

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION**

**Annual Report  
Fiscal Year 6/1/2014 - 5/31/2015**

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION  
Annual Report  
Fiscal Year End Date: 5/31/2015**

**Operations and Accomplishments**

On September 24, 2014, the TSC held a meeting of directors. The Chairperson led a discussion of potential future areas of focus for the TSC. The Directors also engaged in a broad discussion of how the TSC has approached its mission in the past and which strategies have proven productive. The Directors also proceeded to discuss the challenges faced by the theater industry and considered ways to contribute to solutions.

On April 24, 2015, the TSC held a meeting of directors. The grant coordinator led a discussion of the Round IV grants which were awarded on December 18, 2013 in the amount of \$500,000 to two organizations. The two grants in Round IV were described as proceeding successfully and on target. The Directors proceeded to discuss the process and criteria for awarding the 5th round of grants, including input which was received from non-Board member experts. Further discussions would be held at the next Board meeting and would include new Directors.

## **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

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION  
Annual Report  
Fiscal Year End Date: 5/31/2015**

**Board Member Summary**

<b>Name</b>	<b>Position</b>
Bill de Blasio	Chairperson, Mayor of the City of New York
Melissa Mark-Viverito	Vice Chair, Speaker of the New York City Council
Gale Brewer	Secretary, Manhattan Borough President
Carl Weisbrod	Treasurer, 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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Fiscal Year End Date: 5/31/2015**

**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	2
Total Value of Contracts	\$100,000

**Investment Report**

The TSC does not maintain any investments.



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***THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION***

**Financial Statements for the  
Year Ended May 31, 2015  
and Independent Auditors' Report**

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**THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT  
CORPORATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Theater Subdistrict Council Local Development Corporation

We have audited the accompanying financial statements of the Theater Subdistrict Council Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of May 31, 2015, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 the Theater Subdistrict Council Local Development Corporation as of May 31, 2015, 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.

*Weiwei & Co. LLP*

Flushing, New York

October 14, 2015

**THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

**MAY 31, 2015**

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**ASSETS**

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Cash (*Note 3*) \$ 2,572,830

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**TOTAL ASSETS** \$ 2,572,830

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**LIABILITIES AND NET ASSETS**

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Accounts payable and accrued expenses \$ 6,715

**Net assets:**

Unrestricted 2,566,115

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**TOTAL LIABILITIES AND NET ASSETS** \$ 2,572,830

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See independent auditors' report and accompanying notes to financial statements.

**THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2015**

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**REVENUE:**

Interest income	\$ 1,795
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TOTAL REVENUE	1,795

**EXPENSES:**

Program services:	
Grants	375,000
Consultant	5,500
Management and general:	
Professional fees	4,900
Fees and permits	276
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TOTAL EXPENSES	385,676

CHANGE IN NET ASSETS	(383,881)
NET ASSETS - BEGINNING OF YEAR	2,949,996
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<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,566,115</b>

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See independent auditors' report and accompanying notes to financial statements.

**THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2015**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

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Change in net assets	\$ (383,881)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Increase in accounts payable and accrued expenses	3,965
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Net cash (used in) operating activities	(379,916)
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(379,916)
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,952,746
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<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,572,830</b>

**SUPPLEMENTAL DISCLOSURE OF ADDITIONAL  
CASH FLOW INFORMATION:**

Cash paid for interest	\$ -
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See independent auditors' report and accompanying notes to financial statements.

# THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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### 1. NATURE OF ORGANIZATION

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

The Organization 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of accounting**

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

#### **Basis of presentation**

The financial statement presentation follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets:* Net assets that are not subject to any donor-imposed stipulations.

*Temporarily restricted net assets:* Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

# THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of presentation (continued)**

*Permanently restricted net assets:* Net assets subjects to donor-imposed or other legal restrictions requiring that principal be maintained permanently by the Organization.

Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. At May 31, 2015, the Organization had no temporarily or permanently restricted net assets.

#### **Revenue**

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 Organization. Revenue is recognized when payments are received as governmental support. No revenue was received during the year ended May 31, 2015.

#### **Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **In-kind contributions**

The Organization recognizes and records contributions of donated non-cash assets at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. The donated services the Organization received are volunteer services that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America, therefore they are not reflected in the financial statements.

# THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fair value measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures*, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Carrying values of non-derivative financial instruments, including cash, accounts payable and accrued expenses approximated their fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the year ended May 31, 2015.

#### **Income tax status**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). This IRC section enables the Organization to accept donations which qualify as charitable contributions to the donor. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Accordingly, no provision for income taxes has been made in the financial statements. The Organization files with the Internal Revenue Service Form 990, “Return of Organization Exempt from Income Tax” and the related State and local exempt organization returns as required.

# THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income tax status (continued)

The Organization follows the provisions of FASB ASC 740-10-25. The provisions prescribe a recognition threshold and measurement attribute for uncertain tax positions taken or expected to be taken in income tax returns. The positions are judged whether they meet the “more-likely-than-not” threshold based upon the technical merits of the positions. The Organization believes that it does not have any uncertain tax positions.

The Organization’s 2012, 2013 and 2014 tax years are open and subject to examination by the tax authorities. However, the Organization is not currently under examination nor has it been contacted by any of the tax authorities.

#### Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Investments

The Organization is only permitted to invest in Federal discount notes, US Treasury Bills, US Treasury Notes and Guaranteed Federal Government Securities. No investment was made for the year ended May 31, 2015.

### 3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed the insured limits of \$250,000 per financial institution. At May 31, 2015, the cash balance in excess of FDIC insured limits was approximately \$2,323,000. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash.

# THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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### 4. COMMITMENTS AND CONTINGENT LIABILITIES

The Organization 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.

The Organization 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, 2015 will be paid upon fulfillment of the grant services as follows:

Grants payable in 2016	<u>\$ 275,000</u>
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### 5. SUBSEQUENT EVENTS

The Organization's management has performed subsequent events procedures through October 14, 2015, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosure as stated herein.

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION**

**Annual Report**

**Fiscal Year End Date: 5/31/2015**

**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.

**THEATER SUBDISTRICT COUNCIL  
LOCAL DEVELOPMENT CORPORATION**

**Annual Report**

**Fiscal Year End Date: 5/31/2015**

**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.