THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2012

BARRY POPICK, CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Theater Subdistrict Council Local Development Corporation

I have audited the accompanying statements of financial position of Theater Subdistrict Council Local Development Corporation as of May 31, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Theater Subdistrict Council Local Development Corporation’s management. My responsibility is to express an opinion 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. 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, 2012, and its cash flows and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Barry Popick
CERTIFIED PUBLIC ACCOUNTANT

September 15, 2012
ASSETS

Cash $2,151,411

LIABILITIES AND NET ASSETS

Liabilities:
Accrued expenses $2,750

Net Assets:
Temporarily restricted 2,012,935
Unrestricted 135,726

Total net assets 2,148,661

LIABILITIES AND NET ASSETS $2,151,411

See accompanying notes to the financial statements.
THEATER SUBDISTRICT COUNCIL LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2012

<table>
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<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$</td>
<td>$ 835,005</td>
<td>$ 835,005</td>
</tr>
<tr>
<td>Interest income</td>
<td>4,346</td>
<td></td>
<td>4,346</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>4,346</td>
<td>835,005</td>
<td>839,351</td>
</tr>
<tr>
<td><strong>Net assets released from</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>restriction</td>
<td>1,342,239</td>
<td>(1,342,239)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net revenues</strong></td>
<td>1,346,585</td>
<td>(507,234)</td>
<td>839,351</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>1,309,115</td>
<td></td>
<td>1,309,115</td>
</tr>
<tr>
<td>Consultant</td>
<td>33,124</td>
<td></td>
<td>33,124</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>998</td>
<td></td>
<td>998</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,750</td>
<td></td>
<td>2,750</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,345,987</td>
<td></td>
<td>1,345,987</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>598</td>
<td>(507,234)</td>
<td>(506,636)</td>
</tr>
<tr>
<td><strong>Net assets -beginning</strong></td>
<td>135,128</td>
<td>2,520,169</td>
<td>2,655,297</td>
</tr>
<tr>
<td><strong>NET ASSETS-ENDING</strong></td>
<td>$ 135,726</td>
<td>$ 2,012,935</td>
<td>$ 2,148,661</td>
</tr>
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See accompanying notes to the financial statements.
Operating activities:
  Decrease in net assets $ (506,636)

Adjustments to reconcile decrease
in net assets to net decrease in cash:
Changes in assets and liabilities:
  Accounts payable (4,938)

Cash used by operations (511,574)

Cash - beginning 2,662,985

CASH - ENDING $ 2,151,411

See accompanying notes to the financial statements.
NOTE 1-NATURE OF OPERATIONS

Theater Subdistrict Council Local Development Corporation (TSC), is a not-for-profit, formed under 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 theatre and theatre-related uses, and preserving the New York City Theater Subdistrict and the welfare of the Theatre Subdistrict. The Theater Subdistrict is a designated area in New York City that includes several Broadway theatres.

The corporation derives its funding from private entities, as required by the New York City Zoning Resolution.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Revenues

Under the Zoning Resolution when unused development rights of a Broadway theatre 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.
NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –(CONTINUED)

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 classified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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 the 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-GRANTS

TSC has authorized an additional $259,929 to be paid to grantees contingent upon the recipients completing the grant services and satisfying all grant requirements.

NOTE 4-FUNCTIONAL EXPENSES

Expenses by function for the year ended May 31, 2012 were as follows:

- Program services $1,342,239
- Management and general $3,748

Total expenses $1,345,987

NOTE 5-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 balance at May 31, 2012 totaled approximately $1,901,000.

NOTE 6-CONTINGENCIES

TSC is required to maintain $75,000 of its revenue for inspection and maintenance reporting.