

**LOWER EAST SIDE DISTRICT MANAGEMENT
ASSOCIATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Lower East Side District Management Association, Inc.
New York, New York 10002

I have audited the accompanying statement of financial position of the Lower East Side District Management Association, Inc. for the years ended June 30, 2008 and June 30, 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lower East Side District Management Association, Inc. for the years ended June 30, 2008 and June 30, 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles.

New York, New York
November 14, 2008

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets			
Cash on deposit		\$205,609	\$ 94,721
Accounts receivable		134,423	149,926
Prepaid expenses		6,410	9,563
Inventory		<u>1,033</u>	<u>2,293</u>
Total current assets		\$347,475	\$256,503
Fixed and other assets			
Leasehold improvements			
- net of depreciation		4,494	5,294
Furniture and equipment			
- net of depreciation		15,707	13,735
Sanitation equipment			
- net of depreciation		1,300	3,900
Street signage/furniture			
- net of depreciation		10,453	11,469
Security deposits		<u>14,000</u>	<u>8,000</u>
Total fixed and other assets		<u>45,954</u>	<u>42,398</u>
		<u>\$393,429</u>	<u>\$298,901</u>
	<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities			
Accounts payable		\$ 29,682	\$ 36,631
Net Assets			
Net assets – June 30, 2007 and 2006		<u>363,747</u>	<u>262,270</u>
Total liabilities and net assets		<u>\$393,429</u>	<u>\$298,901</u>

See notes to financial statements

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUE		
Assessments	\$245,200	\$200,000
Parking	361,921	287,699
Grant income	169,219	147,150
Miscellaneous income	<u>8,326</u>	<u>14,283</u>
Total revenue	<u>\$784,666</u>	<u>\$649,132</u>
EXPENSES		
Program services	\$573,452	\$472,411
General and administrative expenses	93,782	81,189
Fundraising	<u>15,955</u>	<u>11,301</u>
Total expenses	<u>683,189</u>	<u>564,901</u>
Change in net assets	101,477	84,231
Net assets – beginning of year	<u>262,270</u>	<u>178,039</u>
Net assets – end of year	<u>\$363,747</u>	<u>\$262,270</u>

See notes to financial statements

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash provided internally:		
Change in net assets	\$101,477	\$ 84,231
Depreciation	<u>8,340</u>	<u>8,103</u>
	\$109,817	\$ 92,334
Changes in working capital:		
Accounts receivable	15,504	(34,467)
Prepaid expense	3,152	956
Inventory	1,260	(2,293)
Accounts payable	<u>(6,949)</u>	<u>(13,140)</u>
	<u>12,967</u>	<u>(22,664)</u>
Total cash provided internally	122,784	69,670
Investment activities:		
Acquisition of assets	(5,896)	—
Security deposits	<u>(6,000)</u>	<u>4,000</u>
Net cash used by investment activities	<u>(11,896)</u>	<u>4,000</u>
Net increase/(decrease) in cash	110,888	73,670
Cash in bank – beginning of year	<u>94,721</u>	<u>21,051</u>
Cash in bank – end of year	<u>\$205,609</u>	<u>\$ 94,721</u>

See notes to financial statements

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 1 THE ORGANIZATION

The Lower East Side District Management Association, Inc. (LESDMA) was incorporated on January 7, 1992 as a not-for-profit corporation under the General Corporation Law of the State of New York. LESDMA was organized to coordinate a business improvement district for the Lower East Side of Manhattan. Program elements include: promotion of the local retail district through marketing campaigns; maintenance and improvement of parking facilities in the area; assistance in the delivery of sanitation and security services. Funding will stem from annual tax assessments administered by the City of New York.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The financial statements of LESDMA have been prepared on the accrual basis of accounting.

Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction 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 activity as net assets released from restrictions.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit stipulations about how long those long-lived assets must be maintained, LESDMA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets

Unrestricted – this class includes net assets from unrestricted contributions and from other resources not subject to donor-imposed restrictions.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Fixed assets

Fixed assets are depreciated over their estimated useful lives using the straight-line method.

NOTE 3 TAX STATUS

LESDMA has been granted an exemption from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Code sections 509(a)(1) and 170(b)(A)(VI).

NOTE 4 GRANT REVENUE

Grant revenue for the year ended June 30, 2008 included the following:

Cornell University	\$ 17,079
NYC Dept. of Small Business Services	59,640
Empire State Development Corp.	80,000
North Fork Foundation	5,000
Health Plus	5,000
New York University	1,000
Keep America Beautiful	1,500
	<u>\$169,219</u>

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 5 FIXED AND OTHER ASSETS

Fixed and other assets as at June 30, 2008:

Furniture and equipment	\$ 41,107
Street signage/furniture	33,591
Sanitation equipment	26,000
Leasehold improvements	64,024
Security deposits	<u>14,000</u>
Total fixed and other assets	\$178,722
Accumulated depreciation	<u>132,768</u>
Fixed and other assets (net of depreciation)	<u>\$ 45,954</u>

NOTE 6 COMMITMENTS AND CONTINGENCIES

The management of LESDMA has advised us that they are not involved in any litigation.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To The Board of Directors
Lower East Side District Management Association, Inc.
New York, New York 10002

My report on the audits of the basic financial statements of the Lower East Side District Management Association, Inc. for the years ended June 30, 2008 and June 30, 2007 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented on the following page is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I express no opinion on them.

New York, New York
November 14, 2008

SUPPLEMENTAL REPORT

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

SUPPORTING SCHEDULES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

UNAUDITED

	<u>2008</u>	<u>2007</u>
Program services		
Salaries	\$183,098	\$121,092
Payroll taxes	14,878	10,358
Health insurance	12,648	11,157
Telephone/internet	2,534	3,442
Occupancy	28,099	25,239
Office	12,398	8,018
Parking lot	31,241	16,450
Sanitation/beautification	66,512	58,295
Expansion	385	16,983
Graffiti removal	9,570	9,570
Holiday lights	22,550	22,200
Grants	3,614	3,702
Incubator	—	11,067
Streetscape improvements	13,349	10,788
ShopAble NYC	15,200	—
Fashion flipside	—	1,667
Advertising/events	116,321	89,414
Public relations	6,994	2,403
Consultants	19,759	22,845
Security	—	16,200
Printing/postage	10,621	8,760
Miscellaneous	3,681	2,761
	<u>\$573,452</u>	<u>\$472,411</u>

SUPPLEMENTAL REPORT

LOWER EAST SIDE DISTRICT MANAGEMENT ASSOCIATION, INC.

SUPPORTING SCHEDULES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

UNAUDITED

	<u>2008</u>	<u>2007</u>
General and administrative expenses		
Salaries	\$ 48,826	\$ 32,291
Payroll taxes	3,968	2,762
Health insurance	3,373	2,975
Telephone/internet	475	645
Occupancy	5,269	4,732
Office	4,132	2,672
Professional	10,711	15,151
Insurance	5,587	9,391
Printing/postage	1,874	1,546
Depreciation	8,340	8,103
Miscellaneous	<u>1,227</u>	<u>921</u>
	<u>\$ 93,782</u>	<u>\$ 81,189</u>
Fundraising		
Salaries	\$ 12,206	\$ 8,073
Payroll taxes	992	690
Health insurance	843	744
Telephone/internet	158	216
Occupancy	<u>1,756</u>	<u>1,578</u>
	<u>\$ 15,955</u>	<u>\$ 11,301</u>