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

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2017 AND 2016

WITH INDEPENDENT AUDITOR'S REPORT

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AUDIT TAX ADVISORY

Alliance of Resident Theatres/New York, Inc. and Subsidiary
June 30, 2017 and 2016

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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 financial statements of Alliance of Resident Theatres/New York, Inc. (a not-for-profit corporation) (the "Organization") and ART/NY Holdings LLC (the "Subsidiary"),which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization and Subsidiary's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization and Subsidiary'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 consolidated 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 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, 2017 and 2016, 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.

WithumSmith+Brown, PC

November 22, 2017

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Alliance of Resident Theatres/New York, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017					
	UNDESIGNATED	BOARD - DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets						
Current Assets						
Cash and cash equivalents	$ -	$ 430,956	$ 430,956	$ 541,769	$ -	$ 972,725
Investments	-	-	-	2,877,174	100,000	2,977,174
Investment in LLC	7,944	-	7,944	-	-	7,944
Accounts receivable and other current assets	165,199	-	165,199	-	-	165,199
Due from (to)	(175,049)	-	(175,049)	175,049	-	-
Unconditional promises to give	76,176	-	76,176	653,844	-	730,020
Notes receivable	238,489	-	238,489	-	370,000	608,489
Total Current Assets	312,759	430,956	743,715	4,247,836	470,000	5,461,551
Notes receivable	-	-	-	-	-	-
Unconditional promises to give	-	-	-	288,962	-	288,962
Property and equipment, at cost, net of accumulated depreciation and amortization	21,931,918	-	21,931,918	-	-	21,931,918
Security deposits	124,800	-	124,800	-	-	124,800
Construction in progress	-	-	-	-	-	-
Total Assets	$ 22,369,477	$ 430,956	$ 22,800,433	$ 4,536,798	$ 470,000	$ 27,807,231
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$ 93,891	$ -	$ 93,891	$ -	$ -	$ 93,891
Deferred revenue	44,527	-	44,527	-	-	44,527
Due to Con Edison	3,592	-	3,592	-	-	3,592
Deferred rent credit	69,252	-	69,252	-	-	69,252
Total Current Liabilities	211,262	-	211,262	-	-	211,262
Security deposits payable	170,846	-	170,846	-	-	170,846
Due to Con Edison	16,231	-	16,231	-	-	16,231
Deferred rent credit	1,281,297	-	1,281,297	-	-	1,281,297
Total Liabilities	1,679,636	-	1,679,636	-	-	1,679,636
Commitments and contingencies						
Net Assets						
Unrestricted						
Property and equipment and construction in progress, net	21,931,918	-	21,931,918	-	-	21,931,918
Deferred rent credit	(1,350,549)	-	(1,350,549)	-	-	(1,350,549)
Board-designated	-	430,956	430,956	-	-	430,956
Undesignated	108,472	-	108,472	-	-	108,472
Total Unrestricted	20,689,841	430,956	21,120,797	-	-	21,120,797
Temporarily Restricted	-	-	-	4,536,798	-	4,536,798
Permanently Restricted	-	-	-	-	470,000	470,000
Total Net Assets	20,689,841	430,956	21,120,797	4,536,798	470,000	26,127,595
Total Liabilities and Net Assets	$ 22,369,477	$ 430,956	$ 22,800,433	$ 4,536,798	$ 470,000	$ 27,807,231

	2016					
	UNDESIGNATED	BOARD - DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets						
Current Assets						
Cash and cash equivalents	$ 61,469	$ 915,226	$ 976,695	$ 593,139	$ -	$ 1,569,834
Investments	13,506	-	13,506	2,260,829	100,000	2,374,335
Investment in LLC	7,946	-	7,946	-	-	7,946
Accounts receivable and other current assets	12,012	-	12,012	-	-	12,012
Due from (to)	-	-	-	-	-	-
Unconditional promises to give	108,897	-	108,897	860,645	-	969,542
Notes receivable	100,240	35,786	136,026	-	326,686	462,712
Total Current Assets	304,070	951,012	1,255,082	3,714,613	426,686	5,396,381
Notes receivable	-	5,988	5,988	-	-	5,988
Unconditional promises to give	-	-	-	266,075	-	266,075
Property and equipment, at cost, net of accumulated depreciation and amortization	4,057,978	-	4,057,978	-	-	4,057,978
Security deposits	117,000	-	117,000	-	-	117,000
Construction in progress	8,118,919	-	8,118,919	-	-	8,118,919
Total Assets	$ 12,597,967	$ 957,000	$ 13,554,967	$ 3,980,688	$ 426,686	$ 17,962,341
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$ 111,499	$ -	$ 111,499	$ -	$ -	$ 111,499
Deferred revenue	32,333	-	32,333	-	-	32,333
Due to Con Edison	3,486	-	3,486	-	-	3,486
Deferred rent credit	184,134	-	184,134	-	-	184,134
Total Current Liabilities	331,452	-	331,452	-	-	331,452
Security deposits payable	159,164	-	159,164	-	-	159,164
Due to Con Edison	19,551	-	19,551	-	-	19,551
Deferred rent credit	1,273,506	-	1,273,506	-	-	1,273,506
Total Liabilities	1,783,673	-	1,783,673	-	-	1,783,673
Commitments and contingencies						
Net Assets						
Unrestricted						
Property and equipment and construction in progress, net	12,176,897	-	12,176,897	-	-	12,176,897
Deferred rent credit	(1,457,640)	-	(1,457,640)	-	-	(1,457,640)
Board-designated	-	957,000	957,000	-	-	957,000
Undesignated	95,037	-	95,037	-	-	95,037
Total Unrestricted	10,814,294	957,000	11,771,294	-	-	11,771,294
Temporarily Restricted	-	-	-	3,980,688	-	3,980,688
Permanently Restricted	-	-	-	-	426,686	426,686
Total Net Assets	10,814,294	957,000	11,771,294	3,980,688	426,686	16,178,668
Total Liabilities and Net Assets	$ 12,597,967	$ 957,000	$ 13,554,967	$ 3,980,688	$ 426,686	$ 17,962,341

The notes to consolidated financial statements are an integral part of these statements.

	2017						2016					
	UNDESIGNATED	BOARD-DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNDESIGNATED	BOARD-DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Operating Activities												
Public Support and Other Revenue												
Public Support												
Government	$ 428,094	$ -	$ 428,094	$ -	$ -	$ 428,094	$ 304,904	$ -	$ 304,904	$ -	$ -	$ 304,904
Foundations	588,625	-	588,625	829,337	-	1,417,962	574,275	-	574,275	50,000	-	624,275
Corporations	7,074	-	7,074	-	-	7,074	16,280	-	16,280	-	-	16,280
Individuals	80,377	-	80,377	-	-	80,377	84,677	-	84,677	-	-	84,677
Fundraising benefits	315,325	-	315,325	-	-	315,325	349,269	-	349,269	-	-	349,269
Less: Direct costs of fundraising benefits	(53,681)	-	(53,681)	-	-	(53,681)	(48,547)	-	(48,547)	-	-	(48,547)
Donated services	89,600	-	89,600	-	-	89,600	93,168	-	93,168	-	-	93,168
Net assets released from restrictions												
Foundations	450,415	-	450,415	(450,415)	-	-	608,092	-	608,092	(608,092)	-	-
Total Public Support	1,905,829	-	1,905,829	378,922	-	2,284,751	1,982,118	-	1,982,118	(558,092)	-	1,424,026
Other Revenue												
Rental income	1,496,348	-	1,496,348	-	-	1,496,348	1,265,577	-	1,265,577	-	-	1,265,577
Reimbursed tenant expenses	205,198	-	205,198	-	-	205,198	180,977	-	180,977	-	-	180,977
Membership dues	103,710	-	103,710	-	-	103,710	103,895	-	103,895	-	-	103,895
Distributions from LLC	33,771	-	33,771	-	-	33,771	32,543	-	32,543	-	-	32,543
Loan interest and fees	28,066	-	28,066	-	-	28,066	24,555	-	24,555	-	-	24,555
Fiscal sponsorship fees	3,000	-	3,000	-	-	3,000	16,305	-	16,305	-	-	16,305
Miscellaneous income	4,639	-	4,639	-	-	4,639	4,030	-	4,030	-	-	4,030
Investment income	126	-	126	-	-	126	676	-	676	-	-	676
Total Public Support and Other Revenue	3,780,687	-	3,780,687	378,922	-	4,159,609	3,610,676	-	3,610,676	(558,092)	-	3,052,584
Expenses												
Program Services	3,430,162	41,774	3,471,936	-	(43,314)	3,428,622	3,054,752	-	3,054,752	-	30,000	3,084,752
Supporting Services												
Management and General	196,546	-	196,546	-	-	196,546	234,970	-	234,970	-	-	234,970
Fundraising	466,884	-	466,884	-	-	466,884	456,126	-	456,126	-	-	456,126
Total Supporting Services	663,430	-	663,430	-	-	663,430	691,096	-	691,096	-	-	691,096
Total Expenses	4,093,592	41,774	4,135,366	-	(43,314)	4,092,052	3,745,848	-	3,745,848	-	30,000	3,775,848
Increase (Decrease) in Net Assets From Operating Activities (carried forward)	(312,905) *	(41,774)	(354,679)	378,922	43,314	67,557	(135,172) *	-	(135,172)	(558,092)	(30,000)	(723,264)

	2017	2016
* Includes depreciation expense of $490,111 (2017) and $262,957 (2016)		
Increase in unrestricted net assets before depreciation expense and non-operating activities	$ 177,206	$ 127,785

The notes to consolidated financial statements are an integral part of these statements.

Alliance of Resident Theatres/New York, Inc. and Subsidiary
Consolidated Statements of Activities
For the Years Ended June 30, 2017 and 2016

	2017						2016					
	UNDESIGNATED	BOARD-DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNDESIGNATED	BOARD-DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Increase (Decrease) in Net Assets From Operating Activities (brought forward)	$ (312,905)	$ (41,774)	$ (354,679)	$ 378,922	$ 43,314	$ 67,557	$ (135,172)	$ -	$ (135,172)	$ (558,092)	$ (30,000)	$ (723,264)
Non-Operating Activities												
Foundations	-	-	-	-	-	-	-	-	-	416,000	-	416,000
Individuals	-	-	-	-	-	-	-	-	-	192,456	-	192,456
Donated services	9,817,367	-	9,817,367	-	-	9,817,367	5,103,284	-	5,103,284	-	-	5,103,284
Transfer for capital additions	484,270	(484,270)	-	-	-	-	-	-	-	-	-	-
Investment income (loss)	-	-	-	177,188	-	177,188	-	-	-	(6,876)	-	(6,876)
Fundraising capital expenses	(113,185)	-	(113,185)	-	-	(113,185)	(91,343)	-	(91,343)	-	-	(91,343)
Total Non-Operating Activities	10,188,452	(484,270)	9,704,182	177,188	-	9,881,370	5,011,941	-	5,011,941	601,580	-	5,613,521
Increase (Decrease) in Net Assets	9,875,547	(526,044)	9,349,503	556,110	43,314	9,948,927	4,876,769	-	4,876,769	43,488	(30,000)	4,890,257
Net assets, beginning of year	10,814,294	957,000	11,771,294	3,980,688	426,686	16,178,668	5,937,525	957,000	6,894,525	3,937,200	456,686	11,288,411
Net Assets, End of Year	$ 20,689,841	$ 430,956	$ 21,120,797	$ 4,536,798	$ 470,000	$ 26,127,595	$ 10,814,294	$ 957,000	$ 11,771,294	$ 3,980,688	$ 426,686	$ 16,178,668

The notes to consolidated financial statements are an integral part of these statements.

Alliance of Resident Theatres/New York, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows From Operating and Non-Operating Activities		
Increase in net assets	$ 9,948,927	$ 4,890,257
Adjustments to reconcile increase in net assets to net cash provided by operating and non-operating activities:		
Depreciation	490,111	262,957
Deferred rent credit	(107,091)	(141,468)
Donated legal and design consulting capitalized	(9,817,367)	(5,103,284)
Unrealized gain on investments	(109,067)	(14,330)
Realized (gain) loss on sale of investments	(16,397)	56,346
Donated securities	-	(13,328)
Change in discount for present value for unconditional promises	1,413	16,081
Change in loan loss reserve	-	30,000
Change in investment in LLC	2	9
(Increase) decrease in:		
Accounts receivable and other current assets	(153,187)	1,715
Unconditional promises to give	215,222	299,533
Security deposits	(7,800)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(17,608)	38,583
Deferred revenue	12,194	98
Due to Con Edison	(3,214)	(3,375)
Security deposits payable	11,682	(293)
Net Cash Provided By Operating and Non-Operating Activities	447,820	319,501
Cash Flows From Investing Activities		
Repayments of loans by members	1,367,231	1,144,549
Loans made to members	(1,507,020)	(1,055,912)
Purchase of investments	(1,750,705)	(2,351,816)
Proceeds from sale of investments	1,273,330	1,662,911
Purchase of construction in progress	(427,765)	(186,167)
Net Cash Used By Investing Activities	(1,044,929)	(786,435)
Net decrease in cash and cash equivalents	(597,109)	(466,934)
Cash and cash equivalents, beginning of year	1,569,834	2,036,768
Cash and Cash Equivalents, End of Year	$ 972,725	$ 1,569,834
Supplemental Non-cash Information:		
Donated legal and design consulting capitalized	$ 9,817,367	$ 5,103,284
Interest paid (Due to Con Edison)	$ 647	$ 808

The notes to consolidated financial statements are an integral part of these statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a - Nature of Activities

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 32,000 square foot floor located at 36th Street and 8th Avenue in Manhattan and provides below-market rate office space to 21 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 Street in Fort Greene, Brooklyn and provides below-market rate office space to 21 member companies and hourly studio space to members at discount rates and to non-members.
- ART/New York Theatres: The Organization leases a 15,000 square foot space at 53rd Street and 10th Avenue in Manhattan which opened in November 2016, the facility provides two fully-equipped theatre spaces to members at below-market rates.

II. Funding Programs:

- 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
- The NYSCA-ART/New York Creative Opportunity 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 provides 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 Curtain Call with keynote address and Local Hero Awards where member companies honor small businesses who support them in achieving their creative potential.
- 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 cost 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a - Nature of Activities (continued)

The LLC was formed to take advantage of low cost financing through U.S. Treasury's New Markets Tax Credit Program (NMTC) 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 consolidated financial statements of the Organization and Subsidiary 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 purposes of the statements of cash flows, 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

“Fair Value Measurements and Disclosures” establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. “Fair Value Measurements and Disclosures” defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price” in an orderly transaction between market participants).

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under “Fair Value Measurements and Disclosures” and the Organization’s related types are described below.

Level 1: Quoted prices of identical instruments in active markets.

Level 2: Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

The 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 valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e - Investments (continued)

Alternative investments (nontraditional, not readily marketable vehicles), some of which are structured so that the Organization holds limited partnership interests, hedge funds, and commingled funds, are stated at estimated fair value based on net asset values provided by the investment managers. Individual investment holdings within the alternative investments may be invested in both publicly traded securities and less liquid securities, which are valued by the investment managers after considering pertinent factors. The Organization reviews and evaluates methods and assumptions used in determining the net asset values of the alternative investments. The Organization believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2017 and 2016. Because alternative investments do not have readily determinable market values, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed, and such difference could be material.

The Subsidiary's investment in the LLC represents 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.

f - Contributions and Promises to Give

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

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

g - Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Building, equipment and furniture are being depreciated over the useful life of the related asset using the 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 - Deferred Revenue and Revenue Recognition

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. Loan interest and fiscal sponsorship fees are recognized in the period to which the fees relate. Advanced rent is reflected as deferred revenue until the terms of the rental agreement have been satisfied. Membership dues are also reflected as deferred revenue and recognized in the period to which the fees relate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i - Financial Statement Presentation

The Organization presents its financial statements according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of the Organization or by the passage of time. Unrestricted net assets are not subject to donor-imposed stipulations.

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

l - Tax Status and Uncertain Tax Positions

The Organization is a not-for-profit corporation, 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 Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2016, 2015 and 2014 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 tax purposes. The Organization and Subsidiary believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements. The Organization did not recognize any tax related interest and/or penalties in the accompanying consolidated financial statements, but would record any such interest and/or penalties as a component of other expense.

2. RESTRICTIONS ON NET ASSETS

a) Board-Designated Net Assets

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. The reserve for loan losses under the Chapin Fund was $90,000 and $45,000 as of June 30, 2017 and 2016, respectively. During the year ended June 30, 2017, the board approved a transfer of $484,270 to cover costs for ART/NY Theatres.

2. RESTRICTIONS ON NET ASSETS (CONTINUED)

b) Temporarily Restricted Net Assets

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:

	2017	2016
Rental Subsidy and Facility Maintenance Fund (Note 10e)	$ 3,361,304	$ 3,097,770
Future Year Operations	736,559	628,048
ART/NY Theatres (Note 10e)	224,945	224,945
Investment income (Notes 2c and 10e)	213,990	29,925
Temporarily Restricted Net Assets	$ 4,536,798	$ 3,980,688

c) Permanently Restricted Net Assets

The Organization's endowment consists of several donor-restricted endowment funds established for specific purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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, 2017 and 2016 was $380,000 and $425,000, respectively.

See Note 6 for notes receivable outstanding for each fund as of June 30, 2017 and 2016. The loans are issued to certain member groups of the Organization. Certain officers of those member groups are also officers of the Organization. The officers do not control their individual organizations and must recuse themselves from any meetings where transactions are discussed relative to their individual organizations.

During the year ended June 30, 2015, the Organization received $100,000 in permanently restricted net assets from The Ford Foundation which designated these funds for the building reserve fund. The reserve funds shall be invested according to the guidelines and policies determined by the Organization. If funds are withdrawn from the reserve, a plan for repayment should be established and that plan should be shared with the donor. In September 2017, the board and the donor mutually agreed to reclassify the grant to the Facility Maintenance Fund (Note 2b).

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

2. RESTRICTIONS ON NET ASSETS (CONTINUED)

c) Permanently Restricted Net Assets (continued)

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund;
b. The purposes of the Organization and the donor-restricted endowment fund;
c. General economic conditions;
d. The possible effect of inflation and deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Organization; and
g. The investment policy of the Organization.

Return Objectives and Risk Parameters

The Organization has adopted investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a very low level of investment risk.

The percentage allowed to be utilized toward the Organization's operations within the Organization's investment policy is 4.5-5% of the principal. Any net excess in investment earnings over the spending policy is reflected within temporarily restricted net assets as in compliance with UPMIFA. Investment income (loss) earned on the Rental Subsidy and Facility Maintenance funds is added to the funds. For the years ended June 30, 2017 and 2016, $177,188 and $(6,876), respectively, of investment income (loss) earned on these funds and have been reflected or offset within temporarily restricted net assets (Notes 2b and 10e).

3. CONCENTRATION OF CREDIT RISK

The Organization's cash and cash equivalents are held at various financial institutions located in New York, NY. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. At June 30, 2017, the Organization's uninsured cash balances totaled $418,631. The Organization maintains investment balances in two financial institutions. The balance at only one of the institutions is insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000 per customer. The SIPC does not protect investors from market risk. At June 30, 2017 and 2016, the Organization's uninsured investment balances totaled $2,977,174 and $1,874,335, respectively.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

a) Fair Value of Financial Instruments

The fair value and carrying amount of the Organization's cash and short-term investments as of June 30, 2017 and 2016 was $972,725 and $1,569,834, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

b) Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at June 30, 2017 and June 30, 2016 consist of fixed income, equities, hedge funds and real estate funds (all of which are Level 1 and Level 2 measurements that are carried at fair value based on quoted market prices in active markets). The fair value and quoted prices in active markets for identical assets for investments as of June 30, 2017 and 2016 was $2,977,174 and $2,374,335, respectively. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

b) Fair Values Measured on Recurring Basis (continued)

Alternative investments represent limited partnership and similar interests in funds that invest in public and private securities and follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, are different for each fund. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investments consist of the following at June 30:

	Fair Value			Cost
As of June 30, 2017:	**Level 1**	**Level 2**	**Total**	**Total**
Fixed income	$ 328,124	$ 835,702	$ 1,163,826	$ 1,158,348
Equities	1,490,869	-	1,490,869	1,363,248
Hedge funds	322,479	-	322,479	326,435
	$ 2,141,472	$ 835,702	$ 2,977,174	$ 2,848,031

	Fair Value			Cost
As of June 30, 2016:	**Level 1**	**Level 2**	**Total**	**Total**
Fixed income	$ 493,962	$ 653,892	$ 1,147,854	$ 1,139,357
Equities	941,647	-	941,647	935,386
Hedge funds	231,632	-	231,632	233,828
Real estate funds	53,202	-	53,202	48,169
	$ 1,720,443	$ 653,892	$ 2,374,335	$ 2,356,740

c) Investment Income (Loss)

Investment income (loss) consists of the following for the years ended June 30:

	2017	**2016**
Unrealized gain (loss) on sale of investments	$ 109,067	$ 14,330
Interest and dividend income	51,850	35,816
Realized gain on investments	16,397	(56,346)
	177,314	(6,200)
Less: Amounts from operating activities	(126)	(676)
Non-Operating Activities	$ 177,188	$ (6,876)

5. UNCONDITIONAL PROMISES TO GIVE

When estimating fair value of unconditional promises to give, management considers the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are incorporated into a fair value measurement computed using present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue. Unconditional promises to give which are due in more than a year are discounted at a rate of 5%. Uncollectible promises are expected to be insignificant.

Unconditional promises to give are due as follows at June 30, 2017:

	Less Than One Year	Over One Year	Total
Unrestricted	$ 76,176	$ -	$ 76,176
Temporarily Restricted	653,844	330,000	983,844
	730,020	330,000	1,060,020
Less: discount for present value	-	(41,038)	(41,038)
	$ 730,020	$ 288,962	$ 1,018,982

Unconditional promises to give are due as follows at June 30, 2016:

	Less Than One Year	Over One Year	Total
Unrestricted	$ 108,897	$ -	$ 108,897
Temporarily Restricted	860,645	305,700	1,166,345
	969,542	305,700	1,275,242
Less: discount for present value	-	(39,625)	(39,625)
	$ 969,542	$ 266,075	$ 1,235,617

6. NOTES RECEIVABLE

Notes receivable consist of the following as of June 30:

	2017	2016
Bridge loans	$ 1,078,489	$ 849,084
Capital financing	-	89,616
Total	1,078,489	938,700
Less: loan loss reserve	(470,000)	(470,000)
	$ 608,489	$ 468,700

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 3.25-8.25% annually. The Organization also charges loan application fees. Loans for under $2,500 have no application fee; loans between $2,500 and $15,000 have a fee of $50; and loans of over $15,000 have an application fee of $100. The Organization fully reserves against interest not paid. The Organization files a lien against the debtor's collateral for capital financing. Based on additional history of the members' collections on notes receivable, the Organization increased the reserve during the year ended June 30, 2016 in the amount of $30,000. During the year ended June 30, 2017, the Organization reallocated the reserve between board and permanently restricted funds available for loans.

6. NOTES RECEIVABLE (CONTINUED)

Notes receivable are due as follows as of June 30:

	2017	2016
For the year ending June 30, 2017	$ -	$ 462,712
" " " " June 30, 2018	608,489	5,988
Total	$ 608,489	$ 468,700

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Life/Years	2017	2016
Land	n/a	$ 225,000	$ 225,000
Building and improvements	39	4,907,399	4,031,607
Leasehold Improvements	Life of lease	20,525,604	3,050,046
Equipment	3-5	86,645	73,944
Furniture and fixtures	5-7	17,185	17,185
Organization costs	15	20,394	20,394
		25,782,227	7,418,176
Less: accumulated depreciation		(3,850,309)	(3,360,198)
Total		$ 21,931,918	$ 4,057,978

Depreciation expense for the years ended June 30, 2017 and 2016 was $490,111 and $262,957, respectively.

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

	2017	2016
ART/NY Theatres (Note 10e)	$ -	$ 7,822,362
South Oxford (Note 10g)	-	296,557
Total	$ -	$ 8,118,919

The Organization has leased space to develop rental theatre spaces for members, known as ART/NY Theatres. During the year ended June 30, 2017, the Organization completed both projects.

8. INVESTMENT IN LIMITED LIABILITY COMPANY

The investment in the Subsidiary is reflected as Level 2 of the fair value hierarchy. The investment is reflected under the cost method since the ownership is not transferrable. The Organization does not have control over any management or operational decisions. The Subsidiary's June 30, 2017 investment in the LLC is based on the audited financial statements for the year ended December 31, 2016 and internal reports for the six months ended June 30, 2017. The Subsidiary's June 30, 2016 investment in the LLC is based on the audited financial statements for the year ended December 31, 2015 and internal reports for the six months ended June 30, 2016. The Subsidiary's distributions received from the LLC for the years ended June 30, 2017 and 2016 were $33,771 and $32,543, respectively.

8. INVESTMENT IN LIMITED LIABILITY COMPANY (CONTINUED)

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.

9. 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 consolidated financial statement purposes. The balance of the cumulative variance or deferred rent credit as of June 30, 2017 and 2016 was $1,350,549 and $1,457,640, respectively. The net adjustment to properly reflect the deferred rent credit for the years ended June 30, 2017 and 2016 was $107,091 and $141,468, respectively. The consolidated financial statements amortize any free rent period over the life of the lease.

10. COMMITMENTS AND CONTINGENCIES

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

b) The Organization has a line of credit with a financial institution (the "Bank") in the amount of $400,000. Interest will accrue and be payable monthly on any amounts drawn at the adjusted LIBOR rate plus 8.016%, the rate was 9.23% as of June 30, 2017. Principal drawn under the line of credit will be due March 3, 2018. 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 were no outstanding amounts under the line of credit as of June 30, 2017 and 2016.

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, 2017:

For the year ending June 30, 2018	$ 978,666
" " " " June 30, 2019	994,667
" " " " June 30, 2020	1,010,667
" " " " June 30, 2021	1,026,667
Thereafter, through November 2022	1,919,890
Total	$ 5,930,557

Rent, real estate tax and utilities expense for the years ended June 30, 2017 and 2016 was $1,132,590 and $1,023,627, 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, 2017:

For the year ending June 30, 2018	$ 737,470
" " " " June 30, 2019	766,784
Total	$ 1,504,254

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, 2017 and 2016 was $1,446,554 and $1,395,519, respectively.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 opened the spaces November 1, 2016. The Organization occupies 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 was estimated at $16.672 million. Funding of $16.272 million has been pledged to date by the City of New York Mayor's Office and the Manhattan Borough President and $400,000 from the New York State Assembly. The Organization has launched a campaign to raise funds for three purposes: working capital funds for theatre start-up costs; Facility Maintenance Fund to support ongoing upkeep of all three of the Organization's facilities; and a Rental Subsidy Fund to ensure long-term, affordable rental rates for member companies.

The project was managed by the New York City Department of Design and Construction (DDC) in collaboration with the New York City Department of Cultural Affairs (DCA) and the New York City Housing Preservation and Development. The DDC has incurred $16,141,659 in construction costs and consulting fees through June 30, 2017.

The DCA investment of capital funding obligates the Organization to operate the facility and/or maintain equipment for the respective NYC bonding term as a not-for-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.

The lease will expire on March 31, 2107 (Note 1a). The Organization pays and reimburses the landlord for all operating expenses. The rent commenced on April 1, 2010 and is reflected within construction in progress through the opening date of the theatres, November 1, 2016. The Organization is obligated to share in common costs with the other two organizations.

The Organization established two new funds (Note 2b): a $3 million Facility Maintenance Fund to support all three ART/New York facilities and a $5.3 million Rental Subsidy Fund to ensure long-term affordable member rental rates for the new theaters. The Board approved respective polices for expenditures from these funds: $7,500 or more in capital projects will be appropriated from the Facility Maintenance Fund, and the net shortfall from the rental activity annually will be covered by the Rental Subsidiary Fund. During the year ended June 30, 2017, since the facility opened November 1, 2016, the Organization was able to appropriate $66,548 from this fund to cover the net deficit from the rental activities at this facility.

As of June 30, 2016, the Organization had raised $3,097,770 in contributions towards these funds which is reflected within temporarily restricted net assets (Note 2b). As of June 30, 2016, $2,453,810 of these contributions are held in investments and cash and cash equivalents accounts and $643,960 are recorded in unconditional promises to give. The Organization has established a spending policy for these investments (see Note 2c). All investment income earned is reinvested and reflected within temporarily restricted net assets. The amount used each year is based on anticipated annual operating shortfalls. Funds will be released for facility capital projects and to subsidize rentals.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

e) (continued)
The lease provides for minimum annual rental payments as follows as of June 30, 2017:

For the year ending June 30, 2018	$ 51,788
" " " " June 30, 2019	53,083
" " " " June 30, 2020	54,409
" " " " June 30, 2021	55,770
" " " " June 30, 2022	57,164
Thereafter, through March 2107	16,774,003
Total	$ 17,046,217

f) As stated in Note 8, 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) During the year ended June 30, 2015, the Organization was notified that there is an outstanding amount due for utilities monitored by a separate meter for the HVAC equipment at the facility (see Note 10e). Con Edison and the three organizations, which share the space, agreed to an amount due for the past five years of usage. The Organization's pro-rata share of the amount due is reflected within the costs of the new facility. The Organization's share of the amount due as of June 30, 2017 is as follows:

Payments due during the year ending June 30, 2018	$ 3,592
" " " " " " June 30, 2019	3,421
" " " " " " June 30, 2020	3,525
" " " " " " June 30, 2021	3,632
Thereafter, through December 20, 2022	5,653
Total Principal Due as of June 30, 2017	19,823
Less: Current Portion	(3,592)
Long-Term Portion	$ 16,231

11. ARTSPOOL LLC

On December 1, 2014, the Organization signed certain agreements with Arts Pool Services, Inc. ("ArtsPool"), to act as ArtsPool's fiscal sponsor and contribute certain assets under a License Agreement. The purpose of ArtsPool is to provide administrative and shared infrastructure services to arts organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Code at a price substantially approximating ArtsPool's fully-allocated cost of providing such services.

ArtsPool was originally one of the Organization's programs. The program was spun-off to an unrelated ArtsPool along with all the work product developed by the Organization as well as certain employees and consultants related to the development of the ArtsPool's business plan. As of December 1, 2014, the Organization's employees that worked on the development of the program for the Organization became employees of ArtsPool. Under the Fiscal Sponsorship Agreement, the Organization will continue to receive grants for the program and will grant these amounts to the ArtsPool net of a 3% administrative fee. During the years ended June 30, 2017 and 2016, the Organization granted $150,000 and $558,844, respectively, to ArtsPool, net of $3,000 and $16,305, respectively, in fiscal sponsorship fees.

11. ARTSPOOL LLC (CONTINUED)

ArtsPool has administrative reporting requirements under the Fiscal Sponsorship Agreement as well as the License Agreement to the Organization. The Organization retains the right, if ArtsPool does not fulfill certain requirements listed within all agreements, to withhold, withdraw or demand immediate return of any funds distributed as well as return of all assets transferred.

The Organization entered into a member services agreement with ArtsPool for financial and workforce administration services in December 2014. The agreement currently expires on June 30, 2018. Per the agreement, ArtsPool is responsible for maintaining a chart of accounts, maintaining and monitoring the operating budget, preparing reports, processing payroll and managing compliance tasks. ArtsPool is entitled to a monthly fee of 3% of the Organization's prior month's operating expense (increasing to 3.5% July 1, 2017 then to 4% January 1, 2018), which was approximately $103,000 and $95,000 for the years ended June 30, 2016 and 2015, respectively. Through December 31, 2016, ArtsPool provided a credit against their fee for internal services being performed by the Organization. Subsequently, ArtsPool has taken on all internal financial record keeping.

12. DONATED SERVICES AND USE OF FACILITIES

The Organization received donated services during the years ended June 30, 2017 and 2016 in support of its programs and capital projects. The fair market value has been recorded in the accompanying consolidated financial statements. Donated services for the years ended June 30 were as follows:

	2017	2016
Construction and design fees -		
ART/NY Theatres and South Oxford (Notes 7 and 10e)	$ 9,776,739	$ 5,080,956
Legal services - ART/NY Theatres	101,569	22,328
Audit, tax and consulting services	28,659	12,691
Legal services - ArtsPool LLC (Note 11)	-	80,477
Total	9,906,967	5,196,452
Less: amounts capitalized (Notes 7 and 10e)	(9,817,367)	(5,103,284)
Donated services	$ 89,600	$ 93,168

13. EMPLOYEE BENEFIT PLAN

The Organization has a 401k 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, 2017 and 2016.

14. FUNCTIONAL ALLOCATION OF EXPENSES

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

15. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 22, 2017, which represents the date the consolidated financial statements were available to be issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred that require adjustment to or disclosure in the consolidated financial statements.

CONSOLIDATED SUPPLEMENTAL INFORMATION

withum
AUDIT TAX ADVISORY

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the consolidated financial statements of Alliance of Resident Theatres/New York, Inc. and Subsidiary as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon dated November 22, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Schedule of Functional Expenses for the year ended June 30, 2017 with comparative totals for 2016 is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

WithumSmith+Brown, PC

November 22, 2017

Alliance of Resident Theatres/New York, Inc. and Subsidiary
Consolidated Schedule of Functional Expenses
For the Year Ended June 30, 2017 with Comparative Totals for 2016

		Supporting Services				2017	2016
	Program Expense	Management and General	Fundraising	Fundraising Capital	Total	Total Expenses	Total Expenses
Salaries, fringe benefits and payroll taxes	$ 1,030,939	$ 105,600	$ 352,459	$ 70,034	$ 528,093	$ 1,559,032	$ 1,285,595
Advertising and promotion	132	3,312	-	-	3,312	3,444	5,865
Loan loss reserve	-	-	-	-	-	-	30,000
Consultants and other professional fees	311,067	58,740	36,427	12,080	107,247	418,314	371,072
Facility maintenance and equipment lease	106,920	1,410	3,111	101	4,622	111,542	117,540
ArtsPool grants	150,000	-	-	-	-	150,000	575,150
Gala expenses (indirect)	-	-	19,937	-	19,937	19,937	59,864
Grants and awards	158,000	-	-	-	-	158,000	113,000
Insurance	58,068	1,118	3,837	-	4,955	63,023	38,661
Credit card processing and bank fees	11,924	957	2,094	-	3,051	14,975	14,794
Dues, subscription and registration fees	1,720	1,855	402	3,365	5,622	7,342	6,198
Investment fees	-	180	-	11,212	11,392	11,392	8,138
Meetings and conferences	4,021	760	667	-	1,427	5,448	542
Office supplies, printing and duplication	38,766	1,768	2,920	-	4,688	43,454	42,919
Postage and delivery	8,090	81	298	94	473	8,563	6,186
Rent, real estate taxes and utilities	1,099,085	8,869	22,891	1,745	33,505	1,132,590	1,023,627
Rent expense amortization	(103,923)	(839)	(2,164)	(165)	(3,168)	(107,091)	(141,468)
Special events, catering and venue rental	15,064	6,513	12,491	-	19,004	34,068	16,857
Telephone, computers and internet	37,640	1,649	7,729	110	9,488	47,128	22,626
Travel, per diems and transportation	9,686	1,822	452	43	2,317	12,003	4,448
Production expense	4,829	-	-	14,566	14,566	19,395	-
Bad debt	1,086	-	-	-	-	1,086	-
Interest	-	647	-	-	647	647	808
Miscellaneous	396	438	-	-	438	834	1,812
Total Expenses Before Depreciation	2,943,510	194,880	463,551	113,185	771,616	3,715,126	3,604,234
Depreciation	485,112	1,666	3,333	-	4,999	490,111	262,957
Total Expenses, 2017	$ 3,428,622	$ 196,546	$ 466,884	$ 113,185	$ 776,615	$ 4,205,237	
Total Expenses, 2016	$ 3,084,752	$ 234,970	$ 456,126	$ 91,343	$ 782,439		$ 3,867,191

See independent auditor's report on consolidated supplemental information.