

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 & 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 & 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.