

AMERICAN THEATRE WING, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018



LUTZ AND GARR
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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 December 31, 2019 and September 30, 2018, and the related statements of activities, functional expenses and cash flows for the fifteen month period ended December 31, 2019 and the year ended September 30, 2018, 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 December 31, 2019 and September 30, 2018, and the changes in its net assets and its cash flows for the fifteen month period ended December 31, 2019 and the year ended September 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, American Theatre Wing, Inc. has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
June 18, 2020

AMERICAN THEATRE WING, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018

	December 31, 2019			September 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents (Notes 1b and 4)	\$ 1,298,170	\$ 588,916	\$ 1,887,086	\$ 1,872,829	\$ 945,777	\$ 2,818,606
Accounts receivable	45,984	-	45,984	62,579	-	62,579
Unconditional promises to give (Notes 1e and 5)	51,620	15,000	66,620	329,782	88	329,870
Prepaid expenses and other current assets	182,287	-	182,287	77,193	-	77,193
Investment in TAP (Notes 1d and 6)	267,379	-	267,379	191,450	-	191,450
Investments (Notes 1c, 1d and 7)	9,710,059	524,240	10,234,299	8,586,858	490,941	9,077,799
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 8)	166,174	-	166,174	219,295	-	219,295
Security deposit	68,311	-	68,311	68,311	-	68,311
Total Assets	\$11,789,984	\$ 1,128,156	\$12,918,140	\$11,408,297	\$ 1,436,806	\$12,845,103
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 244,601	\$ -	\$ 244,601	\$ 360,307	\$ -	\$ 360,307
Line of credit payable (Note 9)	-	-	-	250,000	-	250,000
Deferred rent (Notes 1h and 10c)	201,746	-	201,746	230,012	-	230,012
Total Liabilities	446,347	-	446,347	840,319	-	840,319
Commitments and Contingencies (Notes 10 and 14)						
Net Assets						
Without Donor Restrictions						
Operating	1,046,125	-	1,046,125	933,656	-	933,656
Board-designated (Note 3a)	10,297,512	-	10,297,512	9,634,322	-	9,634,322
Total Without Donor Restrictions	11,343,637	-	11,343,637	10,567,978	-	10,567,978
With Donor Restrictions (Note 3b)	-	1,128,156	1,128,156	-	1,436,806	1,436,806
Total Net Assets	11,343,637	1,128,156	12,471,793	10,567,978	1,436,806	12,004,784
Total Liabilities and Net Assets	\$11,789,984	\$ 1,128,156	\$12,918,140	\$11,408,297	\$ 1,436,806	\$12,845,103

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF ACTIVITIES

FIFTEEN MONTHS ENDED DECEMBER 31, 2019
AND YEAR ENDED SEPTEMBER 30, 2018

	Fifteen Months Ended December 31, 2019				Year Ended September 30, 2018			
	Without Donor Restrictions		With		Without Donor Restrictions		With	
	Operating	Board- Designated	Donor Restrictions	Total	Operating	Board- Designated	Donor Restrictions	Total
Changes in Unrestricted Net Assets								
Revenue and Support (Note 12)								
Government	\$ 220,000	\$ -	\$ -	\$ 220,000	\$ 202,099	\$ -	\$ -	\$ 202,099
Foundations	195,139	-	177,100	372,239	313,526	565,000	1,399	879,925
Corporations	166,244	-	-	166,244	94,263	241,500	-	335,763
Individuals	776,272	-	160,098	936,370	269,690	196,900	-	466,590
Fundraising benefit	1,383,416	-	-	1,383,416	1,253,137	-	-	1,253,137
Less: Direct benefit expenses	(356,911)	-	-	(356,911)	(375,183)	-	-	(375,183)
Donated services and materials (Note 11)	81,406	-	-	81,406	91,101	-	-	91,101
Spending policy (Note 3a)	-	-	-	-	71,208	(71,208)	-	-
Net investment income (Note 7)	441	658,636	37,853	696,930	141	353,344	34,934	388,419
Program income (Note 1i)	200,632	-	-	200,632	134,817	-	-	134,817
Equity net income in TAP (Note 6)	651,245	-	-	651,245	675,316	-	-	675,316
Net book sales (returns)	(3,334)	-	-	(3,334)	26,237	-	-	26,237
Other income	7,133	-	-	7,133	1,451	-	-	1,451
	<u>3,321,683</u>	<u>658,636</u>	<u>375,051</u>	<u>4,355,370</u>	<u>2,757,803</u>	<u>1,285,536</u>	<u>36,333</u>	<u>4,079,672</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions	683,701	-	(683,701)	-	664,544	-	(664,544)	-
	<u>4,005,384</u>	<u>658,636</u>	<u>(308,650)</u>	<u>4,355,370</u>	<u>3,422,347</u>	<u>1,285,536</u>	<u>(628,211)</u>	<u>4,079,672</u>
Total Revenue and Support								
Expenses								
Program Services	2,900,964	-	-	2,900,964	2,544,703	-	-	2,544,703
Supporting Services								
Management and general	436,771	-	-	436,771	223,333	-	-	223,333
Fundraising	550,626	-	-	550,626	556,401	-	-	556,401
Total Supporting Services	987,397	-	-	987,397	779,734	-	-	779,734
	<u>3,888,361</u>	<u>-</u>	<u>-</u>	<u>3,888,361</u>	<u>3,324,437</u>	<u>-</u>	<u>-</u>	<u>3,324,437</u>
Total Expenses								
Increase (decrease) in net assets	117,023	658,636	(308,650)	467,009	97,910	1,285,536	(628,211)	755,235
Transfer (Note 3a)	(4,554)	4,554	-	-	(97,910)	97,910	-	-
Net assets, beginning of year	933,656	9,634,322	1,436,806	12,004,784	933,656	8,250,876	2,065,017	11,249,549
	<u>\$1,046,125</u>	<u>\$10,297,512</u>	<u>\$ 1,128,156</u>	<u>\$12,471,793</u>	<u>\$ 933,656</u>	<u>\$ 9,634,322</u>	<u>\$ 1,436,806</u>	<u>\$12,004,784</u>
Net Assets, End of Year								

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FIFTEEN MONTHS ENDED DECEMBER 31, 2019 WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Fifteen Months Ended December 31, 2019				Total Expenses	Year Ended
	Programs Services	Supporting Services		Total		September 30, 2018
		Management and General	Fundraising			
Salaries	\$ 969,494	\$ 91,133	\$ 277,214	\$368,347	\$1,337,841	\$ 983,612
Employee benefits	143,366	13,395	40,855	54,250	197,616	130,631
Payroll taxes	52,537	5,032	15,183	20,215	72,752	78,062
Consultants and professional fees	122,344	234,325	25,798	260,123	382,467	289,206
Costs of special publication	-	-	-	-	-	126,332
Advertising, promotion and public relations	69,882	3,381	10,171	13,552	83,434	79,806
Grant expense	637,517	-	-	-	637,517	572,729
Honoraria	118,023	-	-	-	118,023	61,161
Office rent, utilities and storage expense	228,671	15,081	45,749	60,830	289,501	214,325
Computer equipment, repair and maintenance	9,549	894	2,726	3,620	13,169	18,665
Insurance	14,269	1,335	4,070	5,405	19,674	10,483
Office expenses	66,279	908	2,737	3,645	69,924	47,652
Equipment rental and maintenance	10,851	34	108	142	10,993	41,780
Meetings, travel and hospitality	121,538	3,139	9,537	12,676	134,214	154,842
Program production and event expense	265,291	43,951	35,005	78,956	344,247	309,206
Indirect benefit expenses	-	-	29,698	29,698	29,698	52,325
Donated services and materials	31,250	10,251	39,905	50,156	81,406	91,101
Other expenses	1,663	10,271	830	11,101	12,764	11,746
Total expenses before depreciation	2,862,524	433,130	539,586	972,716	3,835,240	3,273,664
Depreciation	38,440	3,641	11,040	14,681	53,121	50,773
Total Expenses, 2019	<u>\$2,900,964</u>	<u>\$ 436,771</u>	<u>\$ 550,626</u>	<u>\$987,397</u>	<u>\$3,888,361</u>	
Percentages to Total, 2019	<u>75%</u>	<u>11%</u>	<u>14%</u>	<u>25%</u>	<u>100%</u>	
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>

* Contribution revenue for the fifteen month period ended December 31, 2019 totaled \$2,802,764: for every dollar spent on fundraising, \$5.09 in contribution revenue was raised.

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Programs Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 679,537	\$ 58,383	\$ 245,692	\$304,075	\$ 983,612
Employee benefits	90,248	7,753	32,630	40,383	130,631
Payroll taxes	53,929	4,635	19,498	24,133	78,062
Consultants and professional fees	146,833	123,235	19,138	142,373	289,206
Costs of special publication	126,332	-	-	-	126,332
Advertising, promotion and public relations	67,332	2,396	10,078	12,474	79,806
Grant expense	572,729	-	-	-	572,729
Honoraria	61,061	100	-	100	61,161
Office rent, utilities and storage expense	166,090	9,262	38,973	48,235	214,325
Computer equipment, repair and maintenance	14,207	856	3,602	4,458	18,665
Insurance	7,242	622	2,619	3,241	10,483
Office expenses	44,501	604	2,547	3,151	47,652
Equipment rental and maintenance	41,720	11	49	60	41,780
Meetings, travel and hospitality	148,971	1,129	4,742	5,871	154,842
Program production and event expense	279,812	7,490	21,904	29,394	309,206
Indirect benefit expenses	-	-	52,325	52,325	52,325
Donated services and materials	-	3,340	87,761	91,101	91,101
Other expenses	9,082	503	2,161	2,664	11,746
Total expenses before depreciation	2,509,626	220,319	543,719	764,038	3,273,664
Depreciation	35,077	3,014	12,682	15,696	50,773
Total Expenses	<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	<u>77%</u>	<u>6%</u>	<u>17%</u>	<u>23%</u>	<u>100%</u>

* Contribution revenue for the year ended September 30, 2018 totaled \$2,853,432: for every dollar spent on fundraising, \$5.13 in contribution revenue was raised.

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF CASH FLOWS

FIFTEEN MONTHS ENDED DECEMBER 31, 2019
AND YEAR ENDED SEPTEMBER 30, 2018

	Fifteen Months Ended December 31, 2019	Year Ended September 30, 2018
Cash Flows From Operating Activities		
Increase in net assets	\$ 467,009	\$ 755,235
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	53,121	50,773
Deferred rent	(28,266)	(14,222)
Realized gain on investments	(261,654)	(148,661)
Unrealized loss on investments	44,671	32,719
Equity net income in TAP	(651,245)	(675,316)
(Increase) decrease in:		
Accounts receivable	16,595	(37,247)
Unconditional promises to give	263,250	628,847
Prepaid expenses and other current assets	(105,094)	(3,938)
Increase (decrease) in:		
Accounts payable and accrued expenses	(115,706)	126,168
Refundable advances	-	(12,500)
Net Cash Provided (Used) By Operating Activities	<u>(317,319)</u>	<u>701,858</u>
Cash Flows From Investing Activities		
Distributions from TAP	575,316	771,443
Proceeds from sale of investments	1,873,654	1,567,531
Purchase of investments	(2,813,171)	(1,839,823)
Purchase of property and equipment	-	(3,210)
Net Cash Provided (Used) By Investing Activities	<u>(364,201)</u>	<u>495,941</u>
Cash Flows From Financing Activities		
Borrowings under line of credit	-	250,000
Repayments under line of credit	(250,000)	(200,000)
Net Cash Provided (Used) By Financing Activities	<u>(250,000)</u>	<u>50,000</u>
Net increase (decrease) in cash and cash equivalents	(931,520)	1,247,799
Cash and cash equivalents, beginning of year	<u>2,818,606</u>	<u>1,570,807</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,887,086</u>	<u>\$ 2,818,606</u>
Supplemental Disclosure and Cash Flow Information:		
Interest paid	<u>\$ -</u>	<u>\$ 6,250</u>

See notes to financial statements.

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND SEPTEMBER 30, 2018****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 10b).

Effective October 1, 2019, the Organization has changed its year end to December 31 from September 30.

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. Accounting principles generally accepted in the United States 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.

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND SEPTEMBER 30, 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Fair Value Measurements (continued)**

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.

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 net assets without donor restrictions unless their use is 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 net assets without donor restrictions 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 6).

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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND SEPTEMBER 30, 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Contributions and Promises to Give (continued)**

Conditional promises to give that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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.

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 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 financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions may be perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND SEPTEMBER 30, 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - Estimates**

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

l - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Expenses that are allocated include salaries and employee benefits, which are allocated on the basis of estimates of employee time and effort. In addition, other expenses, including office rent, utilities, office supplies, technology related expenses, insurance and depreciation, are also allocated based on employee time and effort.

m - 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 6).

n - Subsequent Events

The Organization has evaluated subsequent events through June 18, 2020, the date that the financial statements are considered available to be issued.

o - New Accounting Pronouncements

For the period ended December 31, 2019, the Organization adopted Accounting Standards Update (ASU) No. 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 classes of net assets 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. As permitted under the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for 2018.

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND SEPTEMBER 30, 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**o - New Accounting Pronouncements (continued)

The Organization has also adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of the various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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, 2021. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of the annual revenue is generated through the Tony Awards and the annual gala in addition to contribution revenue raised during the fiscal year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities and also expenses related to general and administrative and fundraising activities which support the programs.

The Organization regularly monitors liquidity to meet operating needs and other commitments and obligations. Management prepares regular cash flow projections to determine liquidity needs and has an objective of maintaining liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenses.

AMERICAN THEATRE WING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets as of December 31, 2019 available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year End:	
Cash and cash equivalents	\$ 1,887,086
Accounts receivable	45,984
Unconditional promises to give	66,620
Investment in TAP	267,379
Investments	<u>10,234,299</u>
Total Financial Assets	12,501,368
Less: Amounts not Available to be Used within One Year:	
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(1,128,156)
Plus: Net assets with restrictions to be met in less than a year	653,916
Board designated net assets	(10,297,512)
Plus: Amounts appropriated for use within one year	<u>444,920</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 2,174,536</u>

In addition to these financial assets available within one year, the organization maintains board designated net assets of \$10,297,512, which are maintained for specific purposes. However, these amounts could be made available at any time to meet cash needs for general expenditures at the discretion of the Board. The Organization also has a \$1.3 million line of credit as more fully described in Note 9, which can be used for unanticipated liquidity needs.

Note 3 - Restrictions and Designations on Net Assets

a - Net Assets Without Donor Restrictions - Board Designated Net Assets

Board Designated net assets consist of the following as of December 31, 2019 and September 30, 2018:

	<u>2019</u>	<u>2018</u>
Program Development Fund	\$ 7,582,018	\$7,034,328
Jonathan Larson Grant Fund	666,983	593,294
Andrew Lloyd Webber Initiative Fund	1,045,211	1,003,400
Cash reserve	1,000,000	1,000,000
Other reserves	<u>3,300</u>	<u>3,300</u>
	<u>\$10,297,512</u>	<u>\$9,634,322</u>

AMERICAN THEATRE WING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018

Note 3 - Restrictions and Designations on Net Assets (continued)

a - Net Assets Without Donor Restrictions - 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. In addition, during the fifteen months ended December 31, 2019 and the year ended September 30, 2018, 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 3b. These funds are invested together, and net investment earnings are allocated between the Board Designated and donor restricted portions. For the fifteen months ended December 31, 2019 and the year ended September 30, 2018, net investment income of \$73,689 (2019) and \$50,885 (2018) 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 December 31, 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 December 31, 2019 and September 30, 2018 was \$3,300.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and September 30, 2018:

	<u>2019</u>	<u>2018</u>
Andrew Lloyd Webber Initiative	\$ 588,916	\$ 945,865
Jonathan Larson Grant Fund	524,240	490,941
Future programs	<u>15,000</u>	<u>-</u>
	<u>\$1,128,156</u>	<u>\$1,436,806</u>

AMERICAN THEATRE WING, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND SEPTEMBER 30, 2018****Note 3 - Restrictions and Designations on Net Assets (continued)****b - Net Assets With Donor Restrictions (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 3a), and allocated net investment earnings are restricted to the purpose of the Fund.

For the fifteen months ended December 31, 2019 and the year ended September 30, 2018, new contributions to the Fund totaled \$112,100 (2019) and \$1,399 (2018), and net investment income of \$37,853 (2019) and \$34,934 (2018) increased the balance of the Fund. Expenses covered by the Fund totaled \$116,654 (2019) and \$99,355 (2018).

Note 4 - 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 5 - 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

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018

Note 6 - 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.

Note 7 - Investments

Investments consist of the following as of December 31, 2019 and September 30, 2018:

	2019			
	Cost	Fair Value	Level 1	Level 2
Money market funds and cash held for investment	\$1,618,731	\$ 1,618,731	\$1,618,731	\$ -
Mutual funds	5,300,922	5,551,730	5,551,730	-
Exchange traded funds and closed end funds	1,206,116	1,882,511	1,882,511	-
Corporate bonds	<u>1,120,217</u>	<u>1,181,327</u>	<u>-</u>	<u>1,181,327</u>
	<u>\$9,245,986</u>	<u>\$10,234,299</u>	<u>\$9,052,972</u>	<u>\$1,181,327</u>
	2018			
	Cost	Fair Value	Level 1	Level 2
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	-
Exchange traded funds and closed end funds	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>

AMERICAN THEATRE WING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018

Note 7 - Investments (continued)

Investment income consists of the following for the fifteen months ended December 31, 2019 and the year ended September 30, 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$536,492	\$317,710
Realized gains	261,654	148,661
Unrealized losses	(44,671)	(32,719)
Investment fees	<u>(56,545)</u>	<u>(45,233)</u>
Net Investment Income	<u>\$696,930</u>	<u>\$388,419</u>

Note 8 - Property and Equipment

Property and equipment consist of the following at December 31, 2019 and September 30, 2018:

	<u>Life</u>	<u>2019</u>	<u>2018</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>61,923</u>
		640,969	640,969
Less: Accumulated depreciation		<u>(474,795)</u>	<u>(421,674)</u>
		<u>\$166,174</u>	<u>\$219,295</u>

Note 9 - 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, 4.80% as of December 31, 2019. There were no borrowings outstanding at December 31, 2019. Borrowings outstanding at September 30, 2018 were \$250,000. Interest expense totaled \$6,520 (2018).

AMERICAN THEATRE WING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018

Note 10 - Commitments and Contingencies

- a - As stated in Note 6, 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 47% (2019) and 48% (2018) 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.

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 December 31,</u>	
2020	\$165,116
2021	168,615
2022	172,193
2023	175,852
2024	179,592

Rent expense for the fifteen months ended December 31, 2019 and the year ended September 30, 2018 was \$193,089 and \$146,197, 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.

AMERICAN THEATRE WING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND SEPTEMBER 30, 2018

Note 10 - Commitments and Contingencies (continued)

- d - The Organization is obligated under an agreement with an officer which provides for compensation of approximately \$350,000 for the year ending December 31, 2020.
- e - The Organization has entered into a financial services agreement which extends through December 31, 2020. The future payments under this agreement are approximately \$75,000 for the year ending December 31, 2020.

Note 11 - Donated Services and Materials

The Organization received in support of its programs and operations donated services and materials during the fifteen months ended December 31, 2019 and the year ended September 30, 2018. The fair market value has been recorded in the accompanying financial statements. Donated services and materials consist of the following for the fifteen months ended December 31, 2019 and the year ended September 30, 2018:

	<u>2019</u>	<u>2018</u>
Professional services	\$52,025	\$41,848
Travel and entertainment	18,380	10,013
Meeting space	8,416	-
Food and beverages	2,585	4,740
Equipment rental	-	<u>34,500</u>
	<u>\$81,406</u>	<u>\$91,101</u>

Note 12 - Concentrations

During the year ended September 30, 2018, a contribution in the amount of \$500,000, represented approximately 18% of total contributions.

Note 13 - 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****DECEMBER 31, 2019 AND SEPTEMBER 30, 2018****Note 14 - Subsequent Event**

The full financial impact of the coronavirus pandemic (COVID-19) on the Organization is currently unknown.

TAP has had to postpone the Tony Awards indefinitely due to COVID 19 and this has significant financial consequences. The Organization's other programs and activities have been able to continue successfully online.

Management has reduced the Organization's operating expenses to help offset reductions in income due to COVID-19 and is actively monitoring the situation, and may take further actions, if needed, to offset any future reductions in income.