

**LOWER MANHATTAN  
CULTURAL COUNCIL, INC.**

**Financial Statements  
for year ended  
June 30, 2008**

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**CONDON  
O'MEARA  
MCGINTY &  
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**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, 2008 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 2007 financial statements and in our report, dated January 9, 2008, 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, 2008 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.

*Condon O'Meara McGinty + Donnelly LLP*

October 24, 2008

**LOWER MANHATTAN CULTURAL COUNCIL, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Current assets</b>		
Cash	\$ 661,867	\$1,098,023
Grants and other receivables	745,758	638,798
Prepaid expenses and deposits	2,365	5,982
Total current assets	1,409,990	1,742,803
<b>Property and equipment (note 2)</b>		
Condominium and improvements	4,282,889	4,282,889
Office furniture and equipment	238,492	237,537
Total	4,521,381	4,520,426
Less accumulated depreciation and amortization	357,305	225,313
Net property and equipment	4,164,076	4,295,113
<b>Deferred mortgage costs (note 2)</b>	100,333	112,138
<b>Total assets</b>	<b>\$5,674,399</b>	<b>\$6,150,054</b>

**Liabilities and Net Assets**

<b>Accounts payable and accrued expenses</b>	\$ 89,884	\$ 134,080
<b>Long-term debt (note 6)</b>		
Mortgage	1,137,159	1,137,159
Line of credit	238,750	-
Total long-term debt	1,375,909	1,137,159
Total liabilities	1,465,793	1,271,239
<b>Net assets (notes 2, 3 and 5)</b>		
Unrestricted		
Operating	2,914,727	2,884,331
Board designated	500,000	646,960
Total unrestricted	3,414,727	3,531,291
Temporarily restricted	793,879	1,347,524
Total net assets	4,208,606	4,878,815
<b>Total liabilities and net assets</b>	<b>\$5,674,399</b>	<b>\$6,150,054</b>

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Activities  
For Year Ended June 30, 2008  
(With Summarized Comparative Information for the Year Ended June 30, 2007)

	2008			2007		
	Unrestricted	Board Designated	Total Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenue</b>						
Public support						
Federal	\$ 30,000	-	\$ 30,000	\$ 30,000	\$ 60,000	\$ 50,000
State	528,400	-	528,400	-	528,400	527,015
City	550,000	-	550,000	-	550,000	221,900
Other	100,000	-	100,000	-	100,000	308,175
Private support						
Corporations	291,050	-	291,050	140,000	431,050	299,075
Foundations	315,400	-	315,400	140,000	455,400	387,350
Individuals	25,619	-	25,619	-	25,619	141,330
Earned revenue	50,438	-	50,438	-	50,438	179,179
Sponsorship revenue	87,500	-	87,500	-	87,500	144,000
Donated facilities and services (note 4)	1,622,020	-	1,622,020	-	1,622,020	3,040,113
Benefit dinner	897,064	-	897,064	-	897,064	1,013,545
Restricted conduit revenue	2,815	-	2,815	-	2,815	170,255
Other	34,174	-	34,174	-	34,174	57,658
Net assets released from restrictions (notes 3 and 5)	863,645	-	863,645	(863,645)	-	-
Total support and revenue	5,398,125	-	5,398,125	(553,645)	4,844,480	6,539,595
<b>Expenses</b>						
Program services						
Grants and services	1,880,474	-	1,880,474	-	1,880,474	2,418,128
Programs	597,467	-	597,467	-	597,467	1,413,007
Artist residences	2,232,511	-	2,232,511	-	2,232,511	3,794,605
Total program services	4,710,452	-	4,710,452	-	4,710,452	7,625,740
Supporting services						
Administrative and general	363,724	-	363,724	-	363,724	653,216
Development	144,741	-	144,741	-	144,741	209,035
Special events	295,772	-	295,772	-	295,772	353,527
Total supporting services	804,237	-	804,237	-	804,237	1,215,778
Total expenses	5,514,689	-	5,514,689	-	5,514,689	8,841,518
(Decrease) in net assets before transfer	(116,564)	-	(116,564)	(553,645)	(670,209)	(2,301,923)
Transfer (note 2)	146,960	(146,960)	-	-	-	-
Increase (decrease) in net assets	30,396	(146,960)	(116,564)	(553,645)	(670,209)	(2,301,923)
Net assets, beginning of year	2,884,331	646,960	3,531,291	1,347,524	4,878,815	7,180,738
Net assets, end of year	\$ 2,914,727	\$ 500,000	\$ 3,414,727	\$ 793,879	\$ 4,208,606	\$ 4,878,815

See notes to financial statements.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
(Decrease) in net assets	\$ (670,209)	\$ (2,301,923)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	143,797	119,229
(Increase) decrease in assets		
Grants and other receivables	(106,960)	4,761,657
Prepaid expenses and deposit	3,617	26,866
Increase (decrease) in accounts payable and accrued expenses	<u>(44,196)</u>	<u>92,313</u>
Net cash provided by (used in) operating activities	<u>(673,951)</u>	<u>2,698,142</u>
<b>Cash flows (used in) investing activities</b>		
Purchases of property and equipment	<u>(955)</u>	<u>(4,142,906)</u>
<b>Cash flows from financing activities</b>		
Deferred mortgage costs	-	(118,040)
Proceeds from long-term debt	-	1,137,159
Proceeds from line of credit	<u>238,750</u>	<u>-</u>
Net cash provided by financing activities	<u>238,750</u>	<u>1,019,119</u>
<b>(Decrease) in cash</b>	<b>(436,156)</b>	<b>(425,645)</b>
<b>Cash, beginning of year</b>	<u>1,098,023</u>	<u>1,523,668</u>
<b>Cash, end of year</b>	<u>\$ 661,867</u>	<u>\$ 1,098,023</u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	<u>\$ 70,060</u>	<u>\$ 28,905</u>

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Functional Expenses  
for Year Ended June 30, 2008  
(with Summarized Comparative Information for the Year Ended June 30, 2007)

	2008										2007
	Program Services					Support Services					Total All Funds
	Grants And Services	Programs	Artist Residencies	Total Program Services	Administrative and General	Development	Special Events	Total Support Services	Total All Funds		
Salaries and wages	\$ 351,594	\$ 179,299	\$ 251,521	\$ 782,414	\$ 159,624	\$ 77,768	\$ -	\$ 237,392	\$1,019,806	\$1,497,207	
Payroll taxes and employee benefits	63,917	33,716	50,125	147,758	28,947	13,498	-	42,445	190,203	304,472	
Rent and utilities (note 4)	50,538	41,099	1,578,847	1,670,484	22,779	-	15,000	37,779	1,708,263	3,320,050	
Artist fees	9,800	95,650	50,376	155,826	-	-	5,936	5,936	161,762	226,286	
Professional fees	32,521	40,104	27,474	100,099	33,385	13,681	39,125	86,191	186,290	426,193	
Fiscal sponsor grants	2,585	-	-	2,585	-	-	-	-	2,585	161,788	
Re-grants	1,235,671	-	44,400	1,280,071	-	-	-	-	1,280,071	1,520,745	
Equipment rental and maintenance	1,945	57,948	10,010	69,903	4,379	982	60,197	65,558	135,461	326,454	
Insurance	6,682	3,341	3,341	13,364	3,341	-	-	3,341	16,705	45,734	
Marketing/advertising	301	2,718	95,356	98,375	3,012	30,953	-	33,965	132,340	8,096	
Meeting costs	5,808	1,331	12,281	19,420	1,854	44	-	1,898	21,318	33,438	
Postage	2,174	959	2,052	5,185	4,690	1,960	3,459	10,109	15,294	22,522	
Printing	3,166	7,923	6,396	17,485	3,997	170	22,268	26,435	43,920	106,485	
Production	35,162	89,405	15,747	140,314	-	-	137,353	137,353	277,667	564,268	
Sponsorship/contributions	-	10,000	-	10,000	-	-	-	-	10,000	6,190	
Supplies	3,961	2,813	10,914	17,688	1,619	866	10,542	13,027	30,715	82,604	
Travel	413	548	4,828	5,789	1,331	180	1,892	3,403	9,192	7,478	
Miscellaneous	25,345	14,795	9,887	50,027	8,888	325	-	9,213	59,240	33,374	
Interest	-	-	-	-	70,060	-	-	70,060	70,060	28,905	
Depreciation and amortization	48,891	15,818	58,956	123,665	15,818	4,314	-	20,132	143,797	119,229	
<b>Total</b>	<b>\$1,880,474</b>	<b>\$ 597,467</b>	<b>\$2,232,511</b>	<b>\$4,710,452</b>	<b>\$ 363,724</b>	<b>\$ 144,741</b>	<b>\$ 295,772</b>	<b>\$ 804,237</b>	<b>\$5,514,689</b>	<b>\$8,841,518</b>	

See notes to financial statements.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.****Notes to Financial Statements****June 30, 2008****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 2008 fiscal year, the Council authorized a transfer of \$146,960 to operations.

**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.

**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, 2008****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. At times the balances in the Council's cash accounts may be in excess of FDIC insurance limits; however, the Council has not experienced any losses in its cash accounts. 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, 2007, 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 2008 fiscal year totaling \$863,645 were used to fund the programs described in note 1.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2008**

**Note 4 – Donated facilities and services**

During the 2008 and 2007 fiscal years, the Council recorded donated facilities totaling \$1,499,200 and \$3,040,113, respectively, in connection with space utilized primarily for the Swing Space program at 120 Broadway, 210 Front Street and 14 Wall Street. In addition, during the 2008 fiscal year, the Council received donated advertising space totaling \$122,820.

**Note 5 – Temporarily restricted net assets**

The balance in the temporarily restricted net assets at June 30, 2008 consists of the following:

September 11 <sup>th</sup> Fund	\$ 461,454
Other	<u>332,425</u>
Total	<u>\$ 793,879</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, 2008:

<u>Year</u>	<u>Amount</u>
2009	\$ -
2010	8,330
2011	20,359
2012	21,459
2013	23,002
Thereafter	<u>1,064,009</u>
Total	<u>\$1,137,159</u>

During the 2008 fiscal year, the Council obtained a \$1,000,000 line of credit with its financial institution. The line has a ten-year term requiring interest at the prime rate plus 1% per annum. The line is secured by a security interest in certain of the Council's assets and a second mortgage on its condominium. At June 30, 2008, \$238,750 was outstanding under this agreement.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2008**

**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.