

**LOWER MANHATTAN  
CULTURAL COUNCIL, INC.**

**Financial Statements  
for the year ended  
June 30, 2010**

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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

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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, 2010 and June 30, 2009 and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2010 and June 30, 2009 and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty + Donnelly LLP*

December 8, 2010

**LOWER MANHATTAN CULTURAL COUNCIL, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>Current assets</b>		
Cash	\$ 382,576	\$ 590,061
Grants and contributions receivables	565,124	411,790
Prepaid expenses and deposits	979	2,916
Total current assets	<u>948,679</u>	<u>1,004,767</u>
<b>Property and equipment</b>		
Condominium and improvements	4,282,889	4,282,889
Office furniture and equipment	282,132	279,847
Lent Space improvements	294,112	259,574
Building 110 improvements	180,766	-
Total	<u>5,039,899</u>	<u>4,822,310</u>
Less accumulated depreciation and amortization	<u>762,832</u>	<u>506,231</u>
Net property and equipment	<u>4,277,067</u>	<u>4,316,079</u>
<b>Deferred mortgage costs</b>	<u>76,726</u>	<u>88,529</u>
<b>Total assets</b>	<b><u>\$5,302,472</u></b>	<b><u>\$5,409,375</u></b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 150,878	\$ 181,481
Current portion of mortgage	<u>20,359</u>	<u>8,330</u>
Total current liabilities	<u>171,237</u>	<u>189,811</u>
<b>Long-term debt</b>		
Mortgage	1,108,470	1,128,829
Line of credit	<u>575,000</u>	<u>575,000</u>
Total long-term debt	<u>1,683,470</u>	<u>1,703,829</u>
Total liabilities	<u>1,854,707</u>	<u>1,893,640</u>
<b>Net assets</b>		
Unrestricted		
Operating	2,802,550	2,876,234
Board designated	<u>500,000</u>	<u>500,000</u>
Total unrestricted	<u>3,302,550</u>	<u>3,376,234</u>
Temporarily restricted	<u>145,215</u>	<u>139,501</u>
Total net assets	<u>3,447,765</u>	<u>3,515,735</u>
<b>Total liabilities and net assets</b>	<b><u>\$5,302,472</u></b>	<b><u>\$5,409,375</u></b>

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Activities

Year Ended June 30

	2010						2009						
	Unrestricted		Board		Total	Temporarily Restricted	Unrestricted		Board		Total	Temporarily Restricted	Total
	Operating	Designated	Designated	Designated			Operating	Designated	Operating	Designated			
<b>Support and revenue</b>													
Public support													
Federal	\$ 46,000	\$ -	\$ 46,000	\$ 75,000	\$ 121,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ -	\$ 70,000
State	742,980	-	742,980	-	742,980	684,180	-	684,180	-	684,180	-	-	684,180
City	719,794	-	719,794	-	719,794	514,390	-	514,390	-	514,390	-	-	514,390
Other	-	-	-	-	-	25,000	-	25,000	-	-	-	-	25,000
Private support													
Corporations	90,000	-	90,000	-	90,000	251,600	-	251,600	-	251,600	-	-	251,600
Foundations	178,000	-	178,000	15,000	193,000	300,890	-	300,890	-	300,890	-	-	300,890
Individuals	88,160	-	88,160	7,540	95,700	18,573	-	18,573	-	18,573	-	-	18,573
Interest	1,187	-	1,187	-	1,187	10,425	-	10,425	-	10,425	-	-	10,425
Sponsorship revenue	90,000	-	90,000	-	90,000	160,000	-	160,000	-	160,000	-	-	160,000
Donated facilities and services	1,619,539	-	1,619,539	-	1,619,539	2,279,558	-	2,279,558	-	2,279,558	-	-	2,279,558
Benefit dinner	724,775	-	724,775	-	724,775	504,146	-	504,146	-	504,146	-	-	504,146
Other	44,483	-	44,483	-	44,483	4,817	-	4,817	-	4,817	-	-	4,817
Net assets released from restrictions	91,826	-	91,826	(91,826)	-	724,378	-	724,378	-	724,378	(724,378)	-	-
Total support and revenue	4,436,744	-	4,436,744	5,714	4,442,458	5,477,957	-	5,477,957	-	5,477,957	(654,378)	-	4,823,579
<b>Expenses</b>													
Program services													
Grants and services	994,887	-	994,887	-	994,887	1,429,165	-	1,429,165	-	1,429,165	-	-	1,429,165
Programs	524,205	-	524,205	-	524,205	538,234	-	538,234	-	538,234	-	-	538,234
Artist residences	2,244,697	-	2,244,697	-	2,244,697	2,831,958	-	2,831,958	-	2,831,958	-	-	2,831,958
Total program services	3,763,789	-	3,763,789	-	3,763,789	4,799,357	-	4,799,357	-	4,799,357	-	-	4,799,357
Supporting services													
Administrative and general	405,035	-	405,035	-	405,035	366,020	-	366,020	-	366,020	-	-	366,020
Development	162,032	-	162,032	-	162,032	138,438	-	138,438	-	138,438	-	-	138,438
Special events	179,572	-	179,572	-	179,572	212,635	-	212,635	-	212,635	-	-	212,635
Total supporting services	746,639	-	746,639	-	746,639	717,093	-	717,093	-	717,093	-	-	717,093
Total expenses	4,510,428	-	4,510,428	-	4,510,428	5,516,450	-	5,516,450	-	5,516,450	-	-	5,516,450
Increase (decrease) in net assets	(73,684)	-	(73,684)	5,714	(67,970)	(38,493)	-	(38,493)	-	(38,493)	(654,378)	-	(692,871)
Net assets, beginning of year	2,876,234	500,000	3,376,234	139,501	3,515,735	2,914,727	500,000	3,414,727	793,879	4,208,606	793,879	4,208,606	4,208,606
Net assets, end of year	\$ 2,802,550	\$ 500,000	\$ 3,302,550	\$ 145,215	\$ 3,447,765	\$ 2,876,234	\$ 500,000	\$ 3,376,234	\$ 139,501	\$ 3,515,735	\$ 139,501	\$ 139,501	\$ 3,515,735

See notes to financial statements.

LOWER MANHATTAN CULTURAL COUNCIL, INC.

Statement of Functional Expenses  
for the Year Ended June 30, 2010  
(with Summarized Comparative Information for the Year Ended June 30, 2009)

	2010										2009
	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	\$ 212,404	\$ 113,482	\$ 264,874	\$ 590,760	\$ 177,140	\$ 133,566	\$ -	\$ 310,706	\$ 901,466	\$1,012,467	
Payroll taxes and employee benefits	37,337	20,247	47,908	105,492	30,432	21,008	-	51,440	156,932	192,085	
Rent and utilities	31,141	32,940	1,577,839	1,641,920	34,600	-	-	34,600	1,676,520	2,299,204	
Artist fees	9,500	86,870	56,900	153,270	-	-	3,750	3,750	157,020	138,269	
Professional fees	26,784	33,889	161,622	222,295	27,648	-	7,325	34,973	257,268	179,700	
Re-grants	553,680	-	-	553,680	-	-	2,000	2,000	555,680	847,590	
Equipment rental and maintenance	2,075	4,795	2,104	8,974	3,674	556	17,874	22,104	31,078	80,011	
Insurance	6,759	4,506	11,556	22,821	7,511	-	-	7,511	30,332	27,297	
Marketing/advertising	150	4,359	6,575	11,084	105	-	-	105	11,189	125,679	
Meeting costs	9,063	4,856	7,118	21,037	797	461	229	1,487	22,524	26,136	
Postage	1,430	888	388	2,706	1,432	938	1,423	3,793	6,499	17,181	
Printing	4,011	14,283	5,200	23,494	698	567	5,013	6,278	29,772	31,967	
Production	42,749	39,085	15,312	97,146	-	-	138,200	138,200	235,346	236,680	
Supplies	4,601	11,302	5,848	21,751	1,597	485	2,227	4,309	26,060	29,880	
Travel	1,506	4,141	9,319	14,966	234	397	890	1,521	16,487	5,385	
Miscellaneous	6,341	5,168	11,220	22,729	8,991	930	641	10,562	33,291	20,931	
Interest	-	-	-	-	94,560	-	-	94,560	94,560	85,258	
Depreciation and amortization	45,356	143,394	60,914	249,664	15,616	3,124	-	18,740	268,404	160,730	
<b>Total</b>	<b>\$ 994,887</b>	<b>\$ 524,205</b>	<b>\$ 2,244,697</b>	<b>\$ 3,763,789</b>	<b>\$ 405,035</b>	<b>\$ 162,032</b>	<b>\$ 179,572</b>	<b>\$ 746,639</b>	<b>\$ 4,510,428</b>	<b>\$ 5,516,450</b>	

See notes to financial statements.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>Cash flows from operating activities</b>		
(Decrease) in net assets	\$ (67,970)	\$ (692,871)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	268,404	160,730
(Increase) decrease in assets		
Grants and other receivables	(153,334)	333,968
Prepaid expenses and deposit	1,937	(551)
Increase (decrease) in accounts payable and accrued expenses	<u>(30,603)</u>	<u>91,597</u>
Net cash provided by (used in) operating activities	<u>18,434</u>	<u>(107,127)</u>
<b>Cash flows (used in) investing activities</b>		
Purchases of property and equipment – net	<u>(217,589)</u>	<u>(300,929)</u>
<b>Cash flows provided by financing activities</b>		
Proceeds from line of credit	-	336,250
Repayments of mortgage note payable	<u>(8,330)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(8,330)</u>	<u>336,250</u>
<b>Net (decrease) in cash</b>	<b>(207,485)</b>	<b>(71,806)</b>
<b>Cash, beginning of year</b>	<u><b>590,061</b></u>	<u><b>661,867</b></u>
<b>Cash, end of year</b>	<u><b>\$ 382,576</b></u>	<u><b>\$ 590,061</b></u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	<u><b>\$ 94,560</b></u>	<u><b>\$ 85,258</b></u>

See notes to financial statements.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.****Notes to Financial Statements  
June 30, 2010****Note 1 – Nature of 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.

**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.

**Allowance for doubtful accounts**

The Council has not provided for an allowance for doubtful accounts. This is based on management’s experience, the aging of the accounts receivable, subsequent receipts and current economic conditions.

**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.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.****Notes to Financial Statements (continued)****June 30, 2010****Note 2 – Significant accounting policies (continued)****Property and equipment (continued)**

The City of New York stated that all City-funded capital expenditures and improvements are the property of the City, and are treated as fixed assets in the City's financial records for accounting purposes. In order to represent the City's ownership of the assets, and to avoid duplicative accounting, the City has directed the Cultural Institutions, including the Council, not to include these assets in an organization's audited financial statements.

In the 2010 fiscal year, the City of New York supported the Council through a capital expenditure of \$159,048. From the 2009 fiscal year through the 2010 fiscal year, the City has made improvements totaling \$183,998 to the Council's facilities. These assets are owned by The City of New York. The 2010 capital expenditure amount is preliminary and subject to change upon the release of the City Controller's annual comprehensive financial report.

The City of New York's investment of capital expenditures obligated the Council to operate the facility during the respective term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or relate purposes approved by the City of New York.

During the 2010 fiscal year, the Council was awarded a 5-year permit with option to renew by and between The Trust for Governors Island (previously known as the Governors Island Preservation and Education Corporation) to use Building 110 on Governors Island as artists' work space, rehearsal space and/or exhibit space.

**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. Such costs are being amortized over the life of the mortgage.

**Concentration of credit risk**

The Council's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, grants and contributions 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 exceeded the FDIC insurance limit; however, the Council has not experienced any losses in its cash accounts to date. Grants and contributions receivables are deemed collectible by management. The Council believes no significant concentration of credit risk exists with respect to its cash, grants and contributions receivables.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.****Notes to Financial Statements (continued)****June 30, 2010****Note 2 – Significant accounting policies (continued)**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 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, 2009, from which the summarized information was derived.

Subsequent events

The Council has evaluated events and transactions for potential recognition or disclosure through the date of this report, which is the date the financial statements were available to be issued.

**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 2010 fiscal year totaling \$91,826 were used to fund the programs described in note 1.

**Note 4 – Donated facilities and services**

During the 2010 and 2009 fiscal years, the Council recorded donated facilities totaling \$1,508,690 and \$2,106,373, respectively, in connection with space utilized primarily for the various programs at 156 William Street, 210 Front Street, 125 Maiden Lane, 14 Wall Street and 77 Water Street. In addition, during the 2010 and 2009 fiscal years, the Council received donated advertising space and other pro-bono services totaling \$110,849 and \$173,185, respectively.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2010**

**Note 5 – Temporarily restricted net assets**

The activities in the temporarily restricted net assets consist of the following:

	Balance at June 30, <u>2009</u>	<u>Support</u>	Released from <u>Restrictions</u>	Balance at June 30, <u>2010</u>
9/11 Re-grant funds	\$ 46,500	\$ -	\$ (17,250)	\$ 29,250
Programs	20,000	15,000	(20,000)	15,000
Artist residencies	52,576	75,000	(52,576)	75,000
Scholarship/grant fund	<u>20,425</u>	<u>7,540</u>	<u>(2,000)</u>	<u>25,965</u>
Total	<u>\$ 139,501</u>	<u>\$ 97,540</u>	<u>\$ (91,826)</u>	<u>\$ 145,215</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 note due January 15, 2017. For the first three years, the mortgage requires monthly payments of interest only at the rate of 6.06% per annum. Thereafter, the Council is required to make principal and interest payments based on a 25-year amortization period with maturity on January 15, 2017, at which time the remaining outstanding balance and accrued interest will be due and payable. The loan is secured by a mortgage on the Council's premises. The loan has a prepayment premium as outlined in the loan agreement.

The following is a summary of the required principal payments on the mortgage as of June 30, 2010:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 20,359
2012	21,459
2013	23,002
2014	24,456
2015	26,002
2016	27,475
2017	<u>986,076</u>
Total	<u>\$1,128,829</u>

The Council has available a \$1,000,000 revolving line of credit with its financial institution. The Council may borrow, repay and re-borrow until the maturity date. The line expires on January 15, 2017 when all sums of principal and accrued interest will be due and payable. The line requires interest at the prime rate plus 1% per annum (4.25% at June 30, 2010). 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, 2010, \$575,000 was outstanding under this agreement.

**LOWER MANHATTAN CULTURAL COUNCIL, INC.****Notes to Financial Statements (continued)****June 30, 2010****Note 7 – Commitment**

During the 2010 fiscal year, the Council has entered into a permit agreement with the Trust for Governors Island (formerly known as The Governors Island Preservation and Education Corporation) for its artistic use of certain portions of the premises known as Building 110 on Governors Island, NY. The initial permit to use the premises is for a nominal value of \$1 per year and it expires in March 2015. The permit has certain extension options as defined in the agreement.

**Note 8 – 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 as described in Sections 509(A)(1) and 170(b)(1)(A)(vi), and not a private foundation. Donors are eligible to receive the maximum charitable tax deductions available for public charities under the Code. As of June 30, 2010, no amounts have been recognized for any uncertain income tax positions. The Council's tax returns for the fiscal year 2007 and forward are subject to the usual review by the appropriate taxing authorities.