

LOWER EAST SIDE PRINTSHOP, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower East Side Printshop, Inc.

We have audited the accompanying financial statements of Lower East Side Printshop, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

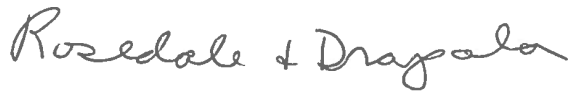
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also included evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our 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, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Rosedale & Drapala".

Rosedale & Drapala
Certified Public Accountants

November 25, 2014
Wantagh, New York

LOWER EAST SIDE PRINTSHOP, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30

ASSETS

CURRENT ASSETS	2014	2013
Cash and cash equivalents	\$ 113,510	\$ 65,094
Accounts receivable	7,908	5,934
Grants receivable	49,515	74,245
Prepaid expenses and other current assets	20,423	9,522
Inventory	33,487	32,629
TOTAL CURRENT ASSETS	<u>224,843</u>	<u>187,424</u>
 PROPERTY AND EQUIPMENT, net of accumulated depreciation	 54,682	 89,404
 Intangible asset, Editions/Artists' Book Fair	 100,000	 -
Security deposit	<u>21,227</u>	<u>21,227</u>
 TOTAL ASSETS	 <u>\$ 400,752</u>	 <u>\$ 298,055</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 9,169	\$ 4,415
Current portion of long term debt	20,000	-
Deferred income	56,387	-
TOTAL CURRENT LIABILITIES	<u>85,556</u>	<u>\$ 4,415</u>
 Long Term Debt	 80,000	 -
 TOTAL LIABILITIES	 <u>165,556</u>	 <u>4,415</u>
NET ASSETS		
Unrestricted	185,681	219,395
Temporarily restricted	49,515	74,245
 TOTAL NET ASSETS	 <u>235,196</u>	 <u>293,640</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 400,752</u>	 <u>\$ 298,055</u>

See accompanying notes and auditors' report.

LOWER EAST SIDE PRINTSHOP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30

UNRESTRICTED NET ASSETS	2014	2013
Revenue and Support		
Fees	\$ 256,739	\$ 231,281
Sales	174,384	203,253
Government	81,000	96,980
Foundations	22,000	42,500
Corporations	-	1,500
Individuals	46,243	65,307
Other	335	283
Net assets released from restrictions	74,245	32,455
Total Support and Revenue	<u>654,946</u>	<u>673,559</u>
EXPENSES		
Program Services		
Workspace programs	576,233	562,023
Educational programs	53,164	61,390
Support Services		
Fundraising	48,872	61,437
General	10,391	13,953
Total Expenses	<u>688,660</u>	<u>698,803</u>
Change in Unrestricted Net Assets	<u>(33,714)</u>	<u>(25,244)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Foundations	18,000	39,500
Government	31,515	34,745
Net Assets Released from Restrictions	(74,245)	(32,455)
Change in Temporarily Restricted Net Assets	<u>(24,730)</u>	<u>41,790</u>
Change in Net Assets	(58,444)	16,546
NET ASSETS AT BEGINNING OF YEAR	293,640	277,094
NET ASSETS AT END OF YEAR	<u>\$ 235,196</u>	<u>\$ 293,640</u>

See accompanying notes and auditors' report.

LOWER EAST SIDE PRINTSHOP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (58,444)	\$ 16,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,128	34,941
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Accounts receivable	(1,974)	17,970
Grants receivable	24,730	(41,790)
Prepaid expenses	(10,901)	484
Inventory	(858)	(9,956)
Increase (Decrease) in:		
Accounts payable and accrued expenses	4,754	(3,479)
Deferred income	56,387	-
	<u>108,266</u>	<u>(1,830)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>49,822</u>	<u>14,716</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(1,406)	(32,744)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of note payable	<u>-</u>	<u>(4,935)</u>
NET INCREASE (DECREASE) IN CASH	48,416	(22,963)
CASH AT BEGINNING OF YEAR	<u>65,094</u>	<u>88,057</u>
CASH AT END OF YEAR	<u>\$ 113,510</u>	<u>\$ 65,094</u>

See accompanying notes and auditors' report.

LOWER EAST SIDE PRINTSHOP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30
(CONTINUED)

SUPPLEMENTAL CASH FLOW INFORMATION:	<u>2014</u>	<u>2013</u>
Cash paid during the year for:		
Interest Paid	<u>\$ -</u>	<u>\$ 25</u>

DISCLOSURE OF ACCOUNTING POLICY

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

See accompanying notes and auditors' report.

LOWER EAST SIDE PRINTSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - NATURE OF ORGANIZATION

Lower East Side Printshop, Inc. ("the Organization") is a New York State non-profit cultural center formed in 1968. The mission of the Organization is to support contemporary artists by enabling them to create new work by providing open access to studio space, stipends, expertise in printmaking and exposure opportunities. The organization also conducts educational programs which include college level internships, career development workshops for artists, print-making classes for adults and specialized lectures for college and museum groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid debt instruments purchased with original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents at major financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Grants Receivable

Grants are recognized in contribution income when the donor makes a pledge that is, in substance, unconditional.

Property and Equipment

Property and equipment, which consists of printmaking equipment, computer hardware and software, furniture and fixtures, and leasehold improvements, are stated at their cost at the dates of acquisition and at their fair values at the date of donation. Depreciation of equipment and furniture and fixtures is provided over the estimated lives of the respective assets, using the straight line method. Amortization of leasehold improvements is provided on a straight line method over the remaining period of the related lease or the estimated useful lives of the improvements, whichever is less.

Tax Status

Lower East Side Printshop, Inc. was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization is also exempt from New York State income taxes under Section 402 of the New York State Revenue Code.

LOWER EAST SIDE PRINTSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It is required that the amounts for each of the classes of net assets-permanently restricted, temporarily restricted and unrestricted-be displayed in a statement of financial position and the amount of change in each of those classes of net asserts be displayed in a statement of activities.

These three classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When those stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LOWER EAST SIDE PRINTSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 – SUMMARY OF GRANTS RECEIVED

	<u>UNRESTRICTED</u>	2013 TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
GOVERNMENT			
National Endowment for the Arts	\$ 10,000	\$ 25,000	\$ 35,000
NYC Department of Cultural Affairs	41,920	9,745	51,665
NYS Council on the Arts	<u>45,060</u>	<u>0</u>	<u>45,060</u>
	<u>\$ 96,980</u>	<u>\$ 34,745</u>	<u>\$ 131,725</u>
FOUNDATIONS			
Ford Foundation	\$ 25,000	\$ 25,000	\$ 50,000
Jerome Foundation	14,500	14,500	29,000
Milton and Sally Avery Arts Foundation	<u>3,000</u>	<u>0</u>	<u>3,000</u>
	<u>\$ 42,500</u>	<u>\$ 39,500</u>	<u>\$ 82,000</u>

	<u>UNRESTRICTED</u>	2014 TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
GOVERNMENT			
National Endowment for the Arts	\$ 0	\$ 20,000	\$ 20,000
NYC Department of Cultural Affairs	41,000	11,515	52,515
NYS Council on the Arts	<u>40,000</u>	<u>0</u>	<u>40,000</u>
	<u>\$ 81,000</u>	<u>\$ 31,515</u>	<u>\$112,515</u>
FOUNDATIONS			
New York Community Trust	\$ 18,000	\$ 18,000	\$ 36,000
Milton and Sally Avery Arts Foundation	3,000	0	3,000
Tremaine Foundation	<u>1,000</u>	<u>0</u>	<u>1,000</u>
	<u>\$ 22,000</u>	<u>\$ 18,000</u>	<u>\$ 40,000</u>

LOWER EAST SIDE PRINTSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 – ACQUISITION OF EDITIONS/ARTISTS' BOOKS (E/AB) FAIR

The organization acquired the intellectual property and the commercial goodwill of the Editions/Artists' - Books Fair on May 20, 2014 for \$100,000.

NOTE 5 – DEFERRED INCOME

Represents prepaid booth fees collected from exhibitors at the E/AB Fair for 2014 which took place in fiscal year June 30, 2015.

NOTE 6 – PROPERTY AND EQUIPMENT

The Organization's property and equipment at June 30, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Equipment and software	\$ 76,905	\$ 75,498
Leasehold improvements	277,480	277,480
Furniture and fixtures	<u>15,261</u>	<u>15,261</u>
	369,646	368,239
Less: Accumulated depreciation	<u>(314,964)</u>	<u>(278,835)</u>
	<u>\$ 54,682</u>	<u>\$ 89,404</u>

NOTE 7 – PREPAID EXPENSES

Prepaid expenses consist of prepaid insurance and prepaid expenses associated with organizing the Editions/Artists' Books Fair.

NOTE 8 – CONTINGENCIES AND COMMITMENTS

The Organization is obligated under a lease agreement for its premises. The lease commenced on January 1, 2005 and expires on February 28, 2015.

Minimum required future rental payment under the operating lease as of June 30, 2014 is \$85,546

LOWER EAST SIDE PRINTSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 9 – NOTE PAYABLE

The organization executed a non-interest bearing promissory note in the amount of \$100,000 for the acquisition of the Editions/Artists' Books Fair as indicated in Note 4. Payments by fiscal year due are as follows:

June 30, 2015	\$ 20,000
June 30, 2016	20,000
June 30, 2017	20,000
June 30, 2018	20,000
June 30, 2019	<u>20,000</u>
	100,000
Less: Current maturities	<u>20,000</u>
Long Term Debt	<u>\$ 80,000</u>

NOTE 10 – PRIOR YEAR ADJUSTMENT

Temporarily restricted net assets as previously reported for the fiscal year June 30, 2013 were understated by this office by \$64,245 as follows:

National Endowment for the Arts	\$ 15,000
NYC Department of Cultural Affairs	9,745
Ford Foundation	25,000
Jerome Foundation	<u>14,500</u>
	<u>\$ 64,245</u>

The correct amount of temporarily restricted net assets at June 30, 2013 is \$74,245.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Lower East Side Printshop, Inc.
306 West 37th Street
New York, NY 10018

Our report on the audit of the basic financial statements of Lower East Side Printshop, Inc. for the year ended June 30, 2014 and 2013 appears on pages 1 and 2. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented on page 13 is presented for purposes 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 audits of the basic financial statements, and accordingly, we express no opinion on it.



Rosedale & Drapala

November 25, 2014
Wantagh, New York

LOWER EAST SIDE PRINTSHOP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30

	Program Services		Support Services		Total	Total
	Educational	Workspace	Fundraising	General	6/30/2014	6/30/2013
Payroll	\$ 18,319	\$ 159,674	\$ 25,415	\$ -	203,408	\$ 238,999
Employee benefits	2,874	25,047	3,987	-	31,908	32,960
Consultants	17,135	81,040	5,385	-	103,560	83,382
Technical fees	-	13,204	540	541	14,285	16,571
Artists' stipends	-	23,000	-	-	23,000	24,000
Employee training	-	-	-	225	225	630
Legal and accounting	-	-	-	7,825	7,825	8,360
Occupancy	8,498	152,957	8,498	-	169,953	159,802
Insurance	188	3,381	188	-	3,757	4,470
Office supplies	-	9	-	509	518	1,099
Telephone	149	2,681	149	-	2,979	3,122
Postage	73	4,051	344	-	4,468	4,832
Meetings and conferences	-	84	-	168	252	870
Travel	223	6,318	223	-	6,764	6,428
Dues and subscriptions	99	11,778	99	-	11,976	9,702
Program supplies	3,254	32,730	1,692	-	37,676	42,688
Documentation	-	1,237	-	122	1,359	2,348
Printing	-	10,932	-	632	11,564	10,506
Advertising	-	1,403	-	240	1,643	2,994
Housing and accommodation	-	4,345	-	-	4,345	1,081
Miscellaneous	-	-	-	129	129	800
Credit card fees	546	9,846	546	-	10,938	8,218
Penalties	-	-	-	-	-	-
Depreciation	1,806	32,516	1,806	-	36,128	34,941
TOTAL EXPENSES	\$ 53,164	\$ 576,233	\$ 48,872	\$ 10,391	\$ 688,660	\$ 698,803

See accompanying auditors' report on supplemental information