

**THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

Year Ended May 31, 2007

PATRICIA ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANT

**THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION**

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PATRICIA ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANT

233 West 99th Street, Suite 3A

New York, NY 10025

(212) 663-8260 Fax (212) 662-5113

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of the Theater Subdistrict Council Local Development Corporation (a non-profit corporation) as of May 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Theater Subdistrict Council Local Development Corporation's management. My responsibility is to report on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 10, 2008 on my consideration of Theater Subdistrict Council Local Development Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Patricia Armstrong, CPA

New York, NY
July 10, 2008

**THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION**
Statement of Financial Position
May 31, 2007

ASSETS

Cash (escrow funds)	<u>\$ 1,727,357</u>
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NET ASSETS

Temporarily restricted	<u>\$ 1,727,357</u>
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See accompanying notes to financial statements.

**THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION**
Statement of Activities
For the Year Ended May 31, 2007

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

REVENUES	
Government Support	\$ 1,700,793
Interest income	<u>26,564</u>
Change in net assets	1,727,357
Net Assets - Beginning of year	<u>-</u>
Net Assets - End of year	<u><u>\$ 1,727,357</u></u>

See accompanying notes to financial statements.

**THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION**
Statement of Cash Flows
For the Year Ended May 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	<u>\$ 1,727,357</u>
Net cash provided by operating activities	1,727,357
Cash - beginning of year	<u> -</u>
Cash - end of year	<u><u>\$ 1,727,357</u></u>

See accompanying notes to financial statements.

**THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION**
Notes to Financial Statements
May 31, 2007

Note 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The corporation derives its funding from governmental support.

Basis of Accounting

The financial statements of Theater Subdistrict Council Local Development Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and payables.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, TSC 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. TSC has no permanently restricted net assets.

Income Tax Status

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. In addition, 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.

Revenues

Under the Zoning Regulations when unused development 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.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets depending on the existence and/or nature of any restrictions. When a 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.

**THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION**
Notes to Financial Statements
May 31, 2007

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses.

Investments

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

Note 2 - ESCROW AGENT

During the year under audit the NYC Law Department served as escrow agent for the receipt of funds on behalf of the Theater Subdistrict Council Local Development Corporation.

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 \$100,000. TSC's uninsured bank balance at May 31, 2007 totaled \$1,259,395.

Note 4 - CONTINGENCIES

TSC is required to maintain 20% of its revenues for inspection and maintenance reporting.

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CERTIFIED PUBLIC ACCOUNTANT

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New York, NY 10025

(212) 663-8260 Fax (212) 662-5113

July 10, 2008

To the Audit Committee
Theater Subdistrict Council Local Development Corporation
New York, NY

We have audited the financial statements of Theater Subdistrict Council Local Development Corporation for the year ended May 31, 2007, and have issued our report thereon dated July 10, 2008. Professional standards require that we provide you with the following information related to the audit.

Our responsibility under U. S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 11, 2008, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U. S. Generally accepted accounting principles. Our audit does not relieve you or management of your responsibilities.

As part of the audit, we considered the internal control of Theater Subdistrict Council Local Development Corporation. Such considerations were solely for the purpose of determining audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Theater Subdistrict Council Local Development Corporation's compliance with certain provisions of laws and regulations. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Theater Subdistrict Council Local Development Corporation are described in Note 1 to the financial statements. I noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you of, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

July 10, 2008

To the Audit Committee
Theater Subdistrict Council Local Development Corporation
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Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgement may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is cause future financial statements to be materially misstated). I did not propose any audit adjustments.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

This information is intended solely for the use of the Audit Committee and management of the Theater Subdistrict Council Local Development Corporation. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Patricia Armstrong, CPA