

**LOWER MANHATTAN
CULTURAL COUNCIL, INC.**

**Financial Statements
for year ended
June 30, 2007**

Independent Auditors' Report

To the Board of Directors
Lower Manhattan Cultural Council, Inc.

We have audited the accompanying statement of financial position of Lower Manhattan Cultural Council, Inc. (the "Council") as of June 30, 2007 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Council's fiscal 2006 financial statements and in our report, dated October 26, 2006, we expressed an unqualified opinion on those financial statements.

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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lower Manhattan Cultural Council, Inc. at June 30, 2007 and the results of its activities and 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, we have also issued our report dated January 9, 2008 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or 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 our audits.

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Lower Manhattan Cultural Council, Inc. The Schedule of Expenditures of Federal Awards included in our report dated January 9, 2008 on our consideration of the Council's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grants, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Condon O'Meara McGinty + Donnelly LLP

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Financial Position

Assets

	June 30	
	2007	2006
Current assets		
Cash	\$1,098,023	\$1,523,668
Grants and other receivables	638,798	733,455
Current portion of grants receivable (note 3)	-	4,667,000
Prepaid expenses and deposits	5,982	32,848
Total current assets	1,742,803	6,956,971
Property and equipment (note 2)		
Condominium and improvements	4,282,889	145,730
Office equipment	237,537	258,414
Total	4,520,426	404,144
Less accumulated depreciation and amortization	225,313	138,610
Net property and equipment	4,295,113	265,534
Deferred mortgage costs (note 2)	112,138	-
Total assets	\$6,150,054	\$7,222,505

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 134,080	\$ 41,767
Long-term debt (note 6)	1,137,159	-
Total liabilities	1,271,239	41,767
Net assets (notes 2, 3 and 5)		
Unrestricted		
Operating	2,884,331	293,131
Board designated	646,960	765,000
Total unrestricted	3,531,291	1,058,131
Temporarily restricted	1,347,524	6,122,607
Total net assets	4,878,815	7,180,738
Total liabilities and net assets	\$6,150,054	\$7,222,505

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Activities
For Year Ended June 30, 2007
(With Summarized Comparative Information for the Year Ended June 30, 2006)

	2007			2006	
	Unrestricted	Board Designated	Total Unrestricted	Temporarily Restricted	Total
Support and revenue					
Public support					
Federal	\$ 50,000	-	\$ 50,000	\$ -	\$ 50,000
State	527,015	-	527,015	-	527,015
City	221,900	-	221,900	-	221,900
Other	308,175	-	308,175	-	308,175
Private support					
Corporations	299,075	-	299,075	-	299,075
Foundations	387,350	-	387,350	-	387,350
Individuals	141,330	-	141,330	-	141,330
Earned revenue	179,179	-	179,179	-	179,179
Sponsorship revenue	144,000	-	144,000	-	144,000
Donated facilities (note 4)	3,040,113	-	3,040,113	-	3,040,113
Benefit dinner	1,013,545	-	1,013,545	-	1,013,545
Restricted conduit revenue	170,255	-	170,255	-	170,255
Other	57,658	-	57,658	-	57,658
Net assets released from restrictions (notes 3 and 5)	4,775,083	-	4,775,083	(4,775,083)	-
Total support and revenue	<u>11,314,678</u>	<u>-</u>	<u>11,314,678</u>	<u>(4,775,083)</u>	<u>6,539,595</u>
Expenses					
Program services					
Grants and services	2,418,128	-	2,418,128	-	2,418,128
Programs	1,413,007	-	1,413,007	-	1,413,007
Residency and swing space	3,598,308	-	3,598,308	-	3,598,308
Redhead Gallery	196,297	-	196,297	-	196,297
Total program services	<u>7,625,740</u>	<u>-</u>	<u>7,625,740</u>	<u>-</u>	<u>7,625,740</u>
Supporting services					
Administrative and general	653,216	-	653,216	-	653,216
Development	209,035	-	209,035	-	209,035
Special events	353,527	-	353,527	-	353,527
Total supporting services	<u>1,215,778</u>	<u>-</u>	<u>1,215,778</u>	<u>-</u>	<u>1,215,778</u>
Total expenses	<u>8,841,518</u>	<u>-</u>	<u>8,841,518</u>	<u>-</u>	<u>8,841,518</u>
Increase (decrease) in net assets before transfer	2,473,160	-	2,473,160	(4,775,083)	(2,301,923)
Transfer (note 2)	118,040	(118,040)	-	-	-
Increase (decrease) in net assets	<u>2,591,200</u>	<u>(118,040)</u>	<u>2,473,160</u>	<u>(4,775,083)</u>	<u>(2,301,923)</u>
Net assets, beginning of year	<u>293,131</u>	<u>765,000</u>	<u>1,058,131</u>	<u>6,122,607</u>	<u>7,180,738</u>
Net assets, end of year	<u>\$ 2,884,331</u>	<u>\$ 646,960</u>	<u>\$ 3,531,291</u>	<u>\$ 1,347,524</u>	<u>\$ 4,878,815</u>

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (2,301,923)	\$ 1,123,478
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	119,229	53,424
(Increase) decrease in assets		
Grants and other receivables	4,761,657	(1,993,688)
Prepaid expenses and deposit	26,866	(13,433)
Increase (decrease) in accounts payable and accrued expenses	<u>92,313</u>	<u>(53,320)</u>
Net cash provided by (used in) operating activities	<u>2,698,142</u>	<u>(883,539)</u>
Cash flows (used in) investing activities		
Purchases of property and equipment	<u>(4,142,906)</u>	<u>(182,650)</u>
Cash flows from financing activities		
Deferred mortgage costs	(118,040)	-
Proceeds from long-term debt	<u>1,137,159</u>	<u>-</u>
Net cash provided by financing activities	<u>1,019,119</u>	<u>-</u>
(Decrease) in cash	(425,645)	(1,066,189)
Cash, beginning of year	<u>1,523,668</u>	<u>2,589,857</u>
Cash, end of year	<u>\$ 1,098,023</u>	<u>\$ 1,523,668</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 28,905</u>	<u>\$ -</u>

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Functional Expenses
for Year Ended June 30, 2007
(with Summarized Comparative Information for the Year Ended June 30, 2006)

	2007										2006
	Program Services					Support Services					Total All Funds
	Grants and Services	Programs	Residency and Swing Space	Redhead Gallery	Total Program Services	Administrative and General	Development	Special Events	Total Support Services	Total All Funds	
Salaries and wages	\$ 471,802	\$ 294,504	\$ 164,952	\$ 123,878	\$ 1,055,136	\$ 326,994	\$ 115,077	\$ -	\$ 442,071	\$ 1,497,207	\$ 1,229,714
Payroll taxes and employee benefits	103,521	45,671	33,492	27,402	210,086	70,028	24,358	-	94,386	304,472	265,432
Rent and utilities (note 4)	48,475	57,197	3,142,431	17,794	3,265,897	33,007	21,146	-	54,153	3,320,050	1,969,234
Artist fees	6,789	131,246	62,229	1,131	201,395	-	-	24,891	24,891	226,286	250,591
Professional fees	68,191	106,548	80,977	17,048	272,764	102,286	21,310	29,833	153,429	426,193	722,536
Fiscal sponsor grants	161,788	-	-	-	161,788	-	-	-	-	161,788	116,415
Re-grants	1,455,959	-	64,786	-	1,520,745	-	-	-	-	1,520,745	1,483,935
Equipment rental and maintenance	-	257,326	822	-	258,148	6,021	2,422	59,863	68,306	326,454	36,406
Insurance	15,550	6,860	4,573	4,573	31,556	10,519	3,659	-	14,178	45,734	31,322
Marketing/advertising	78	1,612	988	-	2,678	4,447	820	151	5,418	8,096	20,647
Meeting costs	6,494	7,194	5,625	216	19,529	5,183	6,300	2,426	13,909	33,438	53,681
Postage	2,120	4,327	1,470	45	7,962	501	4,001	10,058	14,560	22,522	33,709
Printing	2,458	62,238	3,788	291	68,775	3,270	1,739	32,701	37,710	106,485	84,776
Production	-	381,077	-	-	381,077	-	-	183,191	183,191	564,268	444,570
Relocation	-	-	-	-	-	-	-	-	-	-	45,281
Sponsorship/contributions	-	-	-	-	-	6,190	-	-	6,190	6,190	37,606
Supplies	10,829	32,664	15,910	342	59,745	9,583	4,325	8,951	22,859	82,604	64,163
Travel	748	949	1,002	-	2,699	4,136	301	342	4,779	7,478	39,307
Miscellaneous	135	4,517	956	-	5,608	55,551	-	1,120	56,671	62,279	16,655
Depreciation and amortization	63,191	19,077	14,307	3,577	100,152	15,500	3,577	-	19,077	119,229	53,424
Total	\$2,418,128	\$1,413,007	\$3,598,308	\$ 196,297	\$7,625,740	\$ 653,216	\$ 209,035	\$ 353,527	\$1,215,778	\$8,841,518	\$6,999,404

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.**Notes to Financial Statements
June 30, 2007****Note 1 – Organization**

Since its founding in 1973, the Lower Manhattan Cultural Council (the “Council”) has contributed to Downtown’s quality of life by creating a fertile and nurturing environment for arts groups and artists, enlivening public spaces with free programs in the visual, performing and new media arts, and providing leadership in cultural planning and advocacy. Now one of Manhattan’s most far-reaching arts councils, the Council is a primary source of funding, services, creation and presentation opportunities for artists and small arts groups throughout Manhattan’s diverse neighborhoods and creative communities. The Council’s programs explore the City’s unique urban environment and celebrate its global cultures.

Note 2 – Significant accounting policies**Financial reporting**

The Council maintains its net assets in two classes, which are as follows:

Unrestricted

- Operating consists of funds available for general operations of the Council
- Board designated consists of funds that will be used at the discretion of the Council’s Board of Directors. During the 2007 fiscal year, the Council transferred \$118,040 to operations, representing the closing costs associated with the purchase of the Council’s condominium.

Temporarily restricted

Temporarily restricted net assets represent expendable grants and contributions received, which are restricted by the donor or are multi-year grants that relate to future periods. When the funds are spent, they are released from their restriction.

Property and equipment

Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. During the 2007 and 2006 fiscal years, fully depreciated property and equipment totaling \$26,624 and \$154,559, respectively, were removed from the accounts and records of the Council.

Deferred mortgage costs

The Council incurred closing costs in connection with obtaining the mortgage used to finance a portion of the purchase of its condominium space (see note 6). Such costs are being amortized over the life of the mortgage.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Notes to Financial Statements (continued)
June 30, 2007

Note 2 – Significant accounting policies (continued)

Concentration of credit risk

The Council's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and grants receivable. The Council places its cash with what it believes to be quality financial institutions. Grants receivable are deemed collectible by management. The Council believes no significant concentration of credit risk exists with respect to its cash and grants receivable.

Use of 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 that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Note 3 – Grants, contributions and net assets released from restrictions

The Council reports grants and contributions as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets or multi-year grants with future years not yet received. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net assets that were released from donor restrictions by incurring expenses that satisfied the restricted purposes or by occurrence of other events specified by donors during the 2007 fiscal year totaled \$4,775,083 and were used to purchase the Council's condominium (see note 6) and to fund the programs described in note 1.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Notes to Financial Statements (continued)
June 30, 2007

Note 4 – Donated facilities

During the 2007 and 2006 fiscal years, the Council recorded donated facilities totaling \$3,040,113 and \$1,579,531, respectively, in connection with space utilized primarily for the Swing Space program at 125 Maiden Lane and 120 Broadway.

Note 5 – Temporarily restricted net assets

The balance in the temporarily restricted net assets at June 30, 2007 consists of the following:

September 11 th Fund	\$1,323,099
Other	<u>24,425</u>
Total	<u>\$1,347,524</u>

Note 6 – Long-term debt

During the 2007 fiscal year, in connection with the \$4,133,517 purchase of the Council's previously leased condominium, the Council obtained a \$1,137,159 ten-year mortgage due January 2017. The remaining \$3,000,000 of the purchase price was financed by grants received by the Council in connection with this purchase. For the first three years, the mortgage requires monthly payments of interest only at the rate of 6.06% per annum. Thereafter, the Council will be required to make principal and interest payments based on a 25-year amortization period with maturity in January 2017, at which time the remaining outstanding balance will be due and payable. The loan is secured by a mortgage on the Council's premises.

The following is a summary of the required principal payments on the mortgage as of June 30, 2007:

<u>Year</u>	<u>Amount</u>
2008	\$ -
2009	-
2010	8,330
2011	20,359
2012	21,459
Thereafter	<u>1,087,011</u>
Total	<u>\$1,137,159</u>

LOWER MANHATTAN CULTURAL COUNCIL, INC.**Notes to Financial Statements (continued)****June 30, 2007****Note 7 – Tax status**

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Council has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a) of the Code.