

**AMERICAN THEATRE WING, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2018 AND 2017**

**AMERICAN THEATRE WING, INC.**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of American Theatre Wing, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, 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.

### **Auditors' 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 auditors' 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 entity'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 entity'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.

**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, 2018 and 2017, 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.

*Lotz + Carr, LLP*

New York, New York  
March 7, 2019

**AMERICAN THEATRE WING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2018 AND 2017**

	<b>2018</b>			<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents (Notes 1b and 3)	\$ 1,872,829	\$ 945,777	\$ 2,818,606	\$ 613,283	\$ 957,524	\$ 1,570,807
Accounts receivable	62,579	-	62,579	25,332	-	25,332
Unconditional promises to give (Notes 1e, 4a and 11)	329,782	88	329,870	405,187	553,530	958,717
Prepaid expenses and other current assets	77,193	-	77,193	73,255	-	73,255
Investment in TAP (Notes 1d and 5)	191,450	-	191,450	287,577	-	287,577
Investments (Notes 1c, 1d and 6)	8,586,858	490,941	9,077,799	8,135,602	553,963	8,689,565
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 7)	219,295	-	219,295	266,858	-	266,858
Security deposit	68,311	-	68,311	68,311	-	68,311
<b>Total Assets</b>	<b>\$11,408,297</b>	<b>\$ 1,436,806</b>	<b>\$12,845,103</b>	<b>\$ 9,875,405</b>	<b>\$ 2,065,017</b>	<b>\$11,940,422</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 360,307	\$ -	\$ 360,307	\$ 234,139	\$ -	\$ 234,139
Line of credit payable (Note 8)	250,000	-	250,000	200,000	-	200,000
Refundable advance (Note 4b)	-	-	-	12,500	-	12,500
Deferred rent (Notes 1h and 9c)	230,012	-	230,012	244,234	-	244,234
Total Liabilities	840,319	-	840,319	690,873	-	690,873
Commitments and Contingencies (Note 9)						
<b>Net Assets</b>						
<b>Unrestricted</b>						
Operating	933,656	-	933,656	933,656	-	933,656
Board-designated (Note 2a)	9,634,322	-	9,634,322	8,250,876	-	8,250,876
Total Unrestricted	10,567,978	-	10,567,978	9,184,532	-	9,184,532
Temporarily restricted (Note 2b)	-	1,436,806	1,436,806	-	2,065,017	2,065,017
Total Net Assets	10,567,978	1,436,806	12,004,784	9,184,532	2,065,017	11,249,549
<b>Total Liabilities and Net Assets</b>	<b>\$11,408,297</b>	<b>\$ 1,436,806</b>	<b>\$12,845,103</b>	<b>\$ 9,875,405</b>	<b>\$ 2,065,017</b>	<b>\$11,940,422</b>

See notes to financial statements.

## AMERICAN THEATRE WING, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018				2017			
	Unrestricted		Temporarily Restricted	Total	Unrestricted		Temporarily Restricted	Total
	Operating	Board- Designated			Operating	Board- Designated		
<b>Changes in Unrestricted Net Assets</b>								
Revenue and Support (Note 11)								
Government	\$ 202,099	\$ -	\$ -	\$ 202,099	\$ 76,720	\$ -	\$ -	\$ 76,720
Foundations	313,526	565,000	1,399	879,925	197,341	-	595,263	792,604
Corporations	94,263	241,500	-	335,763	66,591	-	-	66,591
Individuals	269,690	196,900	-	466,590	343,245	-	6,355	349,600
Fundraising benefit	1,253,137	-	-	1,253,137	1,236,444	-	-	1,236,444
Less: Direct benefit expenses	(375,183)	-	-	(375,183)	(324,147)	-	-	(324,147)
Donated services and materials (Note 10)	91,101	-	-	91,101	183,592	-	-	183,592
Spending policy (Note 2a)	71,208	(71,208)	-	-	56,894	(56,894)	-	-
Net investment income (Note 6)	141	353,344	34,934	388,419	-	937,234	76,395	1,013,629
Program income (Note 1i)	134,817	-	-	134,817	77,049	-	-	77,049
Equity net income in TAP (Note 5)	675,316	-	-	675,316	746,443	-	-	746,443
Book sales	26,237	-	-	26,237	-	-	-	-
Other income	1,451	-	-	1,451	1,275	-	-	1,275
	<u>2,757,803</u>	<u>1,285,536</u>	<u>36,333</u>	<u>4,079,672</u>	<u>2,661,447</u>	<u>880,340</u>	<u>678,013</u>	<u>4,219,800</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions	664,544	-	(664,544)	-	458,658	-	(458,658)	-
	<u>3,422,347</u>	<u>1,285,536</u>	<u>(628,211)</u>	<u>4,079,672</u>	<u>3,120,105</u>	<u>880,340</u>	<u>219,355</u>	<u>4,219,800</u>
Total Revenue and Support								
Expenses								
Program Services	2,544,703	-	-	2,544,703	2,329,387	-	-	2,329,387
Supporting Services								
Management and general	223,333	-	-	223,333	275,412	-	-	275,412
Fundraising	556,401	-	-	556,401	423,077	-	-	423,077
Total Supporting Services	<u>779,734</u>	<u>-</u>	<u>-</u>	<u>779,734</u>	<u>698,489</u>	<u>-</u>	<u>-</u>	<u>698,489</u>
Total Expenses	<u>3,324,437</u>	<u>-</u>	<u>-</u>	<u>3,324,437</u>	<u>3,027,876</u>	<u>-</u>	<u>-</u>	<u>3,027,876</u>
Increase (decrease) in net assets	97,910	1,285,536	(628,211)	755,235	92,229	880,340	219,355	1,191,924
Transfer (Note 2a)	(97,910)	97,910	-	-	(92,229)	92,229	-	-
Net assets, beginning of year	<u>933,656</u>	<u>8,250,876</u>	<u>2,065,017</u>	<u>11,249,549</u>	<u>933,656</u>	<u>7,278,307</u>	<u>1,845,662</u>	<u>10,057,625</u>
<b>Net Assets, End of Year</b>	<u>\$ 933,656</u>	<u>\$ 9,634,322</u>	<u>\$ 1,436,806</u>	<u>\$12,004,784</u>	<u>\$ 933,656</u>	<u>\$ 8,250,876</u>	<u>\$ 2,065,017</u>	<u>\$11,249,549</u>

See notes to financial statements.

## AMERICAN THEATRE WING, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 755,235	\$1,191,924
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	50,773	78,416
Deferred rent	(14,222)	(11,217)
Realized gain on investments	(148,661)	(590,214)
Unrealized (gain) loss on investments	32,719	(265,321)
Equity net income in TAP	(675,316)	(746,443)
(Increase) decrease in:		
Accounts receivable	(37,247)	(25,332)
Unconditional promises to give	628,847	196,038
Prepaid expenses and other current assets	(3,938)	(49,869)
Increase (decrease) in:		
Accounts payable and accrued expenses	126,168	(27,645)
Refundable advances	(12,500)	(19,571)
Net Cash Provided (Used) By Operating Activities	<u>701,858</u>	<u>(269,234)</u>
<b>Cash Flows From Investing Activities</b>		
Distributions from TAP	771,443	572,325
Proceeds from sale of investments	1,567,531	2,681,619
Purchase of investments	(1,839,823)	(2,769,703)
Purchase of property and equipment	(3,210)	-
Net Cash Provided By Investing Activities	<u>495,941</u>	<u>484,241</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings under line of credit	250,000	200,000
Repayments under line of credit	(200,000)	-
Net Cash Provided By Financing Activities	<u>50,000</u>	<u>200,000</u>
Net increase in cash and cash equivalents	1,247,799	415,007
Cash and cash equivalents, beginning of year	<u>1,570,807</u>	<u>1,155,800</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$2,818,606</u></u>	<u><u>\$1,570,807</u></u>
<b>Supplemental Disclosure and Cash Flow Information:</b>		
Interest paid	<u>\$ 6,520</u>	<u>\$ 3,413</u>

See notes to financial statements.

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

American Theatre Wing, Inc. (the "Organization"), a New York State corporation, 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 9b).

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, purchased with a maturity of three months or less, such as money market funds and short-term deposits, to be cash equivalents, except for amounts being managed within the investment portfolio.

c - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

c - Fair Value Measurements (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

d - Investments

The Organization reflects investments in marketable securities at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same fiscal year in which the gains and other investment income 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 subject to current market valuation. Annually, the Organization reflects its joint venture share of the net income or loss (Note 5).

e - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Donor-restricted contributions are reported as increases in unrestricted net assets if the restrictions expire in the 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 to give. The determination of whether an allowance is necessary is based on prior years' experience and management's analysis of specific promises made.

f - 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, 2018 AND 2017**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

g - Grants

Grants are recorded as expenses in the period the Board approves and recipients accept the award, and are generally payable within one year.

h - Deferred Rent

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.

i - Revenue Recognition

Program income is recognized in the period to which the income relates.

j - Financial Statement Presentation

The Organization reports 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. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity 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.

k - Estimates

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

l - Tax Status

American Theatre Wing, Inc. is a not-for-profit corporation 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 reports its share of any income or loss from the joint venture operations as part of its activities (Note 5).

m - Subsequent Events

The Organization has evaluated subsequent events through March 7, 2019, the date that the financial statements are considered available to be issued.

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

n - Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.*" The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two net asset classes now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of ASU 2016-14 on its 2019 financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

**Note 2 - Restrictions and Designations on Net Assets**

a - Unrestricted Board Designated Net Assets

Unrestricted Board Designated net assets consist of the following as of September 30:

	<u>2018</u>	<u>2017</u>
Program Development Fund	\$7,034,328	\$6,705,167
Jonathan Larson Grant Fund	593,294	542,409
Andrew Lloyd Webber Initiative Fund	1,003,400	-
Cash reserve	1,000,000	1,000,000
Other reserves	<u>3,300</u>	<u>3,300</u>
	<u>\$9,634,322</u>	<u>\$8,250,876</u>

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 2 - Restrictions and Designations on Net Assets (continued)**

a - Unrestricted Board Designated Net Assets (continued)

The Organization maintains the Program Development Fund to fund its program activities. The Organization's spending policy allows up to 5% of the 3-year rolling average value of the investment portfolio to be appropriated to operations annually. Amounts appropriated pursuant to this spending policy totaled \$71,208 in 2018 and \$56,894 in 2017. In addition, during the years ended September 30, 2018 and 2017, transfers were approved to add operating surpluses to the Program Development Fund.

During the year ended September 30, 2014, the Board approved a transfer to establish a Board Designated fund held for the same purpose as the donor-restricted Jonathan Larson Grant Fund described in Note 2b. These funds are invested together, and net investment earnings are allocated between the Board Designated and temporarily restricted portions. For the years ended September 30, 2018 and 2017, net investment income of \$50,885 (2018) and \$86,088 (2017) increased the balance of this Board Designated fund.

During the year ended September 30, 2018, the Board established a Board Designated fund to be held for the same purpose as the donor-restricted Andrew Lloyd Webber Initiative, to ensure its future stability and enhancement, with \$1,003,400 raised through a matching grant of \$500,000. Beginning with the year ending September 30, 2020, the Organization intends to draw from the fund annually at a rate of 5% of the value of the fund, to support this program.

The cash reserve fund is held to be available for working capital as necessary.

In addition, a separate fund was established in fiscal year 2011 in memory of a long time board member, to be used towards specific programs at the discretion of the chairman of the Board. The balance of this fund as of September 30, 2018 and 2017 was \$3,300.

b - Temporarily Restricted

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

	<u>2018</u>	<u>2017</u>
Andrew Lloyd Webber Initiative	\$ 945,865	\$1,445,482
Jonathan Larson Grant Fund	490,941	553,963
Future programs	<u>-</u>	<u>65,572</u>
	<u>\$1,436,806</u>	<u>\$2,065,017</u>

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 2 - Restrictions and Designations on Net Assets (continued)**

b - Temporarily Restricted (continued)

The Jonathan Larson Grant Fund was created by the Larson Foundation and certain of its officers (collectively, the "Foundation") to continue the Foundation's mission of annual grants to writers, composers, and lyricists in musical theater to improve or enhance the grantees' literary, artistic, musical or similar capacity, skill and talent. The minimum funding required to establish the Fund was \$750,000, and was fully funded during fiscal year 2012. The Fund is invested together with the Board Designated Jonathan Larson Grant Fund assets (Note 2a), and allocated net investment earnings are restricted to the purpose of the Fund.

For the years ended September 30, 2018 and 2017, new contributions to the Fund totaled \$1,399 (2018) and \$6,355 (2017), and net investment income of \$34,934 (2018) and \$76,395 (2017) increased the balance of the Fund. Expenses covered by the Fund totaled \$99,355 (2018) and \$92,229 (2017).

**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.

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. Investment accounts are held with Morgan Stanley and 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 - Promises to Give**

a - Unconditional Promises to Give

All unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 4 - Promises to Give (continued)**

b - Conditional Promises to Give

During the year ended September 30, 2016, the Organization received a 2-year conditional grant totaling \$112,500 for future programming and general support. As of September 30, 2017, the first payment of \$71,875 had been received, of which \$12,500 was reflected as a refundable advance since the conditions had not been met as of September 30, 2017. The grant was contingent upon the Organization successfully meeting the co-funding requirements under the terms of the grant. The Organization received the remaining \$40,625 and recognized the remaining \$28,125 during the year ended September 30, 2018 upon meeting the conditions of the grant agreement.

During the year ended September 30, 2017, the Organization received a \$1 million grant for the Andrew Lloyd Webber Initiative. The first installment of this grant in the amount of \$500,000 was received and recognized as temporarily restricted contribution revenue to be used to fund expenses during fiscal years 2018 and 2019. The remaining \$500,000 was for the purpose of establishing a Board Designated reserve fund for the future of the Andrew Lloyd Webber Initiative, subject to a requirement to raise matching funds in an equal amount by September 30, 2019. Since this portion was conditional upon raising matching funds, it was not recognized as of September 30, 2017. The \$500,000 was recognized during the year ended September 30, 2018 upon raising the required matching funds.

**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, and the term of the current extension is through 2026. The Organization and the League share income or losses from the joint venture.

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 6 - Investments**

Investments consist of the following as of September 30:

	<b>2018</b>			
	<b>Cost</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
Money market funds and cash held for investment	\$ 75,815	\$ 75,815	\$ 75,815	\$ -
Mutual funds	5,351,533	5,594,026	5,594,026	-
ETFs and CEFs	1,536,982	2,362,285	2,362,285	-
Corporate bonds	<u>1,080,485</u>	<u>1,045,673</u>	<u>-</u>	<u>1,045,673</u>
	<u>\$8,044,815</u>	<u>\$9,077,799</u>	<u>\$8,032,126</u>	<u>\$1,045,673</u>
	<b>2017</b>			
	<b>Cost</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
Money market funds and cash held for investment	\$ 88,811	\$ 88,811	\$ 88,811	\$ -
Mutual funds	4,488,193	4,874,336	4,874,336	-
ETFs and CEFs	1,629,149	2,194,991	2,194,991	-
Corporate bonds	1,046,253	1,065,919	-	1,065,919
Common stocks	<u>371,456</u>	<u>465,508</u>	<u>465,508</u>	<u>-</u>
	<u>\$7,623,862</u>	<u>\$8,689,565</u>	<u>\$7,623,646</u>	<u>\$1,065,919</u>

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

	<b>2018</b>	<b>2017</b>
Interest and dividend income	\$317,710	\$ 201,033
Realized gains	148,661	590,214
Unrealized gains (losses)	(32,719)	265,321
Investment fees	<u>(45,233)</u>	<u>(42,939)</u>
Net Investment Income	<u>\$388,419</u>	<u>\$1,013,629</u>

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 7 - Property and Equipment**

Property and equipment consist of the following at September 30:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Leasehold improvements	Life of lease	\$341,743	\$341,743
Website	3 years	145,000	145,000
Furniture and fixtures	5 years	92,303	92,303
Software and computers	3 years	<u>61,923</u>	<u>58,713</u>
		640,969	637,759
Less: Accumulated depreciation		<u>(421,674)</u>	<u>(370,901)</u>
		<u>\$219,295</u>	<u>\$266,858</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$50,773 and \$78,416, respectively.

**Note 8 - Line of Credit**

The Organization has a \$1.3 million line of credit from Morgan Stanley, collateralized by a portion of its investment portfolio. Borrowings bear interest at a variable rate, 5.22% as of September 30, 2018. Borrowings outstanding at September 30, 2018 and 2017 were \$250,000 and \$200,000, respectively. Interest expense totaled \$6,520 (2018) and \$3,413 (2017).

**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 broadcast of the TONY Awards for such year. The current television network agreement expires after the 2026 production of the TONY Awards. The television network has first negotiation and first refusal rights with respect to additional productions beyond 2026. TAP received approximately 48% (2018) and 47% (2017) 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**  
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**Note 9 - Commitments and Contingencies (continued)**

b - (continued)

Any 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.

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:

<u>Year Ending September 30,</u>	
2019	\$152,181
2020	164,251
2021	167,731
2022	171,289
2023	174,927
Thereafter through December 31, 2024	224,017

Rent expense for the years ended September 30, 2018 and 2017 was \$146,197 and \$143,191, respectively.

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.

d - The Organization is obligated under an agreement with an officer which provides for minimum annual payments of \$320,000, with annual increases of \$15,000, through the year ending September 30, 2020.

e - The Organization has entered into a financial services agreement which extends through December 31, 2018. The future payments under this agreement are approximately \$94,000 for the fifteen months ending December 31, 2019.

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 10 - Donated Services and Materials**

The Organization received donated services and materials during the years ended September 30, 2018 and 2017 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:

	<u>2018</u>	<u>2017</u>
Professional services	\$41,848	\$175,792
Equipment rental	34,500	-
Travel and entertainment	10,013	-
Food and beverages	<u>4,740</u>	<u>7,800</u>
	<u>\$91,101</u>	<u>\$183,592</u>

**Note 11 - Concentrations**

During the year ended September 30, 2018, a contribution in the amount of \$500,000, representing approximately 18% of total contributions, was recognized upon the satisfaction of matching requirements (Note 4b). During the year ended September 30, 2017, a multi-year contribution from one foundation, required to be recognized in 2017, represented approximately 23% of total contributions.

Approximately 58% of total unconditional promises to give as of September 30, 2017 were from a different foundation.

**Note 12 - 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.

**AMERICAN THEATRE WING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**Note 13 - Functional Allocation of Expenses**

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

**SUPPLEMENTARY INFORMATION**



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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY 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, 2018 and 2017, and our report thereon dated March 7, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted 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, 2018 with comparative totals for 2017 is presented for 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.

*Lutz + Carr, LLP*

New York, New York  
March 7, 2019

## AMERICAN THEATRE WING, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Programs Services	Supporting Services			2018	2017
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 679,537	\$ 58,383	\$ 245,692	\$304,075	\$ 983,612	\$ 918,825
Employee benefits	90,248	7,753	32,630	40,383	130,631	125,766
Payroll taxes	53,929	4,635	19,498	24,133	78,062	59,478
Consultants and professional fees	146,833	123,235	19,138	142,373	289,206	299,897
Costs of special publication	126,332	-	-	-	126,332	-
Advertising, promotion and public relations	67,332	2,396	10,078	12,474	79,806	66,982
Grant expense	572,729	-	-	-	572,729	461,656
Honoraria	61,061	100	-	100	61,161	40,225
Office rent, utilities and storage expense	166,090	9,262	38,973	48,235	214,325	193,045
Computer equipment, repair and maintenance	14,207	856	3,602	4,458	18,665	11,657
Insurance	7,242	622	2,619	3,241	10,483	12,461
Office expenses	44,501	604	2,547	3,151	47,652	141,677
Equipment rental and maintenance	41,720	11	49	60	41,780	46,288
Meetings, travel and hospitality	148,971	1,129	4,742	5,871	154,842	115,974
Program production and event expense	279,812	7,490	21,904	29,394	309,206	237,838
Indirect benefit expenses	-	-	52,325	52,325	52,325	26,895
Donated services and materials	-	3,340	87,761	91,101	91,101	183,592
Other expenses	9,082	503	2,161	2,664	11,746	7,204
Total expenses before depreciation	2,509,626	220,319	543,719	764,038	3,273,664	2,949,460
Depreciation	35,077	3,014	12,682	15,696	50,773	78,416
Total Expenses, 2018	<u>\$2,544,703</u>	<u>\$ 223,333</u>	<u>\$ 556,401</u>	<u>\$779,734</u>	<u>\$3,324,437</u>	
Percentages to Total, 2018	<u>77%</u>	<u>6%</u>	<u>17%</u>	<u>23%</u>	<u>100%</u>	
Total Expenses, 2017	<u>\$2,329,387</u>	<u>\$ 275,412</u>	<u>\$ 423,077</u>	<u>\$698,489</u>		<u>\$3,027,876</u>
Percentages to Total, 2017	<u>77%</u>	<u>9%</u>	<u>14%</u>	<u>23%</u>		<u>100%</u>

See independent auditors' report on supplementary information.