

AMERICAN THEATRE WING, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2014 AND 2013

AMERICAN THEATRE WING, INC.

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FK PARTNERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Theatre Wing, Inc.

We have audited the accompanying financial statements of American Theatre Wing, Inc. (a not-for-profit corporation) (the "Organization"), which comprise the statements of financial position as of September 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

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 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization's 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Theatre Wing, Inc. as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fried and Kowgios Partners CPA's LLP

New York, New York
March 6, 2015

AMERICAN THEATRE WING, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 AND 2013

	2014			2013		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Assets						
Current Assets						
Cash and cash equivalents (Notes 1c, 3 and 4a)	\$ 487,920	\$ -	\$ 487,920	\$ 829,271	\$ -	\$ 829,271
Accounts receivable	269,658	-	269,658	613	-	613
Unconditional promises to give (Notes 1f and 6a)	60,900	-	60,900	47,700	486	48,186
Prepaid expenses	20,223	-	20,223	21,730	-	21,730
Investment in TAP (Notes 1d, 1e and 5)	333,408	-	333,408	771,037	-	771,037
Total Current Assets	1,172,109	-	1,172,109	1,670,351	486	1,670,837
Investments (Notes 1e, 3 and 4b)	6,813,884	722,609	7,536,493	5,830,552	719,694	6,550,246
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 7)	484,320	-	484,320	56,743	-	56,743
Security deposits	87,472	-	87,472	19,797	-	19,797
Total Assets	\$ 8,557,785	\$ 722,609	\$ 9,280,394	\$ 7,577,443	\$ 720,180	\$ 8,297,623
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	\$ 91,739	\$ -	\$ 91,739	\$ 157,214	\$ -	\$ 157,214
Refundable advance (Note 6b)	100,000	-	100,000	-	-	-
Grants payable (Notes 1h and 8)	-	-	-	100,000	-	100,000
Deferred rent - current portion (Note 9c)	76,787	-	76,787	4,548	-	4,548
Total Current Liabilities	268,526	-	268,526	261,762	-	261,762
Deferred rent - long-term portion (Note 9c)	149,987	-	149,987	-	-	-
Total Liabilities	418,513	-	418,513	261,762	-	261,762
Commitments and contingencies (Note 9)						
Net Assets						
Unrestricted	608,470	-	608,470	966,950	-	966,950
Board-designated (Note 2a)	7,530,802	-	7,530,802	6,348,731	-	6,348,731
Temporarily restricted (Note 2b)	-	722,609	722,609	-	720,180	720,180
Total Net Assets	8,139,272	722,609	8,861,881	7,315,681	720,180	8,035,861
Total Liabilities and Net Assets	\$ 8,557,785	\$ 722,609	\$ 9,280,394	\$ 7,577,443	\$ 720,180	\$ 8,297,623

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014				2013			
	UNRESTRICTED	BOARD-DESIGNATED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	BOARD-DESIGNATED	TEMPORARILY RESTRICTED	TOTAL
Public Support and Other Revenue								
Public Support (Note 1f)								
Government	\$ 43,253	\$ -	\$ -	\$ 43,253	\$ 43,000	\$ -	\$ -	\$ 43,000
Foundations	105,125	-	15,625	120,750	86,050	-	-	86,050
Corporations	9,750	-	-	9,750	32,000	-	-	32,000
Individuals	209,573	-	15,810	225,383	191,156	-	4,530	195,686
Fundraising benefit	774,000	-	-	774,000	693,700	-	-	693,700
Less: Direct costs of fundraising benefit	(180,655)	-	-	(180,655)	(175,993)	-	-	(175,993)
Donated services and materials (Note 10)	175,572	-	-	175,572	10,130	-	-	10,130
Net assets released from restrictions								
Foundations	62,833	-	(62,833)	-	97,351	-	(97,351)	-
	<u>1,199,451</u>	<u>-</u>	<u>(31,398)</u>	<u>1,168,053</u>	<u>977,394</u>	<u>-</u>	<u>(92,821)</u>	<u>884,573</u>
Other Revenue								
Investment income (Note 4b)	-	760,799	33,827	794,626	-	521,936	13,674	535,610
Program fees (Note 1j)	39,520	-	-	39,520	43,005	-	-	43,005
Equity net income in TAP (Note 5)	817,274	-	-	817,274	754,903	-	-	754,903
Miscellaneous income	11,501	-	-	11,501	3,150	-	-	3,150
Total Public Support and Other Revenue	<u>2,067,746</u>	<u>760,799</u>	<u>2,429</u>	<u>2,830,974</u>	<u>1,778,452</u>	<u>521,936</u>	<u>(79,147)</u>	<u>2,221,241</u>
Expenses								
Program Services	<u>1,466,143</u>	<u>-</u>	<u>-</u>	<u>1,466,143</u>	<u>1,052,265</u>	<u>-</u>	<u>-</u>	<u>1,052,265</u>
Supporting Services								
Management and General	268,546	-	-	268,546	206,516	-	-	206,516
Fundraising	270,265	-	-	270,265	219,113	-	-	219,113
Total Supporting Services	<u>538,811</u>	<u>-</u>	<u>-</u>	<u>538,811</u>	<u>425,629</u>	<u>-</u>	<u>-</u>	<u>425,629</u>
Total Expenses	<u>2,004,954</u>	<u>-</u>	<u>-</u>	<u>2,004,954</u>	<u>1,477,894</u>	<u>-</u>	<u>-</u>	<u>1,477,894</u>
Increase (Decrease) in Net Assets	62,792	760,799	2,429	826,020	300,558	521,936	(79,147)	743,347
Transfer to Board-designated (Note 2a)	(421,272)	421,272	-	-	-	-	-	-
Net assets, beginning of year	<u>966,950</u>	<u>6,348,731</u>	<u>720,180</u>	<u>8,035,861</u>	<u>666,392</u>	<u>5,826,795</u>	<u>799,327</u>	<u>7,292,514</u>
Net Assets, End of Year	<u>\$ 608,470</u>	<u>\$ 7,530,802</u>	<u>\$ 722,609</u>	<u>\$ 8,861,881</u>	<u>\$ 966,950</u>	<u>\$ 6,348,731</u>	<u>\$ 720,180</u>	<u>\$ 8,035,861</u>

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 826,020	\$ 743,347
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	26,152	13,484
Donated securities	(10,022)	(5,119)
Realized gain on sale of investments	(24,821)	(368,637)
Unrealized gain on investments	(595,499)	(80,200)
Reinvested interest	(128,562)	(62,728)
Equity net income in TAP	(817,274)	(754,903)
(Increase) decrease in:		
Accounts receivable	(269,045)	4,207
Unconditional promises to give	(12,714)	145,521
Prepaid expenses	1,507	1,007
Security deposits	(67,675)	(73)
Increase (decrease) in:		
Accounts payable and accrued expenses	(65,475)	28,661
Refundable advance	100,000	-
Grants payable	(100,000)	-
Deferred rent	222,226	(6,964)
Net Cash Used By Operating Activities	<u>(915,182)</u>	<u>(342,397)</u>
Cash Flows From Investing Activities		
Distributions from joint venture	1,254,903	445,016
Proceeds from sale of investments	1,008,285	6,544,674
Purchase of investments	(1,235,628)	(7,073,949)
Acquisition of leasehold improvements	(338,651)	-
Purchase of furniture and equipment	(115,078)	(50,000)
Net Cash Provided (Used) By Investing Activities	<u>573,831</u>	<u>(134,259)</u>
Net decrease in cash and cash equivalents	(341,351)	(476,656)
Cash and cash equivalents, beginning of year	<u>829,271</u>	<u>1,305,927</u>
Cash and Cash Equivalents, End of Year	<u>\$ 487,920</u>	<u>\$ 829,271</u>

See notes to financial statements.

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2014 AND 2013****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

American Theatre Wing, Inc., a New York State corporation, (the "Organization") is engaged in the furtherance of excellence in the theatre arts through media initiatives promoting the understanding of how theatre is made, educational programs for aspiring and early career theatre professionals and granting awards for excellence in theatre.

The Organization is the founder of the Antoinette Perry Awards ("TONY Awards") for the distinguished achievement in theatre and is the registered owner of the service mark "TONY" Awards.

The Organization has entered into a partnership with the Village Voice to co-present The Obie Awards, Off-Broadway's highest honor (Note 9b).

b - Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

c - Cash and Cash Equivalents

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

d - Fair Value Measurements

The Organization reflects fair value using an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. Fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels. Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets and liabilities.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements (continued)

The Organization's investments are classified within Level 1 (ETFs and CEFs, common stocks and mutual funds) and Level 2 (corporate bonds) of the fair value hierarchy. Fair value is determined using quoted market values. The Organization's investment in joint venture ("Investment in TAP") is classified within Level 2 of the fair value hierarchy. Fair value is determined using financial statements prepared by independent sources based on the net book value of the joint venture. Fair value for the future cash flow is uncertain, therefore not reflected.

e - Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Organization's investment in Tony Awards Productions ("TAP") is shared equally under a joint venture agreement and is recorded at cost as the investment is nontransferable and is not traded on the open market thereby precluding any current market valuation. Annually, the Organization reflects their joint venture share of the net income or loss (see Note 5).

f - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

g - Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$2,000. Lesser amounts are expensed. Furniture and equipment are being depreciated over the useful life of the related asset using the straight-line method and a monthly convention in the year of acquisition and disposition. Leasehold improvements are amortized using the straight-line method over the term of the respective lease.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies (continued)

h - Grants

Grants are recorded as expenses at the time the Board approves and recipients accept the award and are generally payable within one year.

i - Financial Statement Presentation

The Organization presents its financial statements according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions or by the passage of time. Unrestricted net assets are not subject to donor-imposed stipulations.

j - Revenue Recognition

Program fees are recognized in the period to which the income relates.

k - Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

l - Tax Status and Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization's Form 990, *Return of Organizations Exempt from Income Tax*, for the years ended September 30, 2013, 2012 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

For federal, state and local income tax purposes any income or loss from the joint venture operations is reported by the respective partners (see Note 5). The joint venture's Form 1065, *U.S. Return of Partnership Income*, for the years ended June 30, 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 2 - Restriction on Net Assets

a - Board-Designated Net Assets

The Board established the board-designated net assets, which are restricted for cash reserve and program development purposes. Income earned on these funds is added to the net asset balance with losses deducted within the same fund. The total of the board-designated net assets as of September 30, 2014 and 2013 consisted of \$1,000,000 cash reserve and \$6,530,802 (2014) and \$5,348,731 (2013) program development fund, respectively. In 2011, a fund was established in memory of a long time board member. The funds are to accumulate and be used towards specific programs at the discretion of the chairman of the Board. The balance of the fund as of September 30, 2014 and 2013 was \$18,300.

The Board approved to fully fund The Jonathan Larson Grant Fund's (the "Fund") (see Note 2b) expenses through operations rather than use the investment income or corpus to cover the annual costs, both for direct and allocated costs. In addition, all investment income earned on the Fund, both realized and unrealized, would be kept within the board-designated net assets segregated under the Fund. The total amount transferred to board-designated assets was \$421,272.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes as of September 30:

	<u>2014</u>	<u>2013</u>
Jonathan Larson Grant Fund	\$ 706,984	\$ 720,180
Media Program	15,625	-
	<u>\$ 722,609</u>	<u>\$ 720,180</u>

The Fund was created by the Larson Foundation and certain officers' (collectively referred to as the "Foundation") of the Foundation to continue the Foundation's mission of annual grants to writers, composers and lyricists in musical theater to improve or enhance the grantee's literary, artistic, musical or similar capacity, skill and talent. The minimum funding for the establishment of the Fund was \$750,000. Until the Fund is fully funded, the Organization is to maintain a minimum \$37,500 annual expenditure for the grants program, increasing upon the Fund being fully funded is at the Organization's discretion. The Fund was fully funded during the year ended September 30, 2012. The income earned on the Fund is restricted to the purpose of the Fund.

The fair value of the investments held for the Fund as of September 30, 2014 is \$1,128,256 (\$421,272 included within Board-designated and \$706,984 in temporarily restricted net assets).

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 3 - Concentration of Credit Risk

The Organization maintains its cash and money market balances in various financial institutions. Certain balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At September 30, 2014, the Organization's uninsured cash and money market balances totaled \$292,396.

Certain investment accounts are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer. The SIPC does not protect investors from market risk. At September 30, 2014, the Organization's investment balances exceeded the SIPC limit by \$7,065,875. In addition, investment accounts held with Morgan Stanley are covered under an additional protection program. This coverage is subject to a firm wide cap of \$1 billion with no per-client limit for securities and a \$1.9 million per client limit for the cash portion of any remaining shortfall.

Note 4 - Cash, Cash Equivalents and Investments

a) Fair Value of Financial Instruments

The fair value and carrying amount of the Organization's cash and short-term investments as of September 30, 2014 and 2013 was \$487,920 and \$829,271, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

b) Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at September 30, 2014 and 2013 consist of common stocks, exchange-traded funds (ETFs), closed-ended funds (CEFs), corporate fixed income (corporate bonds) equity and fixed income mutual funds and other mutual funds. The fair value and quoted prices in active markets for identical assets (Level 1 for ETFs and CEFs, common stocks and mutual funds and Level 2 for corporate bonds) for investments as of September 30, 2014 and 2013 was \$7,536,493 and \$6,550,246, respectively. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments consist of the following as of September 30:

	2014		2013	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 2,893,981	\$ 3,128,979	\$ 2,050,000	\$ 2,202,433
ETFs and CEFs	2,134,657	2,651,101	2,233,839	2,393,134
Corporate bonds	1,008,570	984,646	1,367,176	1,268,307
Common stocks	651,004	771,767	646,449	686,372
	<u>\$ 6,688,212</u>	<u>\$ 7,536,493</u>	<u>\$ 6,297,464</u>	<u>\$ 6,550,246</u>

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 4 - Cash, Cash Equivalents and Investments (continued)

b) Fair Values Measured on Recurring Basis (continued)

Investment income consists of the following for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Unrealized gain on investments	\$ 595,499	\$ 80,200
Interest and dividend income	213,819	104,062
Realized gain on sale of investments	24,821	368,637
Investment fees	(39,513)	(17,289)
	<u>\$ 794,626</u>	<u>\$ 535,610</u>

Note 5 - Investment in TAP

In 1986, the Organization entered into a joint venture agreement with The League of American Theatres and Producers, Inc. (the "League") creating Tony Award Productions ("TAP") to administer, produce and present the American Theatre Wing TONY Awards (the "TONY Awards"). The joint venture agreement has been extended through October 2015. Since each party is required to provide twelve months' notice under the agreement, the extension includes 2016 telecast. The Organization and the League share income or losses from the joint venture.

Note 6 - Promises to Give

a) Unconditional Promises to Give

When estimating fair value of unconditional promises to give, management considers the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue. As of September 30, 2014 and 2013, all unconditional promises to give were due within one year. Uncollectible promises are expected to be insignificant.

b) Conditional Promises to Give

The Organization received a conditional \$225,000 grant for future programming, which has not been reflected in the accompanying financial statements. During the year ended September 30, 2014, \$100,000 was received from the donor and is reflected within refundable advance since the conditions have not been met as of September 30, 2014. The grant is contingent upon the Organization successfully raising the matching funds required under the terms of the grant.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 7 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>Life/Years</u>	<u>2014</u>	<u>2013</u>
Leasehold improvements	Life of lease	\$ 338,651	\$ -
Website	3	125,000	50,000
Furniture and fixtures	5	57,299	57,299
Software and computers	3	50,720	47,339
Equipment	3	28,334	28,334
		<u>600,004</u>	<u>182,972</u>
Less: accumulated depreciation		<u>(115,684)</u>	<u>(126,229)</u>
		<u>\$ 484,320</u>	<u>\$ 56,743</u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$26,152 and \$13,484, respectively.

Note 8 - Grants Payable

During the years ended September 30, 2014 and 2013, the Organization awarded grants to not-for-profit organizations whose primary activities center on the production of dramatic and/or musical theatre. All grants were subsequently paid.

Note 9 - Commitments and Contingencies

- a) As stated in Note 5, the Organization is a member of TAP, a joint venture for which it is jointly and severally liable. Certain obligations of TAP in any given year are subject to the existence of a contract with a television network for the televising of the TONY Awards for such year. The television network agreement currently expires after the 2018 production of the TONY Awards. The television network has options for an additional five years.
- b) In July 2014, the Organization entered into an agreement with the Village Voice (the "Voice") for the Organization to be responsible for planning, operating, and otherwise managing the annual Obie Awards (beginning with the 2015 Obie Awards). The agreement currently expires in 2025 with the option to extend for an additional ten years.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 9 - Commitments and Contingencies (continued)

b) Continued

All surplus funds from the management of the Obie Awards are to be re-invested by the Organization into the Obie Awards and related activities, except for an administrative fee that is to be paid to the Organization for its management of each year's Obie Awards beginning in 2015.

The Organization paid \$5,000 to the Voice on a one-time basis to help defray the costs associated with hosting the 2014 Obie Awards.

- c) The Organization leases office space under a non-cancelable operating lease. The lease currently expires on December 31, 2024. The lease agreement provides for annual flat rent escalations, as well as proportionate share of real estate taxes, maintenance on common areas, utilities and any other costs commonly passed through to tenants. The lease provides for approximate future minimum annual rental payments as follows:

For the year ending September 30, 2015	\$ 85,396
“ “ “ “ September 30, 2016	130,611
“ “ “ “ September 30, 2017	133,549
“ “ “ “ September 30, 2018	136,554
“ “ “ “ September 30, 2019	142,581
Thereafter through December 31, 2024	<u>851,812</u>
Total	<u>\$ 1,480,503</u>

Accounting principles generally accepted in the United States of America require the Organization to amortize the aggregate of the total minimum lease payments (net of expected shortfall provision payments) on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of its leases is recorded as deferred rent in the statement of financial position.

During the year ended September 30, 2014, the Organization moved to a new office space and spent \$338,651 toward leasehold improvements. Per the lease agreement, the landlord reimbursed \$206,780 towards these costs. The tenant's improvement allowance of \$206,780 is recorded as deferred rent in the statements of financial position and is being amortized on the straight-line basis over the term of the lease.

Deferred rent as of September 30, 2014 and 2013 was \$226,774 and \$4,548, respectively.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Note 9 - Commitments and Contingencies (continued)

- d) The Organization is obligated under an agreement with a key employee which provides for minimum annual payments of \$270,000 through the year ending June 30, 2019. The agreement provides for annual cost of living increases ranging from a minimum of 3% and maximum of 5%.
- e) The Organization has entered into a financial services agreement which extends through December 31, 2015. The future payments under this agreement are approximately \$94,000 at September 30, 2014.

Note 10 - Donated Services and Materials

The Organization received donated services and materials during the years ended September 30, 2014 and 2013 in support of its programs and operations. The fair market value has been recorded in the accompanying financial statements. Donated services and materials consist of the following for the years ended September 30:

	2014	2013
Professional services	\$ 158,254	\$ 10,130
Food and beverages	13,467	-
Furniture and materials	3,851	-
	<u>\$ 175,572</u>	<u>\$ 10,130</u>

During the year ended September 30, 2014, the Organization received \$138,231 of donated legal services in connection with the negotiations and drafting of the agreements for the OBIE awards (see Note 9b).

Note 11 - Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 12 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through March 6, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FK PARTNERS
FRIED AND KOWGIOS PARTNERS LLP

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors of
American Theatre Wing, Inc.

We have audited the financial statements of American Theatre Wing, Inc. as of and for the years ended September 30, 2014 and 2013, and have issued our report thereon dated March 6, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended September 30, 2014 with comparative totals for 2013 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fried and Kowgios Partners CPA's LLP

New York, New York
March 6, 2015

AMERICAN THEATRE WING, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services	Supporting Services		2014	2013
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 473,618	\$ 130,998	\$ 138,024	\$ 742,640	\$ 661,416
Benefits	52,477	13,950	18,318	84,745	67,125
Payroll taxes	29,244	7,774	14,319	51,337	43,154
Consultants and other professional fees	-	63,099	-	63,099	31,609
Advertising, promotion and public relations	32,701	4,360	6,540	43,601	41,460
Springboard NYC program	51,691	-	-	51,691	55,080
Working in the Theatre program	213,677	-	-	213,677	128,287
Theatre Intern Group program	3,208	-	-	3,208	3,744
National Theatre Company Grant program	156,836	-	-	156,836	106,663
Downstage Center program	-	-	-	-	4,826
Larson grants and expenses	62,833	-	-	62,833	47,351
Tony Award expenses	23,909	-	-	23,909	1,044
Obie Awards expenses	5,000	-	-	5,000	-
Henry Hewes Awards	2,470	-	-	2,470	184
Website project	16,949	-	-	16,949	11,068
Office rent, utilities and storage expenses	123,455	16,461	24,690	164,606	117,030
Computer equipment, repair and maintenance	13,274	1,770	2,655	17,699	7,073
Insurance	14,118	1,882	2,824	18,824	18,822
Indirect benefit expenses	-	-	14,319	14,319	27,457
Office administrative expenses	5,116	683	1,023	6,822	4,317
Office equipment	15,056	2,008	3,011	20,075	8,498
Meetings, travel and hospitality	6,698	893	1,339	8,930	19,755
Development and fundraising	-	-	22,730	22,730	44,191
Donated services and materials	138,231	21,374	15,967	175,572	10,130
Miscellaneous	5,968	679	583	7,230	4,126
Total expenses before depreciation	1,446,529	265,931	266,342	1,978,802	1,464,410
Depreciation	19,614	2,615	3,923	26,152	13,484
Total Expenses, 2014	<u>\$ 1,466,143</u>	<u>\$ 268,546</u>	<u>\$ 270,265</u>	<u>\$ 2,004,954</u>	
Total Expenses, 2013	<u>\$ 1,052,265</u>	<u>\$ 206,516</u>	<u>\$ 219,113</u>		<u>\$ 1,477,894</u>

See independent auditor's report on supplemental information.