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October 26, 2020

To the Board and Officers of the Theater Subdistrict Council Local Development Corporation  
NYC Department of City Planning  
120 Broadway, 31<sup>st</sup> Floor  
New York, NY 10271

I have audited the financial statements of the governmental activities and governmental funds, of Theater Subdistrict Council Local Development Corporation (“Organization”) for the year ended May 31, 2020. Professional standards require that I provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. I have communicated such information in our letter to you dated August 27, 2020. Professional standards also require that I communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Theater Subdistrict Council Local Development Corporation are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. I noted no transactions entered into by Theater Subdistrict Council Local Development Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimates affecting the governmental funds’ financial statements were:

Management’s estimate of fair market value (FMV) for in-kind rent, utilities, supplies, legal services and management salaries.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:



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Estimates for fair market value (FMV) for donated space, supplies and in-kind legal and management services provided by the City of New York.

Subsequent event disclosure related to the impact of Covid-19 and Managements M D & A disclosing Covid-19 related risk and impact on the organization's future and management mitigation plans.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, 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.

#### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated October 26, 2020.

#### *Management 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 Theater Subdistrict Council Local Development Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

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



OBSERVATION – 1: The Organization did not record in-kind donated space, legal services and management salaries received from NYC.

RECOMMENDATION – 1: The Organization should record all in-kind contributions as they are received during the fiscal year.

RESPONSE – 1: The Organization agreed and provided a valuation for the FY 2020 in-kind contributions and are included in the FY 2020 financials.

OBSERVATION – 2: The Organization did not accrue audit fees for the fiscal year-end.

RECOMMENDATION – 2: The Organization should accrue all reasonably estimated expenditures at year-end.

RESPONSE – 2: The Organization agreed to record a prior period opening balance adjustment for the missed FY 2019 audit fee accrual and an adjusting entry was also posted for the FY 2020 audit fee accrual.

OBSERVATION – 3: The Organization does not have documented business liability or Director and Officer's insurance coverage.

RECOMMENDATION – 3: The Organization should obtain proof of insurance coverage from the City of New York and also include this as an in-kind contribution going forward.

RESPONSE – 3: The Organization is presumed to be insured under the NYC self-insurance policy.

### Other Matters

I applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the information and use of Theater Subdistrict Council Local Development Corporation and management of 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,

***Long Island Financial Management Services***