

AMERICAN THEATRE WING, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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
February 24, 2016

AMERICAN THEATRE WING, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	2015			2014		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Assets						
Current Assets						
Cash and cash equivalents (Notes 1c, 3 and 4a)	\$ 585,064	\$ 12,708	\$ 597,772	\$ 487,920	\$ -	\$ 487,920
Accounts receivable	1,268	-	1,268	269,658	-	269,658
Unconditional promises to give (Notes 1f and 6a)	238,251	14,063	252,314	60,900	-	60,900
Prepaid expenses	28,421	-	28,421	20,223	-	20,223
Investment in TAP (Notes 1d, 1e and 5)	387,998	-	387,998	333,408	-	333,408
Total Current Assets	1,241,002	26,771	1,267,773	1,172,109	-	1,172,109
Investments (Notes 1d, 1e, 3 and 4b)	6,583,949	594,067	7,178,016	6,813,884	722,609	7,536,493
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 7)	421,953	-	421,953	484,320	-	484,320
Security deposits	68,311	-	68,311	87,472	-	87,472
Total Assets	\$ 8,315,215	\$ 620,838	\$ 8,936,053	\$ 8,557,785	\$ 722,609	\$ 9,280,394
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	\$ 218,695	\$ -	\$ 218,695	\$ 91,739	\$ -	\$ 91,739
Refundable advance (Note 6b)	100,000	-	100,000	100,000	-	100,000
Deferred rent - current portion (Note 8c)	31,091	-	31,091	76,787	-	76,787
Total Current Liabilities	349,786	-	349,786	268,526	-	268,526
Deferred rent - long-term portion (Note 8c)	232,602	-	232,602	149,987	-	149,987
Total Liabilities	582,388	-	582,388	418,513	-	418,513
Commitments and contingencies (Note 8)						
Net Assets						
Unrestricted	608,470	-	608,470	608,470	-	608,470
Board-designated (Note 2a)	7,124,357	-	7,124,357	7,530,802	-	7,530,802
Temporarily restricted (Note 2b)	-	620,838	620,838	-	722,609	722,609
Total Net Assets	7,732,827	620,838	8,353,665	8,139,272	722,609	8,861,881
Total Liabilities and Net Assets	\$ 8,315,215	\$ 620,838	\$ 8,936,053	\$ 8,557,785	\$ 722,609	\$ 9,280,394

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015				2014			
	UNRESTRICTED	BOARD-DESIGNATED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	BOARD-DESIGNATED	TEMPORARILY RESTRICTED	TOTAL
Public Support and Other Revenue								
Public Support (Note 1f)								
Government	\$ 23,300	\$ -	\$ 7,500	\$ 30,800	\$ 43,253	\$ -	\$ -	\$ 43,253
Foundations	269,500	-	21,250	290,750	105,125	-	15,625	120,750
Corporations	61,000	-	-	61,000	9,750	-	-	9,750
Individuals	214,393	-	8,437	222,830	209,573	-	15,810	225,383
Fundraising benefit	730,814	-	-	730,814	774,000	-	-	774,000
Less: Direct costs of fundraising benefit	(185,729)	-	-	(185,729)	(180,655)	-	-	(180,655)
Donated services and materials (Note 9)	82,136	-	-	82,136	175,572	-	-	175,572
Spending policy (Note 2a)	112,995	(112,995)	-	-	-	-	-	-
Net assets released from restrictions								
Foundations	109,184	-	(109,184)	-	62,833	-	(62,833)	-
	<u>1,417,593</u>	<u>(112,995)</u>	<u>(71,997)</u>	<u>1,232,601</u>	<u>1,199,451</u>	<u>-</u>	<u>(31,398)</u>	<u>1,168,053</u>
Other Revenue								
Investment income (Note 4b)	-	(293,450)	(29,774)	(323,224)	-	760,799	33,827	794,626
Program income (Note 1j)	54,692	-	-	54,692	39,520	-	-	39,520
Equity net income in TAP (Note 5)	621,864	-	-	621,864	817,274	-	-	817,274
Miscellaneous income	83	-	-	83	11,501	-	-	11,501
Total Public Support and Other Revenue	<u>2,094,232</u>	<u>(406,445)</u>	<u>(101,771)</u>	<u>1,586,016</u>	<u>2,067,746</u>	<u>760,799</u>	<u>2,429</u>	<u>2,830,974</u>
Expenses (Note 11)								
Program Services	<u>1,569,137</u>	<u>-</u>	<u>-</u>	<u>1,569,137</u>	<u>1,466,143</u>	<u>-</u>	<u>-</u>	<u>1,466,143</u>
Supporting Services								
Management and General	161,768	-	-	161,768	268,546	-	-	268,546
Fundraising	363,327	-	-	363,327	270,265	-	-	270,265
Total Supporting Services	<u>525,095</u>	<u>-</u>	<u>-</u>	<u>525,095</u>	<u>538,811</u>	<u>-</u>	<u>-</u>	<u>538,811</u>
Total Expenses	<u>2,094,232</u>	<u>-</u>	<u>-</u>	<u>2,094,232</u>	<u>2,004,954</u>	<u>-</u>	<u>-</u>	<u>2,004,954</u>
Increase (Decrease) in Net Assets	-	(406,445)	(101,771)	(508,216)	62,792	760,799	2,429	826,020
Transfer to (from) Board-designated (Note 2a)	-	-	-	-	(421,272)	421,272	-	-
Net assets, beginning 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>
Net Assets, End of Year	<u>\$ 608,470</u>	<u>\$ 7,124,357</u>	<u>\$ 620,838</u>	<u>\$ 8,353,665</u>	<u>\$ 608,470</u>	<u>\$ 7,530,802</u>	<u>\$ 722,609</u>	<u>\$ 8,861,881</u>

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ (508,216)	\$ 826,020
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	85,459	26,152
Deferred rent credit	36,919	222,226
Donated securities	(25,116)	(10,022)
Realized gain on sale of investments	(147,346)	(24,821)
Unrealized (gain) loss on investments	670,143	(595,499)
Reinvested interest	(167,325)	(128,562)
Equity net income in TAP	(621,864)	(817,274)
(Increase) decrease in:		
Accounts receivable	268,390	(269,045)
Unconditional promises to give	(191,414)	(12,714)
Prepaid expenses	(8,198)	1,507
Security deposits	19,161	(67,675)
Increase (decrease) in:		
Accounts payable and accrued expenses	126,956	(65,475)
Refundable advance	-	100,000
Grants payable	-	(100,000)
Net Cash Used By Operating Activities	<u>(462,451)</u>	<u>(915,182)</u>
Cash Flows From Investing Activities		
Distributions from joint venture	567,274	1,254,903
Proceeds from sale of investments	673,070	1,008,285
Purchase of investments	(644,949)	(1,235,628)
Acquisition of leasehold improvements	(3,092)	(338,651)
Purchase of website improvements	(20,000)	-
Purchase of property and equipment	-	(115,078)
Net Cash Provided By Investing Activities	<u>572,303</u>	<u>573,831</u>
Net increase (decrease) in cash and cash equivalents	109,852	(341,351)
Cash and cash equivalents, beginning of year	<u>487,920</u>	<u>829,271</u>
Cash and Cash Equivalents, End of Year	<u>\$ 597,772</u>	<u>\$ 487,920</u>

See notes to financial statements.

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015 AND 2014****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 Broadway 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 8b).

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 statements 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, 2015 AND 2014****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, 2015 AND 2014

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 income is 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, 2014, 2013 and 2012 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, 2015, 2014 and 2013 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, 2015 AND 2014

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, 2015 and 2014 consisted of \$1,000,000 cash reserve and \$6,124,357 (2015) and \$6,530,802 (2014) 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. During the year ended September 30, 2015, \$15,000 of this fund was utilized. The balance of the fund as of September 30, 2015 and 2014 was \$3,300 and \$18,300, respectively.

During the year ended September 30, 2014, the Board approved to 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, was kept within the board-designated net assets segregated under the Fund. The total amount transferred to board-designated assets was \$421,272 (for the Fund cumulative income and expenses through fiscal year 2014).

The Organization's spending policy allows up to 5% of the 3-year rolling average value of investment portfolio to be used for the Organization's operating purposes. During the year ended September 30, 2015, the Board approved a spending policy distribution of \$112,995.

b - Temporarily Restricted Net Assets

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

	2015	2014
Jonathan Larson Grant Fund	\$ 594,067	\$ 706,984
Future programs	26,771	15,625
	\$ 620,838	\$ 722,609

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 and the Fund was fully funded in fiscal year 2012. The cumulative net investment earnings earned on the Fund is restricted to the purpose of the Fund.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 2 - Restriction on Net Assets (continued)

b - Temporarily Restricted Net Assets (continued)

The fair value of the investments held for the Fund as of September 30, 2015 is \$997,417 (\$403,350 included within Board-designated and \$594,067 in temporarily restricted net assets). 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).

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, 2015, the Organization's uninsured cash and money market balances totaled \$316,447.

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, 2015, the Organization's investment balances exceeded the SIPC limit by \$6,767,761. 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, 2015 and 2014 was \$597,772 and \$487,920, 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, 2015 and 2014 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, 2015 and 2014 was \$7,178,016 and \$7,536,493, respectively. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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

b) Fair Values Measured on Recurring Basis (continued)

Investments consist of the following as of September 30:

	2015		2014	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 3,236,869	\$ 3,026,922	\$ 2,893,981	\$ 3,128,979
ETFs and CEFs	1,610,300	2,273,881	2,134,657	2,651,101
Corporate bonds	1,039,878	1,012,729	1,008,570	984,646
Common stocks	1,112,831	864,484	651,004	771,767
	<u>\$ 6,999,878</u>	<u>\$ 7,178,016</u>	<u>\$ 6,688,212</u>	<u>\$ 7,536,493</u>

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 242,414	\$ 213,819
Realized gain on sale of investments	147,346	24,821
Unrealized gain (loss) on investments	(670,143)	595,499
Investment fees	(42,841)	(39,513)
	<u>\$ (323,224)</u>	<u>\$ 794,626</u>

Note 5 - Investment in TAP

In 1986, the Organization entered into a joint venture agreement with The Broadway League, Inc. (the "League", a not-for-profit trade association) 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 2018. 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, 2015 and 2014, all unconditional promises to give were due within one year. Uncollectible promises are expected to be insignificant.

AMERICAN THEATRE WING, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

Note 6 - Promises to Give (continued)

b) Conditional Promises to Give

During the year ended September 30, 2014, the Organization received a 2-year conditional grant totaling \$225,000 for future programming. As of September 30, 2015 and 2014, \$100,000 (each fiscal year's annual installment) was received from the donor in advance and is reflected within refundable advance since the conditions have not been met as of September 30, 2015 and 2014. The grant is contingent upon the Organization successfully raising the matching funds required under the terms of the grant. During the year ended September 30, 2015, the Organization recognized the first \$100,000 of the grant since the conditions of the grant have been met.

Note 7 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>Life/Years</u>	<u>2015</u>	<u>2014</u>
Leasehold improvements	Life of lease	\$ 341,743	\$ 338,651
Website	3	145,000	125,000
Furniture and fixtures	5	92,303	92,303
Software and computers	3	44,050	44,050
		<u>623,096</u>	<u>600,004</u>
Less: accumulated depreciation		<u>(201,143)</u>	<u>(115,684)</u>
		<u>\$ 421,953</u>	<u>\$ 484,320</u>

Depreciation expense for the years ended September 30, 2015 and 2014 was \$85,459 and \$26,152, respectively.

Note 8 - 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. TAP received approximately 52% (2015) and 54% (2014) of the total revenue from the television network.
- 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, 2015 AND 2014

Note 8 - 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.

During the year ended September 30, 2014, 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.

Income and expenses for fiscal year 2015 Obie Awards were as follows:

Contributed income	\$ 56,425
Ticket sales	<u>8,270</u>
Total income	64,695
Expenses (direct and indirect)	<u>(182,438)</u>
Project Deficit	<u><u>\$ (117,743)</u></u>

- 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, 2016	\$ 130,611
“ “ “ “ September 30, 2017	133,549
“ “ “ “ September 30, 2018	136,554
“ “ “ “ September 30, 2019	142,581
“ “ “ “ September 30, 2020	154,651
Thereafter through December 31, 2024	<u>697,161</u>
Total	<u><u>\$ 1,395,107</u></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 statements of financial position.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 8 - Commitments and Contingencies (continued)

c) Continued

During the year ended September 30, 2014, the Organization moved to a new office space and spent a total of \$341,743 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, 2015 and 2014 was \$263,693 and \$226,774, respectively.

- 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, 2016. The future payments under this agreement are approximately \$94,000 for the fifteen months ending December 31, 2016.

Note 9 - Donated Services and Materials

The Organization received donated services and materials during the years ended September 30, 2015 and 2014 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:

	2015	2014
Professional services	\$ 80,431	\$ 158,254
Food and beverages	1,705	13,467
Furniture and materials	-	3,851
	<u>\$ 82,136</u>	<u>\$ 175,572</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 8b).

Note 10 - Employee Benefit Plan

The Organization has a 403(b) retirement plan, which is not eligible for employer contributions. Employees may contribute through payroll deduction up to the annual limits as prescribed by law.

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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 statements 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 February 24, 2016, 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, 2015 and 2014, and have issued our report thereon dated February 24, 2016, 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, 2015 with comparative totals for 2014 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
February 24, 2016

AMERICAN THEATRE WING, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Program Services	Supporting Services		2015	2014
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 522,705	\$ 70,062	\$ 181,126	\$ 773,893	\$ 742,640
Benefits	63,550	9,126	22,363	95,039	84,745
Payroll taxes	35,433	4,749	12,278	52,460	51,337
Consultants and other professional fees	63,719	27,387	22,080	113,186	63,099
Advertising, promotion and public relations	42,922	-	-	42,922	43,601
Springboard NYC program	55,711	-	-	55,711	51,691
Working in the Theatre program	179,015	-	-	179,015	213,677
Theatre Intern Group program	8,232	-	-	8,232	3,208
National Theatre Company Grant program	130,905	-	-	130,905	156,836
Larson grants and expenses	50,003	-	-	50,003	62,833
Tony Award expenses	31,271	-	-	31,271	23,909
Obie Awards expenses	100,245	-	-	100,245	5,000
Henry Hewes Awards	1,398	-	-	1,398	2,470
Pod cast project	2,550	-	-	2,550	-
Media project	31,355	-	-	31,355	-
Website project	-	-	-	-	16,949
Office rent, utilities and storage expenses	102,173	13,695	35,405	151,273	164,606
Computer equipment, repair and maintenance	5,428	728	1,881	8,037	17,699
Insurance	8,405	1,127	2,912	12,444	18,824
Indirect benefit expenses	-	-	19,137	19,137	14,319
Office administrative expenses	12,565	1,684	4,354	18,603	6,822
Office equipment	7,676	1,028	2,660	11,364	20,075
Meetings, travel and hospitality	5,692	763	1,971	8,426	8,930
Development and fundraising	3,396	6,767	15,341	25,504	22,730
Donated services and materials	47,067	13,251	21,818	82,136	175,572
Miscellaneous	-	3,664	-	3,664	7,230
Total expenses before depreciation	1,511,416	154,031	343,326	2,008,773	1,978,802
Depreciation	57,721	7,737	20,001	85,459	26,152
Total Expenses, 2015	<u>\$ 1,569,137</u>	<u>\$ 161,768</u>	<u>\$ 363,327</u>	<u>\$ 2,094,232</u>	
Total Expenses, 2014	<u>\$ 1,466,143</u>	<u>\$ 268,546</u>	<u>\$ 270,265</u>		<u>\$ 2,004,954</u>

See independent auditor's report on supplemental information.