

LOWER EAST SIDE PRINTSHOP, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008

LOWER EAST SIDE PRINTSHOP, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lower East Side Printshop, Inc.

I have audited the accompanying statement of financial position of Lower East Side Printshop, Inc. (a not-for-profit organization) as of June 30, 2008, and the related statements of activity, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 Lower East Side Printshop, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in my report dated October 11, 2007, I expressed an unqualified opinion on those financial statements.

Kathryn Lundquist

Bradley Beach, New Jersey
August 27, 2008

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	<u>2008</u>	<u>2007</u> (Note 1)
Assets		
Cash and cash equivalents (Note 1)	\$ 58,171	\$ 68,727
Accounts and miscellaneous receivables	11,831	14,040
Promises to give (Notes 1 & 2)	54,000	2,500
Prepaid expenses	3,136	4,366
Security deposit	21,227	21,227
Fixed assets (Notes 1 & 3)	<u>221,318</u>	<u>250,342</u>
 Total Assets	 <u>\$369,683</u>	 <u>\$361,202</u>
Liabilities		
Accrued expenses	\$ -	\$ 84
Loan payable (Note 4)	111,756	131,867
Payroll taxes payable	<u>6,621</u>	<u>6,365</u>
 Commitment (Note 6)		
 Total Liabilities	 <u>118,377</u>	 <u>138,316</u>
Net Assets		
Unrestricted net assets	199,306	222,886
Temporarily restricted net assets (Note 7)	<u>52,000</u>	<u>-</u>
 Total Net Assets	 <u>251,306</u>	 <u>222,886</u>
 Total Liabilities and Net Assets	 <u>\$369,683</u>	 <u>\$361,202</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	2008	2007
	<u>Total</u>	<u>Total</u>
Unrestricted Net Assets		(Note 1)
Revenue and Support		
Fees	\$249,389	\$149,331
Sales	205,022	230,130
Interest	1,875	2,445
Miscellaneous	567	623
Government	102,000	59,750
Foundations	74,000	108,500
Corporations	1,500	-
Individuals	98,436	74,810
Net assets released from restrictions	<u>-</u>	<u>50,000</u>
Total Revenue and Support	<u>732,789</u>	<u>675,589</u>
Less: Expenses		
Program Services		
Educational Programs	81,282	82,485
Workspace Programs	494,469	384,812
Supporting Services		
Management and General	35,799	56,509
Fund Raising	<u>144,819</u>	<u>102,285</u>
Total Expenses	<u>756,369</u>	<u>626,091</u>
Change in Unrestricted Net Assets	<u>(23,580)</u>	<u>49,498</u>
Temporarily Restricted Net Assets		
Foundations	52,000	-
Net assets released from restrictions	<u>-</u>	<u>(50,000)</u>
Change in Temporarily Restricted Net Assets	<u>52,000</u>	<u>(50,000)</u>
Change in Net Assets	28,420	(502)
Net assets – beginning of year	<u>222,886</u>	<u>223,388</u>
Net Assets – End of Year	<u>\$251,306</u>	<u>\$222,886</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	<u>Program</u>	<u>Services</u>	<u>Supporting Services</u>			
	<u>Educational</u>	<u>Workspace</u>	<u>Management</u>	<u>Fund</u>	2008	2007
	<u>Programs</u>	<u>Programs</u>	<u>& General</u>	<u>Raising</u>	<u>Total</u>	<u>Total</u>
Salaries, payroll taxes and employee benefits	\$ 25,425	\$198,139	\$ -	\$ 58,297	\$281,861	\$209,837
Consultants	23,508	28,663	24,645	316	77,132	88,040
Technical and artistic fees	-	21,579	390	8,460	30,429	23,766
Professional development	-	-	730	-	730	225
Legal, accounting & audit	-	-	2,775	-	2,775	2,480
Occupancy	13,465	95,420	-	26,931	135,816	124,031
Insurance	502	3,514	-	1,004	5,020	3,976
Office	657	4,697	-	1,340	6,694	3,083
Telephone	488	3,416	-	976	4,880	5,069
Postage	832	10,075	-	13,375	24,282	19,172
Meetings and conferences	-	2,195	514	135	2,844	1,076
Travel, food & lodging	485	12,820	-	1,126	14,431	5,492
Dues and subscriptions	260	10,184	-	760	11,204	5,218
Program supplies	8,910	39,426	-	8,006	56,342	44,798
Documentation	-	1,368	170	398	1,936	3,112
Publicity and printing	1,068	12,812	-	9,789	23,669	19,246
Advertising	278	11,806	-	3,097	15,181	11,920
Miscellaneous	-	525	2,475	-	3,000	1,925
Credit card fees	1,351	9,460	-	2,703	13,514	8,494
Interest	723	5,063	50	1,447	7,283	9,000
Bad debts	-	-	4,050	-	4,050	-
Depreciation	<u>3,330</u>	<u>23,307</u>	<u>-</u>	<u>6,659</u>	<u>33,296</u>	<u>36,131</u>
Total Expenses – 2008	<u>\$ 81,282</u>	<u>\$494,469</u>	<u>\$ 35,799</u>	<u>\$144,819</u>	<u>\$756,369</u>	
Total Expenses – 2007 (Note 1)	<u>\$ 82,485</u>	<u>\$384,812</u>	<u>\$ 56,509</u>	<u>\$102,285</u>		<u>\$626,091</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	<u>2008</u>	<u>2007</u> (Note 1)
Cash Flows from Operating Activities		
Change in net assets	\$ 28,420	\$ (502)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,296	36,131
Increase (decrease) in:		
Accounts and miscellaneous receivables	2,209	(9,652)
Promises to give	(51,500)	7,500
Prepaid expenses	1,230	(3,116)
(Increase) decrease in:		
Accrued expenses	(84)	(1,236)
Payroll taxes payable	<u>256</u>	<u>1,944</u>
Net cash provided by operating activities	13,827	31,069
Cash Flows from Investing Activities		
Net acquisition of fixed assets	(4,272)	(12,888)
Cash Flows from Financing Activities		
Loan payments	<u>(20,111)</u>	<u>(18,133)</u>
Net increase (decrease) in cash	(10,556)	48
Cash – beginning	<u>68,727</u>	<u>68,679</u>
Cash – Ending	<u>\$ 58,171</u>	<u>\$ 68,727</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Operations – Lower East Side Printshop, Inc., (LESP), founded in 1968, promotes and advances the art of printmaking. LESP supports and facilitates the creation of new works in printmaking by providing 24-hour studio access, financial and technical assistance to artists; it offers innovative educational programs for the general public, and it promotes print collecting through public programs on and off-site.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standard Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from estimates.

Contributions – The Organization accounts for contributions in accordance with the recommendations of the FASB in SFAS No. 116, “Accounting for Contributions Received and Contributions Made.” In accordance with that Statement, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (such as when a stipulated time restriction ends or a purpose 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.

Promises to Give – Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Fixed Assets – Fixed assets are stated at cost or at fair market value on the date of the gift if received as a contribution. Major additions and betterments are capitalized, repairs and minor renewals are charged to operations as incurred. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contribution Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Functional Expenses - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

Prior Year Information – The financial information shown for 2007 in the accompanying financial statements is included to provide a basis for comparison with 2008 amounts and in certain cases provides summarized totals only. The 2007 amounts are not intended to include all the information necessary for a fair presentation in accordance with generally accepted accounting principles.

Tax Status – Lower East Side Printshop, Inc. was organized as a Not-For-Profit Corporation under the laws of the State of New York. The Corporation has filed for and received an exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code, and has been designated as an organization that is not a private foundation.

Note 2 – Promises to Give

Unconditional promises are collectible within one year and consist of the following:

	<u>2008</u>	<u>2007</u>
Jerome Foundation	\$ 17,000	\$ -
Carnegie Corporation	25,000	-
NYC Department of Cultural Affairs	<u>12,000</u>	<u>2,500</u>
	<u>\$ 54,000</u>	<u>\$ 2,500</u>

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 3 – Fixed Assets

Fixed assets consist of the following:	<u>Life</u>	2008 <u>Amount</u>	2007 <u>Amount</u>
Leasehold improvements	10 years	\$277,481	\$277,481
Computers and peripherals	3 years	2,282	7,364
Equipment	5-25 years	32,272	33,772
Furniture	10 years	<u>15,261</u>	<u>9,699</u>
		327,296	328,316
Less: Accumulated depreciation		<u>105,978</u>	<u>77,974</u>
		<u>\$221,318</u>	<u>\$250,342</u>

Note 4 – Loans Payable

The Organization financed its build-out costs and moving expenses in connection with its relocation with a loan from Structured Economic Development Corporation. Interest only payments (at 6%) are due for the first 12 months of the loan. Thereafter, monthly payments are \$2,485.93, including interest.

The future scheduled maturities of long-term debt are as follows:

Year ending June 30, 2009	\$23,335
“ “ June 30, 2010	\$25,211
“ “ June 30, 2011	\$26,767
“ “ June 30, 2012	\$28,418
“ “ June 30, 2013	\$ 5,578

Note 5 – NYC Capital Expenditures

The City of New York, acting through the Department of Cultural Affairs, has expended \$7,760 for the year ended June 30, 2008 and \$45,240 for the year ended June 30, 2007 (a total grant of \$53,000) for capital improvements and equipment purchases at Lower East Side Printshop's studio and offices.

The City's investment of capital expenditures obligates the Organization to operate the facility during the respective bonding 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 related purposes approved by the City.

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 6 – Commitment

The Organization occupies studio and office space under a lease providing for minimum annual payment as follows:

Year ended December 31, 2008	\$ 94,168
“ “ “ 2009	\$ 96,993
“ “ “ 2010	\$113,161
“ “ “ 2011	\$116,556
“ “ “ 2012	\$120,052
“ “ “ 2013	\$123,654
“ “ “ 2014	\$127,363

January and February 2015 \$10,932 per month.

In addition, the lease provides for real estate tax escalations.

Note 7 – Restrictions on Net Assets

Temporarily restricted net assets are to be used for:

	<u>2008</u>	<u>2007</u>
Lily Auchincloss Foundation – Artist Residency Programs	\$ 10,000	\$ -
Jerome Foundation – Artist Residency Programs	17,000	-
Carnegie Corporation – Year ended June 30, 2009	<u>25,000</u>	<u>-</u>
	<u>\$ 52,000</u>	<u>\$ -</u>