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

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2016 AND 2015

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

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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 statement of financial position as of June 30, 2016, and the related consolidated statements of activities and consolidated cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 of 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.

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AUDIT TAX ADVISORY

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, 2016, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Consolidated Financial Statements

The consolidated financial statements for the year ended June 30, 2015 were audited by Fried and Kowgios Partners CPA's LLP, who merged with WithumSmith+Brown, PC effective August 1, 2016, and they expressed an unmodified opinion on the consolidated statements in their report dated October 19, 2015. No auditing procedures have been performed with respect to the June 30, 2015 consolidated financial statements since that date.

WithumSmith+Brown, PC

New York, New York
November 16, 2016

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016						2015					
	UNDESIGNATED	BOARD - DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	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	$ 269,037	$ 902,767	$ 1,171,804	$ 764,964	$ 100,000	$ 2,036,768
Investments	13,506	-	13,506	2,260,829	100,000	2,374,335	10,721	-	10,721	1,703,397	-	1,714,118
Investment in LLC	7,946	-	7,946	-	-	7,946	7,955	-	7,955	-	-	7,955
Accounts receivable and other current assets	12,012	-	12,012	-	-	12,012	13,727	-	13,727	-	-	13,727
Unconditional promises to give	108,897	-	108,897	860,645	-	969,542	82,392	-	82,392	1,030,645	-	1,113,037
Notes receivable	100,240	35,786	136,026	-	326,686	462,712	176,418	17,758	194,176	-	356,686	550,862
Total Current Assets	304,070	951,012	1,255,082	3,714,613	426,686	5,396,381	560,250	920,525	1,480,775	3,499,006	456,686	5,436,467
Notes receivable	-	5,988	5,988	-	-	5,988	-	36,475	36,475	-	-	36,475
Unconditional promises to give	-	-	-	266,075	-	266,075	-	-	-	438,194	-	438,194
Property and equipment, at cost, net of accumulated depreciation and amortization	4,057,978	-	4,057,978	-	-	4,057,978	4,320,935	-	4,320,935	-	-	4,320,935
Construction in progress	8,118,919	-	8,118,919	-	-	8,118,919	2,829,468	-	2,829,468	-	-	2,829,468
Security deposits	117,000	-	117,000	-	-	117,000	117,000	-	117,000	-	-	117,000
Total Assets	$ 12,597,967	$ 957,000	$ 13,554,967	$ 3,980,688	$ 426,686	$ 17,962,341	$ 7,827,653	$ 957,000	$ 8,784,653	$ 3,937,200	$ 456,686	$ 13,178,539
Liabilities and Net Assets												
Liabilities												
Current Liabilities												
Accounts payable and accrued expenses	$ 111,499	$ -	$ 111,499	$ -	$ -	$ 111,499	$ 72,916	$ -	$ 72,916	$ -	$ -	$ 72,916
Deferred revenue	32,333	-	32,333	-	-	32,333	32,235	-	32,235	-	-	32,235
Due to Con Edison	3,486	-	3,486	-	-	3,486	3,639	-	3,639	-	-	3,639
Deferred rent credit	184,134	-	184,134	-	-	184,134	141,468	-	141,468	-	-	141,468
Total Current Liabilities	331,452	-	331,452	-	-	331,452	250,258	-	250,258	-	-	250,258
Security deposits payable	159,164	-	159,164	-	-	159,164	159,457	-	159,457	-	-	159,457
Due to Con Edison	19,551	-	19,551	-	-	19,551	22,773	-	22,773	-	-	22,773
Deferred rent credit	1,273,506	-	1,273,506	-	-	1,273,506	1,457,640	-	1,457,640	-	-	1,457,640
Total Liabilities	1,783,673	-	1,783,673	-	-	1,783,673	1,890,128	-	1,890,128	-	-	1,890,128
Commitments and contingencies												
Net Assets												
Unrestricted												
Property and equipment and construction in progress, net	12,176,897	-	12,176,897	-	-	12,176,897	7,150,403	-	7,150,403	-	-	7,150,403
Deferred rent credit	(1,457,640)	-	(1,457,640)	-	-	(1,457,640)	(1,599,108)	-	(1,599,108)	-	-	(1,599,108)
Board-designated	-	957,000	957,000	-	-	957,000	-	957,000	957,000	-	-	957,000
Undesignated	95,037	-	95,037	-	-	95,037	386,230	-	386,230	-	-	386,230
Total Unrestricted	10,814,294	957,000	11,771,294	-	-	11,771,294	5,937,525	957,000	6,894,525	-	-	6,894,525
Temporarily Restricted	-	-	-	3,980,688	-	3,980,688	-	-	-	3,937,200	-	3,937,200
Permanently Restricted	-	-	-	-	426,686	426,686	-	-	-	-	456,686	456,686
Total Net Assets	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
Total Liabilities and Net Assets	$ 12,597,967	$ 957,000	$ 13,554,967	$ 3,980,688	$ 426,686	$ 17,962,341	$ 7,827,653	$ 957,000	$ 8,784,653	$ 3,937,200	$ 456,686	$ 13,178,539

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, 2016 AND 2015

	2016						2015					
	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	$ 304,904	$ -	$ 304,904	$ -	$ -	$ 304,904	$ 324,204	$ -	$ 324,204	$ -	$ -	$ 324,204
Foundations	574,275	-	574,275	50,000	-	624,275	527,000	-	527,000	997,695	-	1,524,695
Corporations	16,280	-	16,280	-	-	16,280	20,535	-	20,535	-	-	20,535
Individuals	84,677	-	84,677	-	-	84,677	85,342	-	85,342	-	-	85,342
Fundraising benefits	349,269	-	349,269	-	-	349,269	304,324	-	304,324	-	-	304,324
Less: Direct costs of fundraising benefits	(48,547)	-	(48,547)	-	-	(48,547)	(35,320)	-	(35,320)	-	-	(35,320)
Donated services	93,168	-	93,168	-	-	93,168	185,617	-	185,617	-	-	185,617
Net assets released from restrictions												
Foundations	608,092	-	608,092	(608,092)	-	-	527,500	-	527,500	(527,500)	-	-
Total Public Support	1,982,118	-	1,982,118	(558,092)	-	1,424,026	1,939,202	-	1,939,202	470,195	-	2,409,397
Other Revenue												
Rental income	1,265,577	-	1,265,577	-	-	1,265,577	1,214,032	-	1,214,032	-	-	1,214,032
Reimbursed tenant expenses	180,977	-	180,977	-	-	180,977	181,487	-	181,487	-	-	181,487
Membership dues	103,895	-	103,895	-	-	103,895	98,705	-	98,705	-	-	98,705
Distributions from LLC	32,543	-	32,543	-	-	32,543	34,377	-	34,377	-	-	34,377
Loan interest and fees	24,555	-	24,555	-	-	24,555	31,836	-	31,836	-	-	31,836
Fiscal sponsorship fees	16,305	-	16,305	-	-	16,305	-	-	-	-	-	-
Miscellaneous income	4,030	-	4,030	-	-	4,030	2,800	-	2,800	-	-	2,800
Investment income	676	-	676	-	-	676	924	-	924	-	-	924
Total Public Support and Other Revenue	3,610,676	-	3,610,676	(558,092)	-	3,052,584	3,503,363	-	3,503,363	470,195	-	3,973,558
Expenses												
Program Services	3,054,752	-	3,054,752	-	30,000	3,084,752	3,045,345	-	3,045,345	-	20,000	3,065,345
Supporting Services												
Management and General	234,970	-	234,970	-	-	234,970	230,913	-	230,913	-	-	230,913
Fundraising	456,126	-	456,126	-	-	456,126	348,704	-	348,704	-	-	348,704
Total Supporting Services	691,096	-	691,096	-	-	691,096	579,617	-	579,617	-	-	579,617
Total Expenses	3,745,848	-	3,745,848	-	30,000	3,775,848	3,624,962	-	3,624,962	-	20,000	3,644,962
Increase (Decrease) in Net Assets From Operating Activities (carried forward)	(135,172) *	-	(135,172)	(558,092)	(30,000)	(723,264)	(121,599) *	-	(121,599)	470,195	(20,000)	328,596

	2016	2015
* Includes depreciation expense of $262,957 (2016) and $268,779 (2015)		
Increase in unrestricted net assets before depreciation expense and non-operating activities	$ 127,785	$ 147,180

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, 2016 AND 2015

	2016						2015					
	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)	$ (135,172)	$ -	$ (135,172)	$ (558,092)	$ (30,000)	$ (723,264)	$ (121,599)	$ -	$ (121,599)	$ 470,195	$ (20,000)	$ 328,596
Non-Operating Activities												
Foundations	-	-	-	416,000	-	416,000	-	-	-	932,500	100,000	1,032,500
Individuals	-	-	-	192,456	-	192,456	-	-	-	38,837	-	38,837
Donated services	5,103,284	-	5,103,284	-	-	5,103,284	761,889	-	761,889	-	-	761,889
Investment income (loss)	-	-	-	(6,876)	-	(6,876)	-	-	-	15,817	-	15,817
Fundraising capital expenses	(91,343)	-	(91,343)	-	-	(91,343)	(84,853)	-	(84,853)	-	-	(84,853)
Total Non-Operating Activities	5,011,941	-	5,011,941	601,580	-	5,613,521	677,036	-	677,036	987,154	100,000	1,764,190
Increase (Decrease) in Net Assets	4,876,769	-	4,876,769	43,488	(30,000)	4,890,257	555,437	-	555,437	1,457,349	80,000	2,092,786
Net assets, beginning of year	5,937,525	957,000	6,894,525	3,937,200	456,686	11,288,411	5,382,088	957,000	6,339,088	2,479,851	376,686	9,195,625
Net Assets, End 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

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, 2016 AND 2015

	2016	2015
Cash Flows From Operating and Non-Operating Activities		
Increase in net assets	$ 4,890,257	$ 2,092,786
Adjustments to reconcile increase in net assets to net cash provided by operating and non-operating activities:		
Depreciation	262,957	268,779
Deferred rent credit	(141,468)	1,200
Donated legal and design consulting capitalized	(5,103,284)	(761,889)
Unrealized (gain) loss on investments	(14,330)	12,223
Realized loss on sale of investments	56,346	2,023
Donated securities	(13,328)	(23,023)
Change in discount for present value for unconditional promises	16,081	56,622
Change in loan loss reserve	30,000	20,000
Change in Investment in LLC	9	1,481
(Increase) decrease in:		
Accounts receivable and other current assets	1,715	(259)
Unconditional promises to give	299,533	(89,171)
Increase (decrease) in:		
Accounts payable and accrued expenses	38,583	7,116
Deferred revenue	98	(9,680)
Due to Con Edison	(3,375)	26,412
Security deposits payable	(293)	(9,878)
Net Cash Provided By Operating and Non-Operating Activities	319,501	1,594,742
Cash Flows From Investing Activities		
Repayments of loans by members	1,144,549	1,155,973
Loans made to members	(1,055,912)	(1,128,048)
Purchase of investments	(2,351,816)	(1,530,246)
Proceeds from sale of investments	1,662,911	467,198
Purchase of construction in progress	(186,167)	(134,473)
Net Cash Used By Investing Activities	(786,435)	(1,169,596)
Net increase (decrease) in cash and cash equivalents	(466,934)	425,146
Cash and cash equivalents, beginning of year	2,036,768	1,611,622
Cash and Cash Equivalents, End of Year	$ 1,569,834	$ 2,036,768
Supplemental Non-cash Information:		
Donated legal and design consulting capitalized	$ 5,103,284	$ 761,889
Interest paid (Due to Con Edison)	$ 808	$ 270

See notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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 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. Scheduled to open in 2016, the facility will provide 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

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.

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

a - Organization (continued)

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.

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

d - Fair Value Measurements

The Organization and Subsidiary reflect fair value using an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. Fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels. Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization and Subsidiary.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1 - Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements (continued)

Unobservable inputs reflect the assumptions developed by the Organization and Subsidiary 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 and Level 2 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 consolidated statements 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.

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, 2016 and 2015. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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 - Financial Statement Presentation

The Organization presents its consolidated 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 - Revenue Recognition 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. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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 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 Organizations Exempt from Income Tax,* for the years ended June 30, 2015, 2014 and 2013 are subject to examination by the IRS, generally for three years after they were filed. The 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 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.

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. The reserve for loan losses under the Chapin Fund was $45,000 as of June 30, 2016 and 2015.

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:

	2016	2015
Rental Subsidy and Facility Maintenance Fund (Note 10e)	$ 3,097,770	$ 2,489,313
Future Year Operations	628,048	1,186,141
ART/NY Theatres (Note 10e)	224,945	224,945
Investment income (Notes 4c and 10e)	29,925	36,801
Temporarily Restricted Net Assets	$ 3,980,688	$ 3,937,200

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 2 - Restrictions on Net Assets (continued)

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, 2016 and 2015 was $425,000 and $395,000, respectively.

See Note 6 for notes receivable outstanding for each fund as of June 30, 2016 and 2015. 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.

Note 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, 2016, the Organization's uninsured cash balances totaled $953,905. 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, 2016, the Organization's uninsured investment balances totaled $1,874,335.

Note 4 - Cash, Cash Equivalents and Investments

a) Fair Value of Financial Instruments
The fair value and carrying amount of the Organization's cash and short-term investments as of June 30, 2016 and 2015 was $1,569,834 and $2,036,768, 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, 2016 and June 30, 2015 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, 2016 and 2015 was $2,374,335 and $1,714,118, respectively. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 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, 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

	Fair Value			Cost
As of June 30, 2015:	**Level 1**	**Level 2**	**Total**	**Total**
Fixed income	$ 936,131	$ -	$ 936,131	$ 950,465
Equities	606,941	-	606,941	587,888
Hedge funds	171,046	-	171,046	172,500
	$ 1,714,118	$ -	$ 1,714,118	$ 1,710,853

c) Investment Income (Loss)

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

	2016	**2015**
Interest and dividend income	$ 35,816	$ 30,987
Realized loss on sale of investments	(56,346)	(2,023)
Unrealized gain (loss) on investments	14,330	(12,223)
	(6,200)	16,741
Less: Amounts from operating activities	(676)	(924)
Non-Operating Activities	$ (6,876)	$ 15,817

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 The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Investment income (loss) earned on the Rental Subsidy and Facility Maintenance funds are restricted until the new location is open. For the years ended June 30, 2016 and 2015, $(6,876) and $15,817, respectively, of investment income (loss) earned on these funds have been reflected or offset within temporarily restricted net assets (Notes 2b and 10e).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 5 - Unconditional Promises to Give

When estimating fair value of unconditional promises to give, the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into 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 to be received after one 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:

	2016	2015
Due during the year ending June 30, 2016	$ -	$ 1,113,037
" " " " " June 30, 2017	969,542	338,200
" " " " " June 30, 2018	105,700	80,700
" " " " " June 30, 2019	100,000	75,000
" " " " " June 30, 2020	25,000	-
" " " " " June 30, 2021	25,000	-
" " " " " June 30, 2022	25,000	-
" " " " " June 30, 2023	25,000	-
	1,275,242	1,606,937
Less: discount for present value	(39,625)	(55,706)
	$ 1,235,617	$ 1,551,231

Unconditional promises to give consist of the following as of June 30, 2016:

	Less Than One Year	One to Five Years	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

Unconditional promises to give consist of the following as of June 30, 2015:

	Less Than One Year	One to Three Years	Total
Unrestricted	$ 82,392	$ -	$ 82,392
Temporarily restricted	1,030,645	493,900	1,524,545
	1,113,037	493,900	1,606,937
Less: discount for present value	-	(55,706)	(55,706)
	$ 1,113,037	$ 438,194	$ 1,551,231

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 6 - Notes Receivable

Notes receivable consist of the following as of June 30:

	2016	2015
Bridge loans	$ 849,084	$ 925,262
Capital financing	89,616	102,075
Total	938,700	1,027,337
Less: loan loss reserve	(470,000)	(440,000)
	$ 468,700	$ 587,337

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 years ended June 30, 2016 and 2015 in the amount of $30,000 and $20,000, respectively.

Notes receivable are due as follows as of June 30:

		2016	2015
For the year ending	June 30, 2016	$ -	$ 550,862
" " " "	June 30, 2017	462,712	36,475
" " " "	June 30, 2018	5,988	-
Total		$ 468,700	$ 587,337

Note 7 - Property and Equipment and Construction in Progress

Property and equipment consist of the following at June 30:

	Life in Years	2016	2015
Land	n/a	$ 225,000	$ 225,000
Building and improvements	39	4,031,607	4,031,607
Leasehold improvements	Life of lease	3,050,046	3,050,046
Equipment	3-5	73,944	73,944
Furniture and fixtures	5-7	17,185	17,185
Organization costs	15	20,394	20,394
		7,418,176	7,418,176
Less: accumulated depreciation and amortization		(3,360,198)	(3,097,241)
		$ 4,057,978	$ 4,320,935

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was $262,957 and $268,779, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 7 - Property and Equipment and Construction in Progress (continued)

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

	2016	2015
ART/NY Theatres (Note 10e)	$ 7,822,362	$ 2,567,848
South Oxford (Note 10g)	296,557	261,620
Total	$ 8,118,919	$ 2,829,468

The Organization has leased space to develop rental theatre spaces for members, known as ART/NY Theatres. During the year ended June 30, 2016, the Organization capitalized $5,254,514 of costs associated with the construction and design of its new spaces (see Note 10e). As of June 30, 2016, the Organization had capitalized $7,822,362. The Organization is in the second stage of renovations at the South Oxford space (see Note 10g). During the year ended June 30, 2016, the Organization capitalized $34,937 of costs associated with the design of the space. As of June 30, 2016, the Organization had capitalized $296,557.

Note 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, 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 June 30, 2015 investment in the LLC is based on the audited financial statements for the year ended December 31, 2014 and internal reports for the six months ended June 30, 2015. The Subsidiary's distributions from the LLC for the years ended June 30, 2016 and 2015 were $32,552 and $35,858, respectively. 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 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, 2016 and 2015 was $1,457,640 and $1,599,108, respectively. The net adjustment to properly reflect the deferred rent credit for the years ended June 30, 2016 and 2015 was $141,468 and $1,200, respectively. The consolidated financial statements amortize any free rent period over the life of the lease.

Note 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 3%, the rate was 5.79% as of June 30, 2016. Principal drawn under the line of credit will be due February 9, 2017. 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, 2016 and 2015.

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, 2016:

For the year ending	June 30, 2017	$ 951,556
" " " "	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		$ 6,882,113

Rent, real estate tax and utilities expense for the years ended June 30, 2016 and 2015 was $1,023,627 and $1,015,300, 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, 2016:

For the year ending	June 30, 2017	$ 862,117
" " " "	June 30, 2018	737,470
" " " "	June 30, 2019	766,784
Total		$ 2,366,371

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, 2016 and 2015 was $1,446,554 and $1,395,519, 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 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. A consultant has been hired and a planning committee has been formed to launch a campaign 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 10 - 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 Department of Cultural Affairs (DCA) and the New York City Housing Preservation and Development. The DDC has spent $5,052,013 and $759,689 in construction costs and consulting fees for the years ended June 30, 2016 and 2015, respectively, which are included within construction in progress (see Note 7).

The DCA investment of capital funding obligates the Organization to operate the facility and/or maintain equipment for the respective 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. As of June 30, 2016, the Organization has raised $625,000 in cumulative contributions of which $400,055 has been spent towards consulting fees and other related expenses with the balance of $224,945 reflected within temporarily restricted net assets (Note 2b).

The lease will expire on March 31, 2107 (Note 1a). The Organization pays and reimburses the landlord for all operating expenses, which was $48,314 for the year ended June 30, 2016, 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 expected to incur common costs shared by three organizations. The construction of the theatre is near completion and the opening is estimated to occur in November 2016.

The Organization is fundraising to establish 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.

As of June 30, 2016, the Organization has 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 4c). 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 when the theatres open.

The Organization received a conditional $37,500 grant from a charitable fund. Since the grant is conditional, it has not been recorded. As of June 30, 2016, $12,500 of this grant has been received and recorded in the accompanying consolidated financial statements.

Note 10 - Commitments and Contingencies (continued)

e) (continued)

The lease provides for minimum annual rental payments as follows as of June 30, 2016:

For the year ending June 30, 2017	$	50,525
" " " " June 30, 2018		51,788
" " " " June 30, 2019		53,083
" " " " June 30, 2020		54,409
" " " " June 30, 2021		55,770
Thereafter, through March 2107		16,831,167
Total	$	17,096,742

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) The first stage of South Oxford Space renovation project was completed in November 2011. All construction costs were covered by $1.5 million granted by New York City government agencies. The second stage of the renovations began in spring 2013. The Organization's project is anticipated to cost $816,000 with the expectation that $616,000 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. The remaining $200,000 will be raised and/or will come from the Facility Maintenance Fund (Note 10e). As of June 30, 2016, the DDC spent $200,854, which is included within construction in progress (see Note 7). The project is expected to be completed by the end of 2016.

h) 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 new space (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 construction in progress. The Organization's share of the amount due as of June 30, 2016 is as follows:

Payments due during the year ending June 30, 2017	$	3,486
" " " " " " June 30, 2018		3,320
" " " " " " 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, 2016		23,037
Less: Current Portion		(3,486)
Long-Term Portion	$	19,551

Note 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 year ended June 30, 2016, the Organization granted $558,844 to ArtsPool, net of $16,305 in fiscal sponsorship fees. 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 expires on June 30, 2017. 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, which was approximately $95,000 and $56,000 for the years ended June 30, 2016 and 2015, respectively. In addition, $18,000 is deducted from the annual fee to acknowledge bookkeeping work being done by the Organization's staff.

Note 12 - Donated Services

The Organization received donated services during the years ended June 30, 2016 and 2015 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:

	2016	2015
Construction and design fees - ART/NY Theatres and South Oxford (Notes 7 and 10e)	$5,080,956	$ 759,689
Legal services - ArtsPool LLC (Note 11)	80,477	159,350
Audit, tax and consulting services	12,692	15,550
Legal services - ART/NY Theatres	22,328	12,917
Total	5,196,453	947,506
Less: amounts capitalized (Notes 7 and 10e)	(5,103,284)	(761,889)
Donated services	$ 93,169	$ 185,617

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 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, 2016 and 2015.

Note 14 - Functional Allocation of Expenses

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

Note 15 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through November 16, 2016, the date which the consolidated financial statements were available to be issued. Management has determined that there are no subsequent events that require disclosure in the consolidated financial statements.

CONSOLIDATED SUPPLEMENTAL INFORMATION

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AUDIT TAX ADVISORY

INDEPENDENT AUDITOR'S REPORT
ON CONSOLIDATED 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 year ended June 30, 2016, and have issued our report thereon dated November 16, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was 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, 2016 with comparative totals for 2015 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 audit 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.

The consolidated financial statements for the year ended June 30, 2015, were audited by Fried and Kowgios Partners CPA's LLP, who merged with WithumSmith+Brown, PC effective August 1, 2016, and they expressed an unmodified opinion on the consolidated statements in their report dated October 19, 2015. Their report, as of the same date, on the Consolidated Schedule of Functional Expenses for the year ended June 30, 2015 stated that, in their opinion, such information was fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2015, as a whole.

WithumSmith+Brown, PC

New York, New York
November 16, 2016

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

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

		Supporting Services				2016	2015
	Program Expense	Management and General	Fundraising	Fundraising Capital	Total	Total Expenses	Total Expenses
Salaries, fringe benefits and payroll taxes	$ 809,700	$ 56,214	$ 349,538	$ 70,143	$ 475,895	$ 1,285,595	$ 1,204,351
Advertising and promotion	3,412	1,699	654	100	2,453	5,865	4,105
Loan loss reserve	30,000	-	-	-	-	30,000	20,000
Consultants and other professional fees	204,231	147,567	19,274	-	166,841	371,072	632,528
Facility maintenance and equipment lease	114,304	1,799	1,387	50	3,236	117,540	101,061
ArtsPool grants	575,150	-	-	-	-	575,150	174,424
Gala expenses (indirect)	-	-	59,864	-	59,864	59,864	32,809
Grants and awards	113,000	-	-	-	-	113,000	113,000
Insurance	34,431	4,009	221	-	4,230	38,661	38,811
Credit card processing and bank fees	11,723	185	2,886	-	3,071	14,794	12,367
Dues, subscription and registration fees	1,916	2,870	912	500	4,282	6,198	3,862
Investment fees	-	-	-	8,138	8,138	8,138	6,006
Meetings and conferences	256	44	202	40	286	542	4,703
Office supplies, printing and duplication	19,116	7,044	5,467	11,292	23,803	42,919	35,061
Postage and delivery	5,854	106	226	-	332	6,186	10,482
Rent, real estate taxes and utilities	1,005,558	6,023	12,046	-	18,069	1,023,627	1,015,300
Rent expense amortization	(138,891)	(859)	(1,718)	-	(2,577)	(141,468)	1,200
Special events, catering and venue rental	11,523	3,821	535	978	5,334	16,857	21,062
Telephone, computers and internet	20,127	752	1,747	-	2,499	22,626	23,919
Travel, per diems and transportation	2,946	1,153	247	102	1,502	4,448	2,651
Interest	-	808	-	-	808	808	270
Miscellaneous	121	841	850	-	1,691	1,812	3,064
Total Expenses Before Depreciation	2,824,477	234,076	454,338	91,343	779,757	3,604,234	3,461,036
Depreciation	260,275	894	1,788	-	2,682	262,957	268,779
Total Expenses, 2016	$ 3,084,752	$ 234,970	$ 456,126	$ 91,343	$ 782,439	$ 3,867,191	
Total Expenses, 2015	$ 3,065,345	$ 230,913	$ 348,704	$ 84,853	$ 664,470		$ 3,729,815

See independent auditor's report on consolidated supplemental information.