

LOWER EAST SIDE PRINTSHOP, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

LOWER EAST SIDE PRINTSHOP, INC.

TABLE OF CONTENTS

Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 10

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, 2010, 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, 2010, 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 2009 financial statements and, in my report dated November 5, 2010, I expressed an unqualified opinion on those financial statements.



Bradley Beach, New Jersey
December 31, 2010

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u> (Note 1)
Assets		
Cash and cash equivalents (Note 1)	\$ 6,221	\$ 26,700
Accounts and miscellaneous receivables	3,910	16,647
Art inventory (Notes 1 & 8)	12,757	8,938
Promises to give (Notes 1 & 2)	10,570	25,835
Prepaid expenses	3,675	2,500
Security deposit	21,227	21,227
Fixed assets (Notes 1 & 3)	<u>153,355</u>	<u>187,617</u>
Total Assets	<u>\$211,715</u>	<u>\$289,464</u>
Liabilities		
Loan payable (Note 4)	\$ 58,927	\$ 85,759
Deferred income	10,000	-
Miscellaneous payables	3,840	-
Payroll liabilities	<u>3,220</u>	<u>7,400</u>
Total Liabilities	<u>75,987</u>	<u>93,159</u>
Commitment (Note 6)		
Total Liabilities	<u>75,987</u>	<u>93,159</u>
Net Assets		
Unrestricted net assets	135,728	171,305
Temporarily restricted net assets (Note 7)	<u>-</u>	<u>25,000</u>
Total Net Assets	<u>135,728</u>	<u>196,305</u>
Total Liabilities and Net Assets	<u>\$211,715</u>	<u>\$289,464</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u> <u>Total</u>	<u>2009</u> <u>Total</u> (Note 1)
Unrestricted Net Assets		
Revenue and Support		
Fees	\$253,617	\$274,963
Sales	109,243	101,891
Interest	-	65
Miscellaneous	87	437
Government	97,070	133,835
Foundations	57,300	22,500
Corporations	6,000	2,500
Individuals	77,210	83,496
Net assets released from restrictions	<u>25,000</u>	<u>52,000</u>
Total Revenue and Support	<u>625,527</u>	<u>671,687</u>
Less: Expenses		
Program Services		
Educational Programs	70,175	71,992
Workspace Programs	463,056	520,428
Supporting Services		
Management and General	5,663	15,215
Fund Raising	<u>122,210</u>	<u>100,991</u>
Total Expenses	<u>661,104</u>	<u>708,626</u>
Change in Unrestricted Net Assets	<u>(35,577)</u>	<u>(36,939)</u>
Temporarily Restricted Net Assets		
Foundations	-	25,000
Net assets released from restrictions	<u>(25,000)</u>	<u>(52,000)</u>
Change in Temporarily Restricted Net Assets	<u>(25,000)</u>	<u>(27,000)</u>
Change in Net Assets	(60,577)	(63,939)
Cumulative effect of a change in accounting principle (Note 8)	-	8,938
Net assets – beginning of year	<u>196,305</u>	<u>251,306</u>
Net Assets – End of Year	<u>\$135,728</u>	<u>\$196,305</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	<u>Program</u>	<u>Services</u>	<u>Supporting Services</u>			
	<u>Educational</u>	<u>Workspace</u>	<u>Management</u>	<u>Fund</u>	2010	2009
	<u>Programs</u>	<u>Programs</u>	<u>& General</u>	<u>Raising</u>	<u>Total</u>	<u>Total</u>
Salaries, payroll taxes & employee benefits	\$ 21,607	\$219,507	\$ -	\$ 63,815	\$304,929	\$278,942
Consultants	21,152	16,924	-	2,860	40,936	79,914
Technical and artistic fees	-	18,582	-	11,072	29,654	32,452
Professional development	-	-	85	-	85	160
Legal, accounting & audit	-	-	3,585	-	3,585	3,370
Occupancy	13,878	111,020	-	13,878	138,776	134,118
Insurance	542	3,797	-	1,085	5,424	4,414
Office	146	1,056	-	772	1,974	2,139
Telephone	330	2,308	-	660	3,298	4,485
Postage	304	3,200	-	1,976	5,480	10,027
Meetings and conferences	-	209	242	49	500	579
Travel, food & lodging	652	10,137	-	1,696	12,485	9,739
Dues and subscriptions	128	3,398	-	3,416	6,942	12,052
Program supplies	6,642	32,328	-	6,011	44,981	54,381
Documentation	-	1,393	-	-	1,393	1,007
Publicity & printing	-	5,270	-	5,330	10,600	22,313
Advertising	-	335	1,093	-	1,428	5,864
Miscellaneous	-	30	331	-	361	1,889
Credit card fees	1,068	7,480	-	2,137	10,685	8,914
Interest & penalties	300	2,099	327	600	3,326	8,166
Depreciation	<u>3,426</u>	<u>23,983</u>	<u>-</u>	<u>6,853</u>	<u>34,262</u>	<u>33,701</u>
Total Expenses – 2010	<u>\$ 70,175</u>	<u>\$463,056</u>	<u>\$ 5,663</u>	<u>\$122,210</u>	<u>\$661,104</u>	
Total Expenses – 2009 (Note 1)	<u>\$ 71,992</u>	<u>\$520,428</u>	<u>\$ 15,215</u>	<u>\$100,991</u>		<u>\$708,626</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u> (Note 1)
Cash Flows from Operating Activities		
Change in net assets	\$ (60,577)	\$ (63,939)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,262	33,701
Increase (decrease) in:		
Accounts and miscellaneous receivables	12,737	(4,816)
Art inventory	(3,819)	-
Promises to give	15,265	28,165
Prepaid expenses	(1,175)	636
(Increase) decrease in:		
Deferred income	10,000	-
Miscellaneous payables	3,840	-
Payroll liabilities	<u>(4,180)</u>	<u>779</u>
Net cash used for operating activities	6,353	(5,474)
Cash Flows from Financing Activities		
Loan payments	<u>(26,832)</u>	<u>(25,997)</u>
Net decrease in cash	(20,479)	(31,471)
Cash – beginning	<u>26,700</u>	<u>58,171</u>
Cash – Ending	<u>\$ 6,221</u>	<u>\$ 26,700</u>

See notes to financial statements.

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 in New York City. LESP is primarily supported by fees for its programs, sales of artwork and contributions from the general public.

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.

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

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.

Art Inventory – The Organization's inventory of art held for sale is valued at the lower of its cost or market value.

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 2009 in the accompanying financial statements is included to provide a basis for comparison with 2010 amounts and in certain cases provides summarized totals only. The 2009 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.

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Note 2 – Promises to Give

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

	<u>2010</u>	<u>2009</u>
National Endowment for the Arts	\$ 5,000	\$ 20,000
NYC Department of Cultural Affairs	<u>5,570</u>	<u>5,835</u>
	<u>\$ 10,570</u>	<u>\$ 25,835</u>

Note 3 – Fixed Assets

		2010	2009
Fixed assets consist of the following:	<u>Life</u>	<u>Amount</u>	<u>Amount</u>
Leasehold improvements	10 years	\$277,481	\$277,481
Computers and peripherals	3 years	2,282	2,282
Equipment	5-25 years	32,272	32,272
Furniture	10 years	<u>15,261</u>	<u>15,261</u>
		327,296	327,296
Less: Accumulated depreciation		<u>173,941</u>	<u>139,679</u>
		<u>\$153,355</u>	<u>\$187,617</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, 2011	\$ 25,395
“ “ June 30, 2012	\$ 28,597
“ “ June 30, 2013	\$ 4,935

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2009 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.

Note 6 – Commitment

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

Year ended December 31, 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>2010</u>	<u>2009</u>
Carnegie Corporation – Year ended June 30, 2010	<u>\$ -</u>	<u>\$ 25,000</u>

LOWER EAST SIDE PRINTSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Note 8 – Change in Accounting Principle

For the year ended June 30, 2009, the Organization has elected to value and recognize its inventory of art held for resale. The artwork was obtained either through donation or by creation at the Organization's facilities.

The value of the inventory as of June 30, 2009 was determined to be \$8,938. This amount is reflected as an adjustment due to a change in an accounting principal. The value of the inventory at June 30, 2008 was not determinable.