ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

JUNE 30, 2012 AND 2011

FK PARTNERS
FRIED AND KOWGIOS PARTNERS CPA'S LLP

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5-15
Additional Information	
Independent Auditor's Report on Additional Information	17
Consolidated Schedule of Functional Expenses	18

FK PARTNERS

FRIED AND KOWGIOS PARTNERS CPA'S LLP

441 LEXINGTON AVENUE, NEW YORK, NY 10017 212-490-2200 FAX 212-490-2210

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Alliance of Resident Theatres/New York, Inc. and Subsidiary

We have audited the accompanying consolidated statements of financial position of Alliance of Resident Theatres/New York, Inc. (a not-for-profit corporation) and Subsidiary (a single member New York limited liability company) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alliance of Resident Theatres/New York, Inc. and Subsidiary as of June 30, 2012 and 2011 and the changes in its consolidated net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fried and Kowgios Partners CPAs LLP

New York, New York
October 10, 2012

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

2012

	UNDESIGNATED	BOARD - DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets (Note 9b)						
Current Assets						
Cash and cash equivalents (Notes 1c and 3)	$ 477,504	$ 549,803	$ 1,027,307	$ 45,500	$ -	$ 1,072,807
Restricted investment (Notes 1c, 1d, 3 and 9b)	-	-	-	-	-	-
Investment in LLC (Notes 1d, 1e and 7)	28,478	-	28,478	-	-	28,478
Accounts receivable and other current assets	68,247	-	68,247	-	-	68,247
Unconditional promises to give (Notes 1f and 4)	115,150	-	115,150	75,000	-	190,150
Current portion of notes receivable (Note 5)	130,990	394,877	525,867	-	461,686	987,553
Total Current Assets	820,369	944,680	1,765,049	120,500	461,686	2,347,235
Long-term portion of notes receivable (Note 5)	-	112,320	112,320	-	-	112,320
Unconditional promises to give (Notes 1f and 4)	-	-	-	272,059	-	272,059
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1g and 6)	5,105,075	-	5,105,075	-	-	5,105,075
Construction in progress (Note 6)	1,459,590	-	1,459,590	-	-	1,459,590
Security deposits	117,000	-	117,000	-	-	117,000
Total Assets	$ 7,502,034	$ 1,057,000	$ 8,559,034	$ 392,559	$ 461,686	$ 9,413,279
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$ 40,166	$ -	$ 40,166	$ -	$ -	$ 40,166
Deferred revenue (Note 1i)	17,603	-	17,603	-	-	17,603
Funds held as fiscal agent	6,899	-	6,899	-	-	6,899
Total Current Liabilities	64,668	-	64,668	-	-	64,668
Security deposits payable	169,488	-	169,488	-	-	169,488
Deferred rent credit (Note 8)	1,533,804	-	1,533,804	-	-	1,533,804
Total Liabilities	1,767,960	-	1,767,960	-	-	1,767,960
Commitments and contingencies (Note 9)						
Net Assets						
Unrestricted						
Property and equipment and construction in progress, net	6,564,665	-	6,564,665	-	-	6,564,665
Deferred rent credit (Note 8)	(1,533,804)	-	(1,533,804)	-	-	(1,533,804)
Board-designated (Note 2a)	-	1,057,000	1,057,000	-	-	1,057,000
Undesignated	703,213	-	703,213	-	-	703,213
Total Unrestricted	5,734,074	1,057,000	6,791,074	-	-	6,791,074
Temporarily Restricted (Note 2b)	-	-	-	392,559	-	392,559
Permanently Restricted (Note 2c)	-	-	-	-	461,686	461,686
Total Net Assets	5,734,074	1,057,000	6,791,074	392,559	461,686	7,645,319
Total Liabilities and Net Assets	$ 7,502,034	$ 1,057,000	$ 8,559,034	$ 392,559	$ 461,686	$ 9,413,279

2011

	UNDESIGNATED	BOARD- DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets (Note 9b)						
Current Assets						
Cash and cash equivalents (Notes 1c and 3)	$ 116,913	$ 603,902	$ 720,815	$ 336,373	$ -	$ 1,057,188
Restricted investment (Notes 1c, 1d, 3 and 9b)	100,000	-	100,000	-	-	100,000
Investment in LLC (Notes 1d, 1e and 7)	-	-	-	-	-	-
Accounts receivable and other current assets	116,491	-	116,491	-	-	116,491
Unconditional promises to give (Notes 1f and 4)	100,650	-	100,650	515,000	-	615,650
Current portion of notes receivable (Note 5)	126,282	268,271	394,553	-	473,000	867,553
Total Current Assets	560,336	872,173	1,432,509	851,373	473,000	2,756,882
Long-term portion of notes receivable (Note 5)	-	184,827	184,827	-	-	184,827
Unconditional promises to give (Notes 1f and 4)	-	-	-	132,815	-	132,815
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1g and 6)	3,936,797	-	3,936,797	-	-	3,936,797
Construction in progress (Note 6)	1,102,261	-	1,102,261	-	-	1,102,261
Security deposits	117,000	-	117,000	-	-	117,000
Total Assets	$ 5,716,394	$ 1,057,000	$ 6,773,394	$ 984,188	$ 473,000	$ 8,230,582
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$ 24,137	$ -	$ 24,137	$ -	$ -	$ 24,137
Deferred revenue (Note 1i)	75,999	-	75,999	-	-	75,999
Funds held as fiscal agent	9,387	-	9,387	-	-	9,387
Total Current Liabilities	109,523	-	109,523	-	-	109,523
Security deposits payable	173,274	-	173,274	-	-	173,274
Deferred rent credit (Note 8)	1,546,894	-	1,546,894	-	-	1,546,894
Total Liabilities	1,829,691	-	1,829,691	-	-	1,829,691
Commitments and contingencies (Note 9)						
Net Assets						
Unrestricted						
Property and equipment and construction in progress, net	5,039,058	-	5,039,058	-	-	5,039,058
Deferred rent credit (Note 8)	(1,546,894)	-	(1,546,894)	-	-	(1,546,894)
Board-designated (Note 2a)	-	1,057,000	1,057,000	-	-	1,057,000
Undesignated	394,539	-	394,539	-	-	394,539
Total Unrestricted	3,886,703	1,057,000	4,943,703	-	-	4,943,703
Temporarily Restricted (Note 2b)	-	-	-	984,188	-	984,188
Permanently Restricted (Note 2c)	-	-	-	-	473,000	473,000
Total Net Assets	3,886,703	1,057,000	4,943,703	984,188	473,000	6,400,891
Total Liabilities and Net Assets	$ 5,716,394	$ 1,057,000	$ 6,773,394	$ 984,188	$ 473,000	$ 8,230,582

See notes to consolidated financial statements.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012						2011					
	UNDESIGNATED	BOARD-DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNDESIGNATED	BOARD-DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Public Support and Other Revenue												
Public Support (Note 1f)												
Government	$ 306,122	$ -	$ 306,122	$ -	$ -	$ 306,122	$ 321,778	$ -	$ 321,778	$ -	$ -	$ 321,778
Foundations	440,500	-	440,500	27,712	-	468,212	463,625	-	463,625	229,565	-	693,190
Corporations	17,820	-	17,820	28,000	-	45,820	49,862	-	49,862	115,000	-	164,862
Individuals	72,878	-	72,878	-	-	72,878	56,390	-	56,390	-	-	56,390
Fundraising benefits	214,351	-	214,351	-	-	214,351	214,224	-	214,224	-	-	214,224
Less: Direct costs of fundraising benefits	(37,750)	-	(37,750)	-	-	(37,750)	(46,100)	-	(46,100)	-	-	(46,100)
Donated services (Note 10)	41,936	-	41,936	-	-	41,936	24,590	-	24,590	-	-	24,590
Net assets released from restrictions	472,286	-	472,286	(472,286)	-	-	431,024	-	431,024	(431,024)	-	-
	1,528,143	-	1,528,143	(416,574)	-	1,111,569	1,515,393	-	1,515,393	(86,459)	-	1,428,934
Loan interest (Note 5)	52,444	-	52,444	-	-	52,444	63,990	-	63,990	-	-	63,990
Membership dues	91,678	-	91,678	-	-	91,678	77,637	-	77,637	-	-	77,637
Equity in net income (Note 7)	28,478	-	28,478	-	-	28,478	-	-	-	-	-	-
Rental income (Notes 1i and 9d)	1,148,074	-	1,148,074	-	-	1,148,074	1,135,301	-	1,135,301	-	-	1,135,301
Reimbursed tenant expenses (Notes 1i and 9d)	157,280	-	157,280	-	-	157,280	156,429	-	156,429	-	-	156,429
Changes in loan loss reserves (Note 5)	176,314	-	176,314	-	(11,314)	165,000	-	-	-	-	22,000	22,000
Miscellaneous income	7,051	-	7,051	-	-	7,051	6,676	-	6,676	-	-	6,676
Total Public Support and Other Revenue	3,189,462	-	3,189,462	(416,574)	(11,314)	2,761,574	2,955,426	-	2,955,426	(86,459)	22,000	2,890,967
Expenses												
Program Services												
Space Programs												
Spaces at 520	1,277,208	-	1,277,208	-	-	1,277,208	1,293,856	-	1,293,856	-	-	1,293,856
South Oxford Space	382,089	-	382,089	-	-	382,089	385,601	-	385,601	-	-	385,601
Funding Programs												
Fund for Small Theatres	110,776	-	110,776	-	-	110,776	108,409	-	108,409	-	-	108,409
Bel Geddes Grant Program	64,276	-	64,276	-	-	64,276	62,675	-	62,675	-	-	62,675
Nancy Quinn Fund Grants	69,767	-	69,767	-	-	69,767	50,000	-	50,000	-	-	50,000
Creative Space Grants	17,214	-	17,214	-	-	17,214	17,000	-	17,000	-	-	17,000
Loan Funds	28,113	-	28,113	-	-	28,113	36,058	-	36,058	-	-	36,058
Training and Connection Programs												
Theatre Leadership Program	92,413	-	92,413	-	-	92,413	98,199	-	98,199	-	-	98,199
Workshops and Roundtables	110,483	-	110,483	-	-	110,483	93,079	-	93,079	-	-	93,079
Member Services	174,999	-	174,999	-	-	174,999	168,232	-	168,232	-	-	168,232
New York Theatre Network and Web Projects	68,029	-	68,029	-	-	68,029	158,893	-	158,893	-	-	158,893
Advocacy Services	138,174	-	138,174	-	-	138,174	135,201	-	135,201	-	-	135,201
Intern Fair	8,322	-	8,322	-	-	8,322	-	-	-	-	-	-
Theatres for the 21st Century	39,261	-	39,261	-	-	39,261	85,838	-	85,838	-	-	85,838
Total Program Services	2,581,124	-	2,581,124	-	-	2,581,124	2,693,041	-	2,693,041	-	-	2,693,041
Supporting Services												
Management and General	239,593	-	239,593	-		239,593	204,799	-	204,799	-	-	204,799
Fundraising	265,211	-	265,211	-	-	265,211	275,905	-	275,905	-	-	275,905
Fundraising Capital	89,331	-	89,331	-	-	89,331	36,899	-	36,899	-	-	36,899
Total Supporting Services	594,135	-	594,135	-	-	594,135	517,603	-	517,603	-	-	517,603
Total Expenses	3,175,259	-	3,175,259	-	-	3,175,259	3,210,644	-	3,210,644	-	-	3,210,644
Increase (Decrease) in Net Assets Before Capital Additions	14,203	-	14,203	(416,574)	(11,314)	(413,685)	(255,218)	-	(255,218)	(86,459)	22,000	(319,677)
Capital Additions												
Donated services (Note 10)	1,658,113	-	1,658,113	-	-	1,658,113	544,607	-	544,607	-	-	544,607
Net assets released from restrictions	175,055	-	175,055	(175,055)	-	-						
Total Capital Additions	1,833,168	-	1,833,168	(175,055)	-	1,658,113	544,607	-	544,607	-	-	544,607
Increase (Decrease) in Net Assets	1,847,371	-	1,847,371	(591,629)	(11,314)	1,244,428	289,389	-	289,389	(86,459)	22,000	224,930
Net assets, beginning of year	3,886,703	1,057,000	4,943,703	984,188	473,000	6,400,891	3,597,314	1,057,000	4,654,314	1,070,647	451,000	6,175,961
Net Assets, End of Year	$ 5,734,074	$ 1,057,000	$ 6,791,074	$ 392,559	$ 461,686	$ 7,645,319	$ 3,886,703	$ 1,057,000	$ 4,943,703	$ 984,188	$ 473,000	$ 6,400,891

See notes to consolidated financial statements.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities		
Increase in net assets	$ 1,244,428	$ 224,930
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	242,172	226,682
Deferred rent credit expense	(13,090)	2,910
Change in loan loss reserve	**(165,000)** *	(22,000)
Donated capital design consulting	(1,658,113)	(544,607)
Equity in net income	(28,478)	-
(Increase) decrease in:		
Accounts receivable and other current assets	48,244	(58,250)
Unconditional promises to give	286,256	223,107
Increase (decrease) in:		
Accounts payable and accrued expenses	16,029	(24,650)
Deferred revenue	(58,396)	72,654
Funds held as fiscal agent	(2,488)	(26,000)
Security deposits payable	(3,786)	4,798
Grants payable	-	(4,000)
Net Cash Provided (Used) By Operating Activities	(92,222)	75,574
Cash Flows From Investing Activities		
Collection of restricted investment	100,000	-
Repayments of loans by members	1,539,680	1,576,123
Loans made to members	(1,422,173)	(1,326,700)
Purchase of property and equipment and construction in progress	(109,666)	(109,466)
Net Cash Provided By Investing Activities	107,841	139,957
Net increase in cash and cash equivalents	15,619	215,531
Cash and cash equivalents, beginning of year	1,057,188	841,657
Cash and Cash Equivalents, End of Year	**$ 1,072,807**	**$ 1,057,188**

	2012	2011
Supplemental Non-cash Information:		
Donated capital design consulting capitalized	$ 1,658,113	$ 544,607

* The loan loss reserve for 2012 was reduced due to the collection of previsoulsy reserved notes receivable

See notes to consolidated financial statements.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Alliance of Resident Theatres/New York, Inc. (the "Organization") is a not-for-profit organization incorporated under the laws of New York State. Since 1972, the Organization has provided vital support to New York City's not-for-profit community, including:

I. Space Programs:

- Spaces at 520: The Organization leases a 26,000 square feet floor located at 37th Street and 8th Avenue in Manhattan and provides below-market rate office space to 22 member companies and hourly studio space to members at discount rates and to non-members.
- South Oxford Space: The Organization owns a 19,000 square foot building on South Oxford in Fort Greene, Brooklyn and provides below-market rate office space to 22 member companies and hourly studio space to members at discount rates and to non-members.
- A.R.T./New York Theatres: The Organization leases a 17,000 square foot space at 53rd Street and 10th Avenue in Manhattan. Scheduled to open in fall 2014, the facility will provide two fully-equipped theatre spaces to members at below-market rates.

II. Funding Programs:

- Fund for Small Theatres Regrants
- Edith Luytens and Norman Bel Geddes Design Enhancement Regrants
- Nancy Quinn Fund Grants
- Creative Space Grants
- The Bridge Loan Fund
- The Elizabeth Steinway Chapin Real Estate Loan Fund

III. Training and Connection Programs:

- The Nancy Quinn Technical Assistance Program provides educational workshops for members to learn from each other and from professional arts consultants.
- The Harold and Mimi Steinberg Theatre Leadership Program provide members with one-on-one consulting support through times of transition.
- Colleague Roundtables provide opportunities for members to meet with their colleagues in an informal and confidential setting.
- Member Events and an Annual Meeting with keynote address and Local Hero Awards where member companies honor small businesses who support them in achieving their creative potential.
- New York Theatre Network was an online audience development tool created to help member companies forge deeper connections with their audiences and to help audiences discover great shows and web content.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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

a - Organization (continued)

III. Training and Connection Programs (continued):

- Advocacy Services provides local and state elected officials with important information about the needs of member organizations.
- Intern Program through the Intern Fair and Intern E-File connects member companies with interns who have a deep interest in theatre.

The accompanying consolidated financial statements include the accounts of Alliance of Resident Theatres/New York, Inc. and its wholly owned Subsidiary, ART/NY Holdings LLC (the "Subsidiary"). The Subsidiary was formed on August 29, 2011 as a New York State limited liability company. The Subsidiary was formed to become a partner with Signature Theatre Company, Inc. (a New York not-for-profit organization), with the Organization having a minority interest (5%) in Signature Center LLC (the "LLC"). The Subsidiary reflects the investment in the LLC under the equity method of accounting since the Subsidiary has a minority interest and does not have control over the operations. All intercompany balances and transactions have been eliminated upon consolidation.

The LLC was formed to take advantage of low cost financing through U.S. Treasury's New Markets Tax Credit (NMTC) Program towards the creation of the new Signature Center. The Signature Center is a new mixed-use development located in mid-town Manhattan. The LLC has a 99 year ground lease with Signature Theatre Company, Inc. Signature Theatre Company, Inc. has leased the condo back for 25 years and operates the space as a theatre and as part of its usual operations. Proceeds from the NMTC transaction will be used to pay for this lease as well as other expenses.

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

d - Fair Value Measurements
The Organization reflects fair value using an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. Fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements (continued)

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.

The Organization's operating investments are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values. The Organization's investment in the LLC 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 worth of the LLC. 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 Subsidiary's investment in the LLC represent less than a 20% capital interest 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 Subsidiary reflects their equity share of the LLC's net income or loss (see Note 7).

f - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization 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.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies (continued)

f - Contributions and Promises to Give (continued)

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and at the then fair value in subsequent periods because the Organization elected the fair value option in accordance with generally accepted accounting principals. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

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 $1,000. Lesser amounts are expensed. Building, equipment and furniture are being depreciated over the useful life of the related asset using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

h - 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. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of the Organization or by the passage of time. Unrestricted net assets are not subject to donor-imposed stipulations.

i - Rental Income, Reimbursed Tenant Expenses and Deferred Revenue

Rental income is earned monthly based on the terms of the tenant's lease or upon the satisfaction of the terms of short-term leases. Reimbursed tenant expenses are recorded once the Organization has incurred the expenses and identified as a tenant reimbursable expense. Advanced rent is reflected as deferred revenue until the terms of the rental agreement have been satisfied.

j - Grants and Awards

Grants are recorded as expenses at the time the recipient accepts the award and are generally payable within one year.

k - Estimates

The preparation of financial statements in conformity 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.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies (continued)

l - Tax Status and Uncertain Tax Positions

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and Section 402 of the Not-for-Profit Corporation Law in New York State, and has been designated as an organization which is not a private foundation. The Organization's Forms 990, *Return of Organizations Exempt from Income Tax,* for the years ended June 30, 2011, 2010 and 2009 are subject to examination by the IRS, generally for three years after they were filed. The Subsidiary is a single member limited liability company, therefore, not recognized as a separate entity for tax purposes, all activity is consolidated with the Organization for federal and state purposes. 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.

Note 2 - Restrictions on Net Assets

a) Board-designated net assets consist of The Elizabeth Steinway Chapin Real Estate Loan Fund (the "Chapin Fund"). The Chapin Fund provides loans of up to $200,000 for major real estate acquisitions and renovations, upgrades to bring theatres into code compliance, and improvements to maximize energy efficiency. See Note 5 for notes receivable outstanding as of June 30, 2012 and 2011 under this program. The reserve for loan losses under the Chapin Fund as of June 30, 2012 and 2011 was $45,000 and $220,000, respectively.

b) Temporarily restricted net assets are contributions either pledged or received by June 30 that are subject to donor-imposed stipulations that will be met by actions of the Organization or by the passage of time. Temporarily restricted net assets are designated for the following purposes as of June 30:

	2012	2011
Archstone Clinton (Note 9e)	$ 204,032	$ 450,000
Future Year Operations	178,527	424,188
The Nancy Quinn Technical Assistance Program Fund	10,000	10,000
Fund for Small Theatres	-	100,000
Temporarily Restricted Net Assets	$ 392,559	$ 984,188

c) Permanently restricted net assets consist of The Andrew W. Mellon Bridge Fund Finance and Cash Flow Program (the "Mellon Fund"). The Mellon Fund was established to provide short-term financing in the form of lines of credit or bridge loans of up to $50,000 for eligible member theatres. The reserve for loan losses under the Mellon Fund as of June 30, 2012 and 2011 was $290,000 and $300,000, respectively.

See Note 5 for notes receivable outstanding for each fund as of June 30, 2012 and 2011. The loans are issued to certain member groups of the Organization. Certain officers of those member groups are also officers of the Organization.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 3 - Concentration of Credit Risk

The Organization's cash and cash equivalents are held at various institutions and are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution for interest bearing accounts and fully insured for noninterest bearing accounts (through December 31, 2012). At June 30, 2012, the Organization's uninsured cash balances total $71,453.

Note 4 - 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 and incorporates the information 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. Uncollectible promises are expected to be insignificant. Unconditional promises to give to be received after one year are discounted at a rate of 5%.

Unconditional promises to give are due as follows at June 30:

	2012	2011
Due during the year ending June 30, 2012	$ -	$ 615,650
" " " " " June 30, 2013	190,150	75,000
" " " " " June 30, 2014	299,945	75,000
	490,095	765,650
Less: discount for present value	(27,886)	(17,185)
	$ 462,209	$ 748,465

Note 5 - Notes Receivable

Notes receivable consist of the following as of June 30:

	2012	2011
Bridge loans	$ 880,046	$ 876,282
Capital financing	554,828	696,098
Total	1,434,874	1,572,380
Less: loan loss reserve	(335,000)	(520,000)
	$ 1,099,874	$ 1,052,380

The bridge loans are secured by specific receivables. The capital financing provides for long-term financing with similar terms as mortgage financing. Interest is due and payable on all loans monthly at interest rates ranging from 3.25-8.5% annually. The Organization files a lien against the debtor's collateral for capital financing. Based on additional history of the member's collections on notes receivable, the Organization has decreased the reserve during the year ended June 30, 2012 in the amount of $185,000. Whereas, the Organization reduced the reserve during the year ended June 30, 2011 and reflected income of $22,000 for partial reversal of prior year estimated reserves.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 5 - Notes Receivable (continued)

Subsequent to June 30, 2012 but prior to the issuance of the financial statements, the Organization received $189,930 from a member in full satisfaction of their notes owed to the Organization. These notes were reflected within the reserve in prior years; therefore, the Organization has reversed the reserves for this note and netted the actual bad debt of approximately $20,000 with the change in reserve for the year ended June 30, 2012.

Estimated future collection of notes receivable as of June 30, 2012 is as follows:

For the year ending	June 30, 2013	$ 987,554
" " " "	June 30, 2014	47,265
" " " "	June 30, 2015	46,827
" " " "	June 30, 2016	18,228
Total		$ 1,099,874

Note 6 - Property and Equipment and Construction in Progress

Property and equipment consist of the following at June 30:

	Life in Years	2012	2011
Land	n/a	$ 225,000	$ 225,000
Building and improvements	39	4,014,663	2,606,613
Leasehold improvements	Life of lease	3,215,044	3,215,044
Equipment	3-5	171,184	168,784
Furniture and fixtures	5-7	56,273	56,273
Website development	5	20,000	20,000
Organization costs	15	20,394	20,394
		7,722,558	6,312,108
Less: accumulated depreciation and amortization		(2,617,483)	(2,375,311)
		$ 5,105,075	$ 3,936,797

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 was $242,172 and $226,682, respectively.

The Organization has the following capital projects in the development stages as of June 30:

	2012	2011
Archstone Clinton (Note 9e)	$ 1,459,590	$ 940,464
South Oxford (Note 9g)	-	161,797
Total	$ 1,459,590	$ 1,102,261

The Organization has leased space at Archstone Clinton to develop rental theatre spaces for members. During the years ended June 30, 2012 and 2011, the Organization capitalized $519,126 and $630,727, respectively, of costs associated with the construction and design of its new spaces (see Note 9e).

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 7 - Investment in Limited Liability Company

The investment in the Subsidiary is reflected as Level 2 within the fair value hierarchy. The investment is reflected under the equity method since the ownership is not transferrable. Restricted and the Organization does not have control over any management or operational decisions. The Subsidiary's investment in the LLC is based on the audited financial statements for the period August 30, 2011 - date of inception through December 31, 2011 and internal reports for the six months ended June 30, 2012. The Subsidiary's share of net income of the LLC for the year ended June 30, 2012 under the equity method of accounting was $28,478. After seven years, Signature Theatre Company, Inc. may, at its sole discretion elect to purchase the Subsidiary's member interest for the then fair value plus any income and/or transfer taxes that maybe imposed on either the Organization or Subsidiary in connection with the sale of its membership interest and withdrawal from the LLC.

Note 8 - Deferred Rent Credit

The Organization has reflected the variance between actual lease payments provided under operating leases and the straight-line amortization of those leases for financial statement purposes. The balance of the cumulative variance or deferred rent credit as of June 30, 2012 and 2011 was $1,533,804 and $1,546,894, respectively. The net adjustment to properly reflect the deferred rent credit for the years ended June 30, 2012 and 2011 was ($13,090) and $2,910, respectively. The financial statements amortize any free rent period over the life of the lease.

Note 9 - Commitments and Contingencies

a) Government supported programs are subject to audit by the granting agency.

b) In June 2012, the Organization entered into a commercial line of credit with JP Morgan Chase Bank (the "Bank") in the amount of $400,000. Interest will accrue and be payable monthly on any amounts drawn at an annual rate of interest at the LIBOR rate plus 3.511. Principal under the line of credit will be due December 11, 2013. The Organization provided security for the line of credit with all assets of the Organization and maintains all of its primary accounts at the Bank. There are no outstanding amounts under the line of credit as of June 30, 2012.

   During the year ended June 30, 2011, the Organization had a $100,000 revolving line of credit with another institution. That line required a security of $100,000 in a money market account held by that institution. The revolving line of credit was cancelled and the restricted investment released by June 30, 2012.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 9 - Commitments and Contingencies (continued)

c) The Organization leases office space at 520 8th Avenue in New York City under a non-cancelable operating lease that provides for approximate minimum annual rental payments as follows as of June 30, 2012:

For the year ending June 30, 2013	$ 826,778
" " " " June 30, 2014	866,666
" " " " June 30, 2015	904,445
" " " " June 30, 2016	951,556
" " " " June 30, 2017	978,666
Thereafter, through November 2022	5,208,558
Total	$ 9,736,669

Rent, real estate tax and utilities expense for the years ended June 30, 2012 and 2011 was $967,272 and $964,959, respectively.

d) The Organization leases and sub-leases spaces at 520 8th Avenue and South Oxford to the not-for-profit theatre community under non-cancelable operating leases that provide for approximate minimum rental receipts as follows as of June 30, 2012:

For the year ending June 30, 2013	$ 787,350
" " " " June 30, 2014	810,457
" " " " June 30, 2015	704,300
" " " " June 30, 2016	733,007
Total	$ 3,035,114

The leases and sub-leases are entered into with certain member groups of the Organization. Certain officers of those member groups are also officers of the Organization. Rental income including reimbursement for real estate tax and utilities for the years ended June 30, 2012 and 2011 was $1,148,074 and $1,135,301, respectively.

e) The Organization signed a lease, dated April 1, 2008, to pursue the development of theatrical spaces in a public-private housing development project in the Clinton section of Manhattan. The Organization will occupy one space within the building with two other not-for-profit theatrical organizations occupying the remaining space in the building. The Organization's total design and construction budget is approximately $15 million with the expectation that all design and construction costs will be covered by the City of New York utilizing budget allocations from the Mayor's Office, City Council and the Manhattan Borough President. Funding of $14.3 million has been pledged to date from municipal and state government agencies. A consultant has been hired and a planning committee has been formed to launch a campaign for working capital funds for theatre start-up costs, ongoing maintenance for all three of the Organization's facilities and support of theatre operations to maintain affordable member rates for the long term.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 9 - Commitments and Contingencies (continued)

e) (continued)

The project is being managed by the New York City Department of Design and Construction (DDC) in collaboration with the New York City Departments of Cultural Affairs (DCA) and the New York City Housing Preservation and Development. The DDC has spent $457,206 and $544,607 in construction costs and consulting fees for the years ended June 30, 2012 and 2011, respectively, which are included within construction in progress (see Note 6).

The DCA investment of capital funding obligates the Organization to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

The Organization believes that support of this program is essential because affordable theatre space is lacking in New York City. The project will expand the Organization's office and rehearsal space services to include below-market theatre space for performances. As of June 30, 2012, the Organization has raised $204,032 in contributions towards additional costs of the project which is reflected within temporarily restricted net assets (Note 2b).

The lease will expire on March 31, 2107. The Organization will pay and reimburse the landlord for all operating expenses, which will be an initial amount of $45,129 per year, subject to consumer price index increases, rent adjustments and reserve adjustments. The rent commenced on April 1, 2010 and is being reflected within construction in progress since the Organization is not occupying the space. The Organization is also expected to incur common costs shared by three organizations. The theatre is in the final stage of design. Construction documents were completed in fall 2012 and construction is estimated to begin in spring 2013. The venue opening is estimated for fall 2014. In spring 2012, the Organization began a fundraising campaign to establish two new funds: a $3 million maintenance fund to support all three A.R.T./New York facilities and a $7 million theater rental subsidy fund to ensure long-term affordable member rental rates for the new theaters.

f) As stated in Note 7, the Subsidiary is a member of a limited liability company. The Subsidiary's liability is limited to its capital balance. Signature Theatre Company, Inc. has indemnified the Organization and Subsidiary.

g) The first stage of South Oxford Space renovation project commenced in May 2011 and was completed in November 2011. The second stage of the renovations will commence in fiscal year 2013. The Organization's project is anticipated to cost approximately $1 million with the expectation that a substantial amount of the design and construction costs will be covered by the City of New York utilizing budget allocations from the Mayor's Office and City Council of approximately $700,000.

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 10 - Donated Services

The Organization received donated services during the years ended June 30, 2012 and 2011 in support of its programs and capital projects. The fair market value has been recorded in the accompanying financial statements. Donated services for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Construction and design fees - South Oxford (Notes 6 and 9e)	$ 1,200,907	$ -
Construction and design fees - Archstone (Notes 6 and 9e)	457,206	544,607
Audit, tax and consulting services	12,284	15,692
Legal services	29,652	8,898
Total	1,700,049	569,197
Less: amounts capitalized	(1,658,113)	(544,607)
Donated services	$ 41,936	$ 24,590

Note 11 - Employee Benefit Plan

The Organization has a salary deferral plan covering substantially all employees. Under the plan, the Organization may make a contribution to the employee plan on a discretionary basis. There were no contributions made for the years ended June 30, 2012 and 2011.

Note 12 - Functional Allocation of Expenses

The cost of providing the various programs 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 supporting services benefited.

Note 13 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through October 10, 2012, the date which the financial statements were available to be issued.

ADDITIONAL INFORMATION

FK PARTNERS
FRIED AND KOWGIOS PARTNERS CPA'S LLP

441 LEXINGTON AVENUE, NEW YORK, NY 10017 212-490-2200 FAX 212-490-2210

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
Alliance of Resident Theatres/New York, Inc. and Subsidiary

Our report on our audits of the consolidated financial statements of Alliance of Resident Theatres/New York, Inc. and Subsidiary for the years ended June 30, 2012 and 2011 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2012 with comparative totals for 2011 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Fried and Kowgios Partners CPAs LLP

New York, New York
October 10, 2012

ALLIANCE OF RESIDENT THEATRES / NEW YORK, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Program Services						
	Space Programs		Funding Programs				
	Spaces at 520	South Oxford Space	Fund for Small Theatres	Bel Geddes Grant Program	Nancy Quinn Fund Grants	Creative Space Grants	Loan Funds
Salaries, fringe benefits and payroll taxes	$ 196,029	$ 200,193	$ 11,599	$ 11,443	$ 11,599	$ 11,986	$ 24,638
Advertising and promotion	607	544	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-
Consultants and other professional fees	4,968	-	3,417	3,167	4,272	1,600	-
Equipment rental, repair and maintenance fees	38,903	41,807	645	645	645	645	645
Gala expenses (indirect)	-	-	-	-	-	-	-
Fundraising events	-	-	-	-	-	-	-
Grants and awards	-	-	92,000	46,000	50,000	-	-
Insurance	16,703	18,299	139	139	139	139	139
Credit card processing and bank fees	3,548	285	-	-	-	-	10
Meetings and conferences	-	250	178	115	198	139	-
Miscellaneous	1,462	892	-	-	-	-	-
Office supplies, printing and duplication	3,321	1,663	151	91	250	115	91
Postage and delivery	278	6,000	126	155	143	69	69
Rent, real estate tax and utilities	850,871	31,887	2,125	2,125	2,125	2,125	2,125
Rent expense amortization	(13,090)	-	-	-	-	-	-
Special events	-	-	-	-	-	-	-
Telephone, computers and internet	3,867	7,119	396	396	396	396	396
Travel, transportation and per diem	220	499	-	-	-	-	-
Total Expenses Before Depreciation	1,107,687	309,438	110,776	64,276	69,767	17,214	28,113
Depreciation	169,521	72,651	-	-	-	-	-
Total Expenses, 2012	$ 1,277,208	$ 382,089	$ 110,776	$ 64,276	$ 69,767	$ 17,214	$ 28,113
Total Expenses, 2011	$ 1,293,856	$ 385,601	$ 108,409	$ 62,675	$ 50,000	$ 17,000	$ 36,058

	Program Services							
	Training and Connection Programs							
	Theatre Leadership Program	Workshops and Roundtables	Member Services	NY Theatre Network and Web Projects	Advocacy Services	Intern Fair	Theatres for the 21st Century	Total
Salaries, fringe benefits and payroll taxes	$ 16,973	$ 43,069	$ 95,920	$ 64,564	$ 86,947	$ 1,021	$ 3,688	$ 779,669
Advertising and promotion	-	-	1,254	-	-	129	-	2,534
Bad debt expense	-	-	-	-	-	-	-	-
Consultants and other professional fees	66,777	33,619	-	-	42,000	-	35,500	195,320
Equipment rental, repair and maintenance fees	1,613	4,838	16,943	645	1,613	323	-	109,910
Gala expenses (indirect)	-	-	-	-	-	-	-	-
Fundraising events	-	-	-	-	-	-	-	-
Grants and awards	-	-	-	-	-	-	-	188,000
Insurance	347	1,041	2,706	139	347	69	-	40,346
Credit card processing and bank fees	-	-	-	-	-	-	-	3,843
Meetings and conferences	-	2,439	2,071	-	490	56	73	6,009
Miscellaneous	-	-	56	-	53	-	-	2,463
Office supplies, printing and duplication	227	712	1,831	91	227	273	-	9,043
Postage and delivery	174	537	1,354	69	195	35	-	9,204
Rent, real estate tax and utilities	5,312	15,937	41,436	2,125	5,312	1,062	-	964,567
Rent expense amortization	-	-	-	-	-	-	-	(13,090)
Special events	-	-	1,798	-	-	5,156	-	6,954
Telephone, computers and internet	990	2,970	7,723	396	990	198	-	26,233
Travel, transportation and per diem	-	5,321	1,907	-	-	-	-	7,947
Total Expenses Before Depreciation	92,413	110,483	174,999	68,029	138,174	8,322	39,261	2,338,952
Depreciation	-	-	-	-	-	-	-	242,172
Total Expenses, 2012	$ 92,413	$ 110,483	$ 174,999	$ 68,029	$ 138,174	$ 8,322	$ 39,261	$ 2,581,124
Total Expenses, 2011	$ 98,199	$ 93,079	$ 168,232	$ 158,893	$ 135,201	$ -	$ 85,838	$ 2,693,041

	Supporting Services					
	Management and General	Fundraising	Fundraising Capital	Total	Total Expenses 2012	Total Expenses 2011
Salaries, fringe benefits and payroll taxes	$ 163,488	$ 180,999	$ -	$ 344,487	$ 1,124,156	$ 1,139,065
Advertising and promotion	1,043	113	-	1,156	3,690	33,952
Bad debt expense	-	-	-	-	-	3,000
Consultants and other professional fees	57,610	42,007	88,947	188,564	383,884	380,700
Equipment rental, repair and maintenance fees	1.716	9,739	219	11,674	121,584	136,214
Gala expenses (indirect)	-	14,167	-	14,167	14,167	21,883
Fundraising events	-	611	-	611	611	6,955
Grants and awards	-	-	-	-	188,000	168,000
Insurance	347	694	-	1,041	41,387	35,695
Credit card processing and bank fees	173	500	-	673	4,516	5,862
Meetings and conferences	1,713	536	39	2,288	8,297	10,008
Miscellaneous	4,667	144	86	4,897	7,360	(3,771)
Office supplies, printing and duplication	1,241	2,610	-	3,851	12,894	16,640
Postage and delivery	174	455	-	629	9,833	10,519
Rent, real estate tax and utilities	5,170	10,625	-	15,795	980,362	962,049
Rent expense amortization	-	-	-	-	(13,090)	2,910
Special events	-	-	-	-	6,954	19,378
Telephone, computers and internet	990	1,980	-	2,970	29,203	24,143
Travel, transportation and per diem	1,261	31	40	1,332	9,279	10,760
Total Expenses Before Depreciation	239,593	265,211	89,331	594,135	2,933,087	2,983,962
Depreciation	-	-	-	-	242,172	226,682
Total Expenses, 2012	$ 239,593	$ 265,211	$ 89,331	$ 594,135	$ 3,175,259	
Total Expenses, 2011	$ 204,799	$ 275,905	$ 36,899	$ 517,603		$ 3,210,644

See independent auditor's report on additional information.