TSC policy on Conflicts of Interest, Covered Persons may not engage in any transaction with an outside entity in which they hold a position as trustee, director, officer, member or employee.

8. Covered Persons shall manage all matters within the scope of the TSC's mission independent of any other affiliations or employment. Members, directors, officers and staff shall strive to fulfill their professional responsibility to the TSC without bias and shall support the TSC mission to the fullest.

9. Covered Persons shall not use TSC property or resources or disclose information acquired in the course of their official duties in a manner inconsistent with State or local law and the TSC's mission and goals.

10. Covered Persons shall make the annual filings required under N.Y. Pub. Auth. Law § 2825(3).

### **Reporting Unethical Behavior**

Covered Persons shall report unethical behavior to the Chairperson of the Governance Committee.

### **Implementation of Code of Ethics**

The Chairperson of the Governance Committee shall have the following duties:

- Counsel in confidence Covered Persons who seek advice about ethical behavior.
- Record the receipt and disposition of gifts or gratuities reported by Covered Persons.
- Receive and record reported ethical violations.
- Receive and investigate complaints regarding ethics violations.
- Dismiss complaints found to be without substance.
- Refer all matters to the Governance Committee, where further actions or investigations are deemed necessary.

In addition to any penalty contained in other provisions of law, if a Covered Person violates any provision of this Code of Ethics, the Governance Committee may prepare a report of its findings. Such report shall be submitted to the board and shall include suggested remedies that are appropriate under the circumstances.

An assessment of the effectiveness of this Code of Ethics shall be prepared annually by the Governance Committee.



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**Assessment of the Internal Control Structure**

The TSC management documented and assessed the internal control structure and procedures of the Theater Subdistrict Council, LDC (“TSC”) for the year ending 5/31/2013. The assessment found the TSC’s internal control structure to be adequate, and determined that no corrective actions were necessary.

Management continually reviews and updates the TSC’s internal control policies and procedures, which enables it to effectively document the system(s) of internal controls presently in place. Reviews and updates to these policies are performed either as a result of an annual policy review, a problem experienced, or in an effort to adopt best practices. During the fiscal year for the year ending 5/31/2013, the following policies and guidelines were reviewed:

- Procurement Policy
- Investment Guidelines
- Mission Statement
- Performance Measures

Additionally, in performing the annual audit of financial statements, the TSC’s independent auditor considered the TSC’s internal control over financial reporting in planning and performing their audit. Although this internal control consideration was for a limited purpose, no significant deficiencies or material weaknesses were identified.

The above practices, in conjunction with those measures identified in the internal audit, serve to provide the TSC with an effective control structure.

### **Conflicts of Interest Policy**

1. No member, director or officer (“Covered Person”) shall have any interest, in any grant, contract or other transaction proposed to be entered into by the Theater Subdistrict Council Local Development Corporation (“TSC”), except as provided in this policy.

For purposes of this section , an “interest” shall mean: (i) an “Ownership interest” as defined under Section 2601(16) of the New York City Charter and its implementing regulations, held by the Covered Person or such Covered Person’s spouse, domestic partner or unemancipated children, in a firm or entity with respect to which the TSC proposes to enter into a grant, contract or other transaction; or (ii) a “Position”, as defined under Section 2601(18) of the New York City Charter, held by the Covered Person in a firm or entity with respect to which the TSC proposes to enter into a grant, contract or other transaction.

2. In addition to the foregoing, no Covered Person shall take any action with respect to any grant, contract or other transaction of the TSC, which would or is likely to result in direct economic gain to the Covered Person or to a firm or entity in which such Covered Person has an interest.

For the purposes of this section, an “interest” shall mean: (i) an “Ownership interest” as defined under Section 2601(16) of the New York City Charter and its implementing regulations, held by the Covered Person or such Covered Person’s spouse, domestic partner or unemancipated children, in a firm or entity doing business with a proposed or current TSC grantee or contractor or with respect to which a proposed TSC grantee or contractor intends to do business with the use of TSC funds ; or (ii) a “Position”, as defined under Section 2601(18) of the New York City Charter, held by the Covered Person in a firm or entity doing business with a proposed or current TSC grantee or contractor or with respect to which a proposed TSC grantee or contractor intends to do business with the use of TSC funds.

3. Employment with or provision of services to the City of New York shall not constitute an interest within the meaning of this policy.

4. In the event a Covered Person becomes aware of any potential conflict of interest, such Covered Person shall make disclosure forthwith to the Chair of the nature and extent of his or her potential conflict. Disclosure shall be entered in writing upon the minutes of the Board of Directors.

5. If timely disclosure is made, the Board of Directors may determine whether the TSC can obtain a more advantageous transaction with reasonable efforts in a manner that would not give rise to a conflict of interest. If a more advantageous arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board may find that it is in the TSC’s best interest, and that it is fair and reasonable for the TSC to enter into the transaction. Such authorization shall be made by concurring vote of at least two-thirds the whole number of uninterested directors, and shall include appropriate measures to address the conflict, including but not limited to recusal by the affected Covered Person with respect to all activities of the TSC relating to the transaction.

6. If a Covered Person fails to make disclosure when he or she knew or should have known of the potential Conflict of Interest, the Board of Directors shall: (i) in the case of a director, make recommendations to the appointing person for appropriate action; (ii) in the case of an officer who is not also a director, take such action as it deems appropriate, including, if warranted, removal.