THEATER SUBDISTRICT COUNCIL
LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

Year Ended May 31, 2009
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PATRICIA ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANT
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, 2009, 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, 2009, 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 January 12, 2010 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, grant 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.

[Signature]
Patricia Armstrong, CPA

New York, NY
January 12, 2010
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in bank</td>
<td>$4,757,340</td>
</tr>
</tbody>
</table>

## LIABILITIES AND NET ASSETS

### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

### NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$103,676</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>4,649,664</td>
</tr>
<tr>
<td>Total net assets</td>
<td>4,753,340</td>
</tr>
</tbody>
</table>

Total Liabilities and Net Assets  $4,757,340

The accompanying notes are an integral part of these financial statements.
REVENUES and SUPPORT

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government contributions</td>
<td>$</td>
<td>$ 718,364</td>
<td>$ 718,364</td>
</tr>
<tr>
<td>Interest income</td>
<td>28,461</td>
<td>-</td>
<td>28,461</td>
</tr>
<tr>
<td>Total revenues</td>
<td>28,461</td>
<td>718,364</td>
<td>746,825</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>938,122</td>
<td>(938,122)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>966,583</td>
<td>(219,758)</td>
<td>746,825</td>
</tr>
</tbody>
</table>

EXPENSES

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>891,044</td>
<td>-</td>
<td>891,044</td>
</tr>
<tr>
<td>Consultant</td>
<td>45,300</td>
<td>-</td>
<td>45,300</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>2,084</td>
<td>-</td>
<td>2,084</td>
</tr>
<tr>
<td>Bank charges</td>
<td>2,691</td>
<td>-</td>
<td>2,691</td>
</tr>
<tr>
<td>Professional fees</td>
<td>3,750</td>
<td>-</td>
<td>3,750</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>944,869</td>
<td>-</td>
<td>944,869</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>21,714</td>
<td>(219,758)</td>
<td>(198,044)</td>
</tr>
<tr>
<td>Net Assets - Beginning of year</td>
<td>81,962</td>
<td>4,869,422</td>
<td>4,951,384</td>
</tr>
<tr>
<td>Net Assets - End of year</td>
<td>$ 103,676</td>
<td>$ 4,649,664</td>
<td>$ 4,753,340</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets $ (198,044)

Adjustments to reconcile change in net assets to net cash provided by operating activities:

Increase in:
  Accrued expenses 4,000

Net cash used by operating activities (194,044)

Cash - beginning of year 4,951,384

Cash - end of year $ 4,757,340

The accompanying notes are an integral part of these financial statements.
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

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.

TSC’s net assets consist of unrestricted net assets, which are not restricted by donors or by law and temporarily restricted net assets, whose use has been restricted by donor imposed time and/or purpose restrictions.

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, 2009

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 - Grants  
TSC has authorized an additional $372,761 to be paid to grantees contingent upon the recipients completing the grant services and satisfying all grant requirements.

Note 3 - Functional Classification of Expenses  
Expenses by function for the year ended May 31, 2009 were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$938,083</td>
</tr>
<tr>
<td>Management and general</td>
<td>6,786</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$944,869</td>
</tr>
</tbody>
</table>

Note 4 - 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, 2009 totaled $4,605,740.

Note 5 - Contingencies  
TSC is required to maintain 20% of its revenues for inspection and maintenance reporting.
January 12, 2010

To the Board of Directors
Theater Subdistrict Council Local Development Corporation
New York, NY

I have audited the financial statements of Theater Subdistrict Council Local Development Corporation (TSC) as of and for the year ended May 31, 2009 and have issued my report thereon, dated January 12, 2010. I conducted the 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.

Internal Control Over Financial Reporting
In planning and performing the audit, I considered TSC’s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the effectiveness of the Theater Subdistrict Council Local Development Corporation’s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of TSC’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Theater Subdistrict Council Local Development Corporation’s financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit, and accordingly I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management and those charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

Patricia Armstrong, CPA
New York, NY