

ROUNABOUT THEATRE COMPANY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2016



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Roundabout Theatre Company, Inc.

We have audited the accompanying financial statements of Roundabout Theatre Company, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of operating activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roundabout Theatre Company, Inc. as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Roundabout Theatre Company, Inc.'s 2015 financial statements, and our report dated December 15, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lotz + Carr, LLP

New York, New York
January 19, 2017

ROUNABOUT THEATRE COMPANY, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Unrestricted				Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total	
	Operating	Property and Equipment	Board Designated Endowment	Capital Campaign					Total Unrestricted
Assets									
Cash and cash equivalents	\$17,878,015	\$ -	\$ -	\$ -	\$ 17,878,015	\$ 617,431	\$ -	\$ 18,495,446	\$ 20,736,218
Receivables	551,344	8,663	46,729	-	606,736	-	-	606,736	1,894,110
Unconditional promises to give	1,281,320	-	-	793,174	2,074,494	16,474,502	295,328	18,844,324	14,350,611
Prepaid expenses and deposits	1,842,353	-	-	-	1,842,353	-	-	1,842,353	1,492,504
Prepaid production costs	6,411,543	-	-	-	6,411,543	-	-	6,411,543	2,037,747
Property and equipment	-	54,650,126	-	-	54,650,126	-	-	54,650,126	55,788,369
Bond issue costs	-	-	-	-	-	-	-	-	691,906
Investments	257,092	5,496,667	29,648,252	-	35,402,011	561,219	1,922,186	37,885,416	32,135,368
Other assets	20,000	-	-	-	20,000	-	-	20,000	501,349
Interfund	1,156,313	224,840	(587,979)	(793,174)	-	-	-	-	-
Total Assets	\$29,397,980	\$60,380,296	\$29,107,002	\$ -	\$118,885,278	\$17,653,152	\$ 2,217,514	\$138,755,944	\$129,628,182
Liabilities and Net Assets									
Liabilities									
Accounts payable and accrued expenses	\$10,128,695	\$ 96,144	\$ -	\$ -	\$ 10,224,839	\$ -	\$ -	\$ 10,224,839	\$ 12,782,642
Deferred revenue	13,643,246	-	-	-	13,643,246	-	-	13,643,246	10,772,655
Deferred rent	2,168,167	-	-	-	2,168,167	-	-	2,168,167	1,928,486
Loan payable	-	13,564,756	-	-	13,564,756	-	-	13,564,756	-
Bonds payable	-	-	-	-	-	-	-	-	14,332,164
Total Liabilities	25,940,108	13,660,900	-	-	39,601,008	-	-	39,601,008	39,815,947
Commitments and Contingencies									
Net Assets									
Unrestricted	3,457,872	46,719,396	29,107,002	-	79,284,270	-	-	79,284,270	73,989,811
Temporarily restricted	-	-	-	-	-	17,653,152	-	17,653,152	13,609,532
Permanently restricted	-	-	-	-	-	-	2,217,514	2,217,514	2,212,892
Total Net Assets	3,457,872	46,719,396	29,107,002	-	79,284,270	17,653,152	2,217,514	99,154,936	89,812,235
Total Liabilities and Net Assets	\$29,397,980	\$60,380,296	\$29,107,002	\$ -	\$118,885,278	\$17,653,152	\$ 2,217,514	\$138,755,944	\$129,628,182

See notes to financial statements.

ROUNABOUT THEATRE COMPANY, INC.

STATEMENT OF OPERATING ACTIVITIES

YEAR ENDED AUGUST 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Program Services					Supporting Services			2016 Total	2015 Total	
	American Airlines Theatre	Steinberg Center	Studio 54	Extended Programming	Education and Other Programs	Total	General and Administrative	Fundraising			Total
Revenues, Gains and Other Support											
Admissions and subscriptions	\$15,219,130	\$ 4,499,279	\$17,666,640	\$ -	\$ -	\$ 37,385,049	\$ -	\$ -	\$ -	\$37,385,049	\$50,231,600
Contracted touring fees	-	-	-	11,021,932	-	11,021,932	-	-	-	11,021,932	-
Grants and contributions											
Government, foundations, corporations and individuals	99,411	429,654	354,264	-	927,185	1,810,514	-	6,782,745	6,782,745	8,593,259	8,862,322
Special event revenue	-	-	-	-	311,500	311,500	-	3,720,946	3,720,946	4,032,446	3,326,797
Less: Direct benefits to donors	-	-	-	-	-	-	-	(626,048)	(626,048)	(626,048)	(554,794)
Rental income, net of direct expenses of \$5,694,011 (2016) and \$7,242,830 (2015)	-	-	-	-	-	-	5,016,971	-	5,016,971	5,016,971	8,350,483
Other income	108,852	353,136	156,043	1,634	408,398	1,028,063	947,712	-	947,712	1,975,775	2,083,341
Net investment income (loss)	-	-	-	-	-	-	171,790	-	171,790	171,790	(194,877)
Appropriation from endowment	-	-	-	-	40,312	40,312	77,978	-	77,978	118,290	112,520
Net assets released from restrictions	57,087	754,650	505,763	-	399,200	1,716,700	-	1,123,694	1,123,694	2,840,394	1,906,872
Total Revenues, Gains and Other Support	15,484,480	6,036,719	18,682,710	11,023,566	2,086,595	53,314,070	6,214,451	11,001,337	17,215,788	70,529,858	74,124,264
Expenses											
Salaries, taxes and benefits	8,085,997	4,373,283	12,593,650	4,252,060	2,075,956	31,380,946	1,765,694	2,314,860	4,080,554	35,461,500	36,290,768
Sets, costumes, props and other production costs	2,383,823	881,656	3,270,323	1,640,738	-	8,176,540	-	-	-	8,176,540	8,663,508
Travel and housing	428,331	84,810	620,900	1,714,519	75,601	2,924,161	18,241	25,601	43,842	2,968,003	1,411,323
Press, publicity and advertising	2,940,801	986,461	4,237,842	176,952	178	8,342,234	-	-	-	8,342,234	8,000,007
Royalties	659,923	98,508	541,955	1,173,930	-	2,474,316	-	-	-	2,474,316	2,838,874
Telephone, postage and supplies	140,211	118,311	160,575	10,736	132,093	561,926	74,831	166,866	241,697	803,623	669,017
Special series and event	17,263	8,151	20,695	-	110,502	156,611	120,359	130,351	250,710	407,321	283,851
Printing and publications	65,308	30,834	78,290	-	22,032	196,464	-	13,992	13,992	210,456	202,893
Outside services	124,706	81,019	118,113	8,004	46,731	378,573	460,016	24,276	484,292	862,865	1,094,639
Insurance	143,974	31,346	139,585	30,339	71,044	416,288	184,822	29,479	214,301	630,589	595,729
Rent	622,113	925,876	465,115	-	320,454	2,333,558	572,950	123,087	696,037	3,029,595	2,778,001
Utilities and maintenance	681,639	341,172	530,461	-	141,882	1,695,154	134,482	28,923	163,405	1,858,559	1,611,489
Interest	-	-	746,227	-	-	746,227	-	-	-	746,227	786,216
Depreciation	864,163	571,060	1,361,173	-	543,958	3,340,354	157,039	33,774	190,813	3,531,167	3,420,586
Other expenses	130,451	92,133	139,638	11,246	113,292	486,760	207,324	480,489	687,813	1,174,573	1,141,378
Total Expenses	17,288,703	8,624,620	25,024,542	9,018,524	3,653,723	63,610,112	3,695,758	3,371,698	7,067,456	70,677,568	69,788,279
Net Increase (Decrease) in Net Assets Before Transfers	<u>\$ (1,804,223)</u>	<u>\$(2,587,901)</u>	<u>\$ (6,341,832)</u>	<u>\$ 2,005,042</u>	<u>\$(1,567,128)</u>	<u>\$(10,296,042)</u>	<u>\$ 2,518,693</u>	<u>\$ 7,629,639</u>	<u>\$10,148,332</u>	<u>\$ (147,710)</u>	<u>\$ 4,335,985</u>

See notes to financial statements.

ROUNABOUT THEATRE COMPANY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Unrestricted				Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total	
	Operating	Property and Equipment	Board Designated Endowment	Capital Campaign					Total Unrestricted
Revenues, Gains and Other Support									
Admissions and subscriptions	\$37,385,049	\$ -	\$ -	\$ -	\$37,385,049	\$ -	\$ -	\$37,385,049	\$50,231,600
Contracted touring fees	11,021,932	-	-	-	11,021,932	-	-	11,021,932	-
Grants and contributions									
Government, foundations, corporations and individuals	8,593,259	113,997	-	2,134,824	10,842,080	9,833,900	4,622	20,680,602	17,858,004
Special event revenue	4,032,446	-	-	-	4,032,446	-	-	4,032,446	3,326,797
Less: Direct benefits to donors	(626,048)	-	-	-	(626,048)	-	-	(626,048)	(554,794)
Rental income, net of direct expenses of \$5,694,011 (2016) and \$7,242,830 (2015)	5,016,971	-	-	-	5,016,971	-	-	5,016,971	8,350,483
Other income	1,975,775	-	-	-	1,975,775	-	-	1,975,775	2,083,341
Net investment income (loss)	171,790	369,589	1,682,193	-	2,223,572	138,737	-	2,362,309	(1,899,873)
Appropriation from endowment	118,290	-	-	-	118,290	(118,290)	-	-	-
Net assets released from restrictions	2,840,394	-	-	2,970,333	5,810,727	(5,810,727)	-	-	-
Total Revenues, Gains and Other Support	70,529,858	483,586	1,682,193	5,105,157	77,800,794	4,043,620	4,622	81,849,036	79,395,558
Expenses									
Program Services									
American Airlines Theatre	17,288,703	-	-	-	17,288,703	-	-	17,288,703	22,285,484
Steinberg Center	8,624,620	-	-	-	8,624,620	-	-	8,624,620	10,088,865
Studio 54	25,024,542	-	-	-	25,024,542	-	-	25,024,542	26,904,620
Extended programming	9,018,524	-	-	-	9,018,524	-	-	9,018,524	-
Education and other programs	3,653,723	-	-	-	3,653,723	-	-	3,653,723	4,256,823
Total Program Services	63,610,112	-	-	-	63,610,112	-	-	63,610,112	63,535,792
Supporting Services									
General and administrative	3,695,758	113,997	-	-	3,809,755	-	-	3,809,755	3,589,394
Fundraising	3,371,698	-	-	899,635	4,271,333	-	-	4,271,333	2,993,568
Total Supporting Services	7,067,456	113,997	-	899,635	8,081,088	-	-	8,081,088	6,582,962
Total Expenses	70,677,568	113,997	-	899,635	71,691,200	-	-	71,691,200	70,118,754
Increase in Net Assets Before Other Costs and Transfers	(147,710)	369,589	1,682,193	4,205,522	6,109,594	4,043,620	4,622	10,157,836	9,276,804
Other costs related to retirement of bonds payable	(815,135)	-	-	-	(815,135)	-	-	(815,135)	-
Transfers									
Capital Campaign Funds transfers	350,000	-	3,855,522	(4,205,522)	-	-	-	-	-
Transfer depreciation and amortization (\$3,512,019 for 2015)	4,427,081	(4,427,081)	-	-	-	-	-	-	-
Fund property and equipment acquisitions and bond principal payments	(5,326,874)	5,326,874	-	-	-	-	-	-	-
Increase (decrease) in net assets	(1,512,638)	1,269,382	5,537,715	-	5,294,459	4,043,620	4,622	9,342,701	9,276,804
Net assets, beginning of year	4,970,510	45,450,014	23,569,287	-	73,989,811	13,609,532	2,212,892	89,812,235	80,535,431
Net Assets, End of Year	\$ 3,457,872	\$46,719,396	\$29,107,002	\$ -	\$79,284,270	\$17,653,152	\$ 2,217,514	\$99,154,936	\$89,812,235

See notes to financial statements.

ROUNABOUT THEATRE COMPANY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016	2015
Cash Flows From Operating Activities		
Increase in net assets	\$ 9,342,701	\$ 9,276,804
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,531,167	3,420,586
Change in allowance for uncollectible promises to give	37,315	28,504
Bad debt expense	-	-
Net realized and unrealized (gain) loss on investments	(1,574,539)	2,699,134
Amortization of bond issue costs and original issue discount	80,779	91,433
Permanently restricted contributions	(4,622)	(12,150)
Write off of bond issue costs and unamortized original issue discount	808,963	-
(Increase) decrease in:		
Receivables	1,287,374	640,729
Unconditional promises to give	(4,626,406)	(3,678,056)
Prepaid expenses and deposits	(349,849)	(131,548)
Prepaid production costs	(4,373,796)	2,291,237
Other assets	481,349	(18,334)
Increase (decrease) in:		
Accounts payable and accrued expenses	(589,097)	(4,936,721)
Deferred revenue	2,870,591	(1,961,833)
Deferred rent	239,681	173,286
Net Cash Provided By Operating Activities	7,161,611	7,883,071
 Cash Flows From Investing Activities		
Purchases of property and equipment	(4,361,630)	(1,522,494)
Proceeds from sale of investments	10,377,616	15,997,789
Purchases of investments	(14,553,125)	(20,402,863)
Net Cash Used By Investing Activities	(8,537,139)	(5,927,568)
 Cash Flows From Financing Activities		
Bond repayment	(14,530,000)	(505,000)
Proceeds from loan	14,005,000	-
Loan repayment	(440,244)	-
Permanently restricted contributions received	100,000	100,000
Net Cash Used By Financing Activities	(865,244)	(405,000)
 Net increase (decrease) in cash and cash equivalents	(2,240,772)	1,550,503
Cash and cash equivalents, beginning of year	20,736,218	19,185,715
 Cash and Cash Equivalents, End of Year	\$18,495,446	\$20,736,218
 Supplemental Disclosure		
Interest paid	\$ 665,449	\$ 694,783

See notes to financial statements.

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 1 - Organization**

Roundabout Theatre Company, Inc. (the "Theatre") was formed on September 13, 1965 to foster and advance the development of, and to stimulate community interest in, the dramatic and theatrical arts. Currently, the Theatre operates in New York City, presenting both "Broadway" and "Off-Broadway" theatrical productions throughout the year. The Theatre's support comes primarily from admission and subscription revenue and from contributions. The Theatre has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation.

Note 2 - Summary of Significant Accounting Policies**Basis of Accounting**

The financial statements of the Theatre have been prepared on the accrual basis. The Theatre is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. The accounts of the Theatre are maintained in accordance with the principles of fund accounting. In accordance with fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Theatre considers all highly-liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, excluding those held in its investment portfolio as part of its long-term investment strategies.

Promises to Give

Unconditional promises to give, less allowance for uncollectible amounts, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Amounts that are expected to be collected within one year are recorded at their net realizable value. Amounts that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contributed revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 2 - Summary of Significant Accounting Policies (continued)****Prepaid Subscription Costs**

Prepaid subscription costs are included in prepaid expenses and represent expenditures related to the next season. These costs include brochures and related marketing expenditures and are charged against revenue over the number of subscription performances of that season.

Prepaid Production Costs

Expenditures incurred for the Theatre's theatrical productions, including such expenditures as actors' fees, physical production costs and pre-production marketing, are prepaid until the first performance date. For productions which occur within a single fiscal year, production costs are expensed. For productions which span more than one fiscal year, production expenses are amortized over the duration of the production using the income forecast method.

Property and Equipment

Property and equipment are stated at cost and include expenditures for new facilities, theatre improvements and equipment, and interest incurred during construction. Expenditures for maintenance and repairs are expensed as incurred. The Theatre provides for depreciation and amortization on a straight-line basis. Theatres are depreciated over forty years and furniture and equipment over a 3-10 year period. Amortization of theatre improvements is over the 40 year expected life of the improvements, while leasehold improvements are amortized over the lesser of the estimated life of the improvements or the lease term.

Donated Equipment and Materials

Donated equipment and materials are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment and materials are recorded as unrestricted support.

Bond Issue Costs

Bond insurance premiums, underwriter discount, legal fees and other expenses associated with the issuance of bonds payable were amortized over the term of the bonds at a rate equal to the interest rate on the bonds. Amortization is included in interest expense.

Investments

Investments in marketable securities, including all investments in debt securities, are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the statement of activities. Investment income is reflected in the statement of activities as a change in unrestricted net assets unless its use is restricted by explicit donor stipulations. Investment income restricted by a donor is reported as a change in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 2 - Summary of Significant Accounting Policies (continued)****Investments** (continued)

Fair value is 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). A fair value hierarchy is used 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 Theatre. Unobservable inputs reflect the assumptions developed by the Theatre 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 or liabilities.

All of the Theatre's investments are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

The values assigned to these investments and any unrealized gains or losses are reported based on available information and do not necessarily represent amounts that might be realized, and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances, and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

Deferred Rent

The aggregate of the total minimum lease payments is amortized on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of the leases is recorded as deferred rent in the statement of financial position.

Original Issue Discount

Bonds payable were shown net of the original issue discount, which was amortized over the term of the bonds at a rate equal to interest paid on the bonds. Amortization is included in interest expense.

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 2 - Summary of Significant Accounting Policies (continued)**Revenue Recognition

Admission and subscription revenue is recognized based on tickets sold for performances conducted during the fiscal year. Season subscription and pre-sale admission revenue received by the Theatre for future performances are deferred. Handling charges are recorded net of expenses.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the Theatre reports the support as unrestricted. Conditional promises to give are not recorded until such time the conditions are substantially met.

Special Events

Special event revenue and costs of direct benefits to donors are reported at the gross amounts on the statement of activities. Costs of direct benefits to donors include the costs that are considered exchange transactions and are not fundraising expenses.

Donated Services

Donated services are recognized as contributions if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Theatre. Donated services are recognized as contribution revenue and expenses or capitalized as a cost of the Theatre. The nature and extent of additional donated services varies based upon the availability of volunteers who provide assistance with various Theatre programs. These services are not recognized in the Theatre's financial statements since they do not meet the accounting standards criteria for recognition.

Functional Allocation of Expenses

The costs of providing the Theatre's program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting services in reasonable ratios as determined by management. The Theatre presents each of its venues as a separate program. Education and Other Programs includes the Theatre's education programs, workshops, play readings, archives and associate artists.

Advertising

The Theatre uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred, except for direct response marketing and other expenses incurred related to the subsequent season's performances that are deferred and recognized in the season when the related revenue is recognized.

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 2 - Summary of Significant Accounting Policies (continued)****Estimates**

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

Subsequent Events

The Theatre evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are considered available to be issued, which was January 19, 2017 for these financial statements.

Note 3 - Restrictions on Assets**a - Unrestricted Net Assets****Property and Equipment**

The Property and Equipment Fund was established to provide for significant improvements to the Theatre's facilities. The income will be retained by the fund to help minimize the impact of inflation on asset replacement costs.

Board Designated Endowment

The Board Designated Endowment Fund was established by the Board of Directors in 1995. Appropriations and transfers are made on a discretionary basis to support the Theatre's operations and activities.

The Board Designated Endowment includes a fund to be used for artistic initiatives at the discretion of the Board. This fund was established by the Board with a grant from the Doris Duke Charitable Foundation.

Capital Campaign

During the year ended August 31, 2013, Roundabout launched a \$50 million campaign to build its Board Designated Endowment leading up to the Theatre's 50th anniversary in the 2015/2016 season.

Interfund balances between the Operating, Property and Equipment, and Capital Campaign Funds arise from the timing of transfers of funds, primarily related to the receipt of multi-year pledges and temporary interfund borrowings.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 3 - Restrictions on Assets (continued)

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following future periods or for future programs:

	2016	2015
Grants and Contributions		
Capital Campaign	\$13,265,754	\$ 8,466,015
Future productions and programs	3,076,388	3,529,800
General operations	<u>1,161,830</u>	<u>1,249,994</u>
	17,503,972	13,245,809
Less: Discount to present value	<u>(412,039)</u>	<u>(177,049)</u>
	17,091,933	13,068,760
Accumulated endowment earnings	<u>561,219</u>	<u>540,772</u>
	<u><u>\$17,653,152</u></u>	<u><u>\$13,609,532</u></u>

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of donor-designated endowment funds. The endowment principal amounts and purposes, towards which income earned on the principal is to be spent, are as follows as of August 31, 2016 and 2015:

	2016	2015
Todd Haimes Fund for Artistic Excellence	\$ 479,510	\$ 479,510
Education Endowment Fund	1,095,328	1,090,706
General Endowment Fund	<u>642,676</u>	<u>642,676</u>
	<u><u>\$2,217,514</u></u>	<u><u>\$2,212,892</u></u>

Todd Haimes Fund for Artistic Excellence: Established to honor the leadership and vision of the Theatre's Artistic Director Todd Haimes on his 25th anniversary with the Company, this fund supports productions of plays or musicals whose complexity and scope would be prohibitive within the normal operating budget. The income on these funds are spent towards such productions at the discretion of the Artistic Director.

Education Endowment Fund: This fund supports the Theatre's important work with students and teachers representing the New York City public schools as well as its career development program.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 3 - Restrictions on Assets (continued)

c - Permanently Restricted Net Assets (continued)

General Endowment Fund: This fund supports the general operating expenses incurred by the Theatre to stage its subscription season.

Note 4 - Promises to Give

Unconditional promises to give are due as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 8,441,217	\$ 6,829,695
One to five years	9,798,500	7,698,433
More than five years	<u>1,300,000</u>	<u>250,000</u>
	19,539,717	14,778,128
Unamortized discount and allowance for uncollectible accounts	<u>(695,393)</u>	<u>(427,517)</u>
Net Unconditional Promises to Give	<u>\$18,844,324</u>	<u>\$14,350,611</u>

Unconditional promises to give due after one year have been discounted to net present value using discount rates ranging from 0.44% to 2.41% per annum.

The Theatre has received appropriations from the City of New York Department of Cultural Affairs (the "City") for theatre renovations and the initial outfitting of one of its theatres totaling \$9,268,000. As of August 31, 2016, the Theatre has recognized and received \$5,828,269 on two registered contracts.

The remaining balance of registered contracts, and appropriations not yet registered, have not yet been recognized as they are conditional on the City's approval.

The Theatre received a pledge which includes an \$800,000 payment that is subject to a matching provision related to securing a certain level of donor commitments to its \$50 million capital campaign. An additional outstanding conditional pledge of \$90,000 has been made by an individual donor. These pledges have not been reflected in the accompanying financial statements since they remain subject to certain conditions.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 5 - Property and Equipment

Property and equipment consists of the following at August 31 (Notes 9 and 12):

	2016			2015		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Theatre improvements - American Airlines Theatre	\$26,288,765	\$10,525,332	\$15,763,433	\$26,249,331	\$ 9,708,471	\$16,540,860
Theatre acquisition and renovation - 54 th St.	36,983,247	10,749,805	26,233,442	36,027,696	9,712,614	26,315,082
Leasehold improvements - Steinberg Center	10,632,412	6,855,977	3,776,435	10,537,136	6,249,214	4,287,922
Leasehold improvements - 39 th Street	1,268,514	1,195,206	73,308	1,198,825	1,189,349	9,476
Leasehold improvements - other	1,014,195	269,917	744,278	272,992	227,094	45,898
Leasehold improvements - Stephen Soundheim Theatre	7,877,437	3,160,880	4,716,557	7,874,045	2,752,329	5,121,716
Theatre equipment and furniture - American Airlines Theatre	970,252	934,497	35,755	970,252	925,975	44,277
Theatre equipment - other	4,542,740	2,094,618	2,448,122	4,360,863	1,807,639	2,553,224
Office furniture, equipment and other	<u>2,917,610</u>	<u>2,058,814</u>	<u>858,796</u>	<u>2,611,108</u>	<u>1,741,194</u>	<u>869,914</u>
	<u>\$92,495,172</u>	<u>\$37,845,046</u>	<u>\$54,650,126</u>	<u>\$90,102,248</u>	<u>\$34,313,879</u>	<u>\$55,788,369</u>

Included in theatre and leasehold improvements are capital expenditures from the City of New York Department of Cultural Affairs. The City of New York has a security interest in all assets acquired by City funding. The City's investment of capital funds obligates the Theatre to operate its facilities during the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City for cultural, educational or artistic uses and/or related purposes approved by the City.

Note 6 - Investments

Investments, which are all classified as Level 1 in the fair value hierarchy, consist of the following at August 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 6,298,335	\$ 6,298,335	\$ 2,772,390	\$ 2,772,390
Fixed Income Securities				
Government obligations	2,061,062	2,075,268	1,776,446	1,786,919
Government agencies and mortgage backed securities	762,472	773,052	436,307	439,283
Municipal bonds	60,000	60,189	60,000	60,206
Corporate obligations	3,207,019	3,212,937	2,807,947	2,769,698
Equities	7,224,382	8,271,946	7,028,858	7,561,067
Mutual Funds				
Fixed income	2,742,220	2,622,274	2,728,342	2,537,985
Equities	14,249,002	14,261,812	11,750,307	11,016,935
Other Investments				
Real asset funds	<u>308,971</u>	<u>309,603</u>	<u>3,450,743</u>	<u>3,190,885</u>
Total	<u>\$36,913,463</u>	<u>\$37,885,416</u>	<u>\$32,811,340</u>	<u>\$32,135,368</u>

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 6 - Investments (continued)

Net investment income (loss) consists of the following at August 31:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 898,430	\$ 936,555
Realized gain (loss)	(73,386)	7,814
Unrealized gain (loss)	1,647,925	(2,706,948)
Investment fees	<u>(110,660)</u>	<u>(137,294)</u>
	<u>\$2,362,309</u>	<u>\$(1,899,873)</u>

Note 7 - Endowment Funds

The Theatre's endowment consists of funds established for the purposes described in Note 3. Its endowment includes three donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

With respect to its donor-restricted endowments, and consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Theatre 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 to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. 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 Theatre.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 7 - Endowment Funds (continued)

NYPMIFA applies only to donor-restricted endowments. In accordance with NYPMIFA, the Theatre considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Theatre and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Theatre;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Theatre; and
- (viii) the investment policy of the Theatre.

The Theatre's endowment funds, composition by type of fund and net asset classification, are summarized as follows at August 31:

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$561,219	\$1,922,186	\$ 2,483,405
Board-designated endowment funds	<u>29,648,252</u>	-	-	<u>29,648,252</u>
Total Endowment Funds	<u>\$29,648,252</u>	<u>\$561,219</u>	<u>\$1,922,186</u>	<u>\$32,131,657</u>
	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$540,772	\$1,822,186	\$ 2,362,958
Board-designated endowment funds	<u>22,214,781</u>	-	-	<u>22,214,781</u>
Total Endowment Funds	<u>\$22,214,781</u>	<u>\$540,772</u>	<u>\$1,822,186</u>	<u>\$24,577,739</u>

Board-designated endowment funds include a fund originating from the Doris Duke Charitable Foundation Endowment Fund for Artistic Initiatives. The balance of this fund at August 31, 2016 was \$1,683,476.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 7 - Endowment Funds (continued)

Changes in endowment funds for the years ended August 31, 2016 and 2015 are summarized as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning of year	\$22,214,781	\$540,772	\$1,822,186	\$24,577,739
Net investment income	1,635,464	138,737	-	1,774,201
Contributions received	5,798,007	-	100,000	5,898,007
Appropriation for spending	-	(118,290)	-	(118,290)
Endowment Funds, End of Year	<u>\$29,648,252</u>	<u>\$561,219</u>	<u>\$1,922,186</u>	<u>\$32,131,657</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning of year	\$19,807,309	\$808,202	\$1,722,186	\$22,337,697
Net investment loss	(1,219,860)	(154,910)	-	(1,374,770)
Contributions received	3,627,332	-	100,000	3,727,332
Appropriation for spending	-	(112,520)	-	(112,520)
Endowment Funds, End of Year	<u>\$22,214,781</u>	<u>\$540,772</u>	<u>\$1,822,186</u>	<u>\$24,577,739</u>

The primary investment goal of the Theatre is to maintain and build funds to ensure long-term stability. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity.

To satisfy its long-term objectives, the Theatre relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends).

Unless otherwise specified by the donor, each year, the Board of Directors may appropriate for spending on operations or specific designated projects up to an amount equal to 5% of the three-year average asset value of each Permanent Endowment as calculated on the last day of the preceding fiscal year. In determining whether to appropriate amounts from endowment funds, the Operating Committee shall consider the long and short-term needs of the Theatre in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 8 - Restricted Assets/Letters of Credit**

A financial institution has extended the Theatre a \$1,300,000 availability against letters of credit. At August 31, 2016, three letters of credit have been issued against this availability, two in the amounts of \$600,000 and \$125,000 are in lieu of a security deposit under a theatre lease agreement, and the other is a bond with the Actors' Equity Association in the amount of approximately \$300,000.

Note 9 - Bonds Payable

On July 23, 2003, the Theatre acquired the theatre space, Studio 54, which had been leased from Studio 54 Promotions, LLC. In connection with the purchase of the property, the Theatre received funding of \$6,750,000 from the New York City Economic Development Corporation (EDC). To fund the balance of the purchase, the Theatre obtained additional funds through the issuance of \$17,720,000 of Civic Facility Revenue Bonds from the New York City Industrial Development Agency.

The proceeds received were reduced by original issue discount of \$471,000 and other issue costs totaling \$855,000. Additional issuance costs and fees were paid totaling \$773,000. The balance received was used along with the EDC grant for the acquisition of the theatre. The bonds had various maturity dates October 2008 through October 2032.

Through October 31, 2015, principal amounts totaling \$3,715,000 had been repaid. Interest computed on different portions of the debt at various rates up to 5% per annum was paid monthly from the bond purchase date of July 23, 2003 to US Bank as trustee, which was then paid to the bondholders bi-annually. Bond issue costs were reflected as deferred charges. Interest expense was \$634,750 and \$694,783 and amortization of bond issue costs and original issue discount was \$80,779 and \$91,433 for the years ended August 31, 2016 and 2015, respectively.

On August 12, 2016, the bonds were repaid in entirety with proceeds received from a loan (see Note 10). The balance of unamortized bond issue costs and original issue discount was written off.

Note 10 - Loan Payable

During the year ended August 31, 2016, the Theatre became obligated under a term loan in the principal amount of \$14,005,000 secured by certain investments, cash and cash equivalents. The loan will mature in July 2021. The Theatre is required to pay interest only on amounts outstanding at a prevailing rate of one month LIBOR plus 1.05%, and must comply with certain financial and reporting covenants. The Theatre may prepay the term loan in whole or in part at any time without premium or penalty.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 10 - Loan Payable (continued)

During the year ended August 31, 2016, interest expense on the loan was \$30,752. In addition, \$440,244 of loan principal was repaid, resulting in an outstanding balance of \$13,564,756 as of August 31, 2016.

Note 11 - Admission and Subscription Revenue

Admission and subscription revenue consists of the following:

	<u>2016</u>	<u>2015</u>
Subscriptions	\$11,080,949	\$ 8,559,939
Box office	25,698,615	41,417,186
Handling fee revenue	1,461,830	1,318,160
Credit card and handling charges	<u>(856,345)</u>	<u>(1,063,685)</u>
	<u>\$37,385,049</u>	<u>\$50,231,600</u>

Note 12 - Other Income

Other income consists of the following:

	<u>2016</u>	<u>2015</u>
Concession and catering	\$ 832,087	\$1,070,324
Royalties	145,927	303,862
Education programming	408,397	245,831
Insurance reimbursements	49,123	51,934
Props and scenery sales	101,000	218,100
Production enhancement revenue	200,000	-
Miscellaneous	72,899	193,290
Filming rights and rights acquisition fees	<u>166,342</u>	<u>-</u>
	<u>\$1,975,775</u>	<u>\$2,083,341</u>

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 13 - Commitments and Contingencies****a - Operating Leases**

On December 21, 1998, the Theatre executed a fifteen-year lease for administrative space on West 39th Street which expired on December 31, 2014. A new fifteen-year lease was executed August 1, 2014. The lease requires payments subject to annual increases, as well as increases for subsequent increases in taxes. The annual rent as of August 31, 2016 was \$563,156 per annum, which increased by \$11,000 compared to the previous year. The Theatre has made substantial improvements to the facility totaling approximately \$1,300,000.

On June 15, 1998, the Theatre executed a 30 year lease, commencing with the first paid performance, with The New 42nd Street, Inc. (New 42) for the former Selwyn Theatre. The Theatre was renamed the American Airlines Theatre. The lease requires annual payments, which commenced on July 1, 2000 with the first paid performance, subject to increases by the greater of \$50,000 or the increase in the cost-of-living (NYC INDEX) every sixth year, with a cap on the cost-of-living of 20% of the prior base rent. The rent was reset to \$460,000 at the second review date of July 1, 2010. In addition, New 42 is entitled to 20% of any income derived from signage on the face of the building, and additional rent for certain commercial uses of the facility. The lease has eleven renewal options, each for a term of five years. None of these amounts are reflected in future minimum lease payments detailed below. The Theatre refurbished and modernized the facility at a cost of approximately \$24 million, in accordance with the lease agreement.

On March 9, 2000, the Theatre executed a twenty-year lease for a new theatre on 46th Street between 6th and 7th Avenues, with an annual rental of \$750,000. The lease commenced on January 1, 2003, and the theatre opened March 1, 2004 after initial renovations of approximately \$8,300,000. The West 46th Street facility was renamed the "Harold and Miriam Steinberg Center for Theatre" in recognition of their foundation's extraordinary commitment to the renovations. Subsequent renovations of approximately \$2,332,000 have also been completed.

On September 15, 2008, the Theatre entered into a twenty-year lease with the company of a board member for a new theatre located at One Bryant Park, the Henry Miller's Theatre, and commenced occupancy on June 15, 2009. This facility was renamed as the Stephen Sondheim Theatre. Pursuant to the terms of the lease, the Theatre made a payment of \$6 million toward the construction of the theatre. The lease requires annual payments for rent, initially \$250,000 per annum and increasing to \$332,750 over the term of the lease. Additional annual rent is required for real estate taxes (\$220,807 for August 31, 2016) and other building expenses (\$70,000 for August 31, 2016) and for air conditioning (\$120,000 for August 31, 2016), subject to annual increases. The Theatre may also be obligated to pay additional rent (\$778,224 for August 31, 2016) based on net rental income as defined in the lease. The lease includes certain restrictions as to the use of the theatre.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 13 - Commitments and Contingencies (continued)

a - Operating Leases (continued)

The Theatre also leases rehearsal and warehouse facilities under operating leases. Leases for rehearsal spaces expire in 2026; the warehouse space lease expires in 2018. The Theatre also leases various office and production equipment under short-term operating leases.

Total rent expense under these leases was \$4,379,010 and \$3,335,065 for the years ended August 31, 2016 and 2015, respectively.

Future minimum lease payments under these leases are summarized as follows:

<u>Year Ending August 31,</u>	
2018	\$ 3,104,505
2019	3,102,219
2020	3,143,155
2021	3,238,369
2022	3,370,801
Thereafter	22,086,063

b - In 2005, both in recognition of (1) the fact that Roundabout had no pension plan in place for the first fifteen years of Artistic Director's employment, and (2) a desire on the part of the Board to incentivize Artistic Director to remain at Roundabout, the Board entered into a "Retention Agreement" under which, upon the completion of continuous service through May 7, 2018, the Artistic Director would receive a one-time, fully taxable payment of \$3.2 Million. Through August 31, 2015, a total of \$2,396,540 had been accrued and was substantially funded. In June of 2016, in recognition of a successful 50th Anniversary Season, the Board decided to accelerate the payment. Accordingly, the fully taxable payment was made to Artistic Director in August of 2016, with remaining balance under the agreement recognized as expense for the 2016 fiscal year. As consideration for the two year acceleration of the payment, the Board has asked, and the Artistic Director has agreed, to sign a three year non-compete clause with the Theatre should he decide to leave voluntarily before May 7, 2019.

c - In 2014, the Theatre also entered into a retention agreement with the Executive Director under which, upon the completion of continuous service until February 14, 2020, she will receive \$1 million, payable in equal installments on June 13, 2020, 2021 and 2022. Through August 31, 2016, a cumulative total of \$389,999 has been accrued. Under most circumstances, if the Executive Director was replaced or her duties curtailed other than for "cause" before completing continuous service until February 14, 2020, she would be due an amount equal to one month base salary for each year of service since 1990, payable over thirty-six months.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 13 - Commitments and Contingencies (continued)

d - The Theatre is subject to litigation and legal claims that arise in the ordinary course of its activities. Three pending litigations and three pending claims are for personal injury matters which fall within the Theatre's insurance coverage. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Theatre.

Note 14 - Fundraising Expenses

Fundraising expenses consisted of the following:

	<u>2016</u>	<u>2015</u>
Annual campaign	\$3,149,214	\$2,694,164
Gala, benefit and special events indirect expenses	222,484	191,947
Capital campaign	<u>899,635</u>	<u>107,457</u>
	<u>\$4,271,333</u>	<u>\$2,993,568</u>

Note 15 - Pension Plans

a - The Theatre has a money purchase pension plan for all its non-union employees who meet the eligibility requirements. Contributions are fully vested as earned. Total expense under this plan was \$375,201 and \$344,337 for the years ended August 31, 2016 and 2015, respectively.

b - The Theatre contributes to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Theatre chooses to stop participating in some of its multiemployer plans, the Theatre may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

ROUNABOUT THEATRE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

Note 15 - Pension Plans (continued)

b - (continued)

The Theatre's participation in these plans is summarized below, including additional information for individually significant plans. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 is for the plan's year-end at December 31, 2015 and December 31, 2014, or if applicable, fiscal year ended during the Theatre's 2016 and 2015 fiscal years, respectively. The zone status is based on information that the Theater received from each plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject, as applicable.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>Contributions of the Theater</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>		
American Federation of Musicians and Employers Pension Fund	51-6120204/002	Red	Red	Implemented	\$ 205,343	\$ 351,568	Yes	December 4, 2016
Pension Fund of Wardrobe Attendants Union Local 764	13-6137855/001	Green	Green	N/A	68,816	82,073	No	April 1, 2018
IATSE Pension Fund of Local 1	13-6141973/001	Green	Green	N/A	416,715	443,298	No	Studio 54 3/19/17, Sondheim 7/1/18, AA 4/3/16, Pels under negotiation
Equity League Pension Trust Fund	13-6696817/001	Green	Green	N/A	320,083	370,606	No	February 12, 2017
League ATPAM Pension Fund	13-2928856/001	Green	Green	N/A	80,051	63,972	No	September 9, 2018
Treasurers & Ticket Sellers Local 751 Pension Fund	13-6164776/001	Green	Green	N/A	81,477	100,322	No	October 20, 2019
United Scenic Artists Local 829 Pension and Welfare Funds	13-1982707/001	Green	Green	N/A	61,149	47,103	No	June 30, 2017
All other multiemployer plans - total of four other plans					<u>134,680</u>	<u>93,552</u>		
					<u>\$1,368,314</u>	<u>\$1,552,494</u>		

None of the Theatre's contributions to the plans listed above are greater than 5% of the total plan contributions.

ROUNABOUT THEATRE COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016****Note 16 - Collective Bargaining Agreements**

A significant portion of the Theatre's actors and theatre staff are employed under the terms of collective bargaining agreements. Approximately 65% of the Theatre's salaries and benefits were paid under these agreements.

Note 17 - Concentration of Credit Risk

Financial instruments that potentially subject the Theatre to concentrations of credit risk consist principally of cash and cash equivalent accounts and certificates of deposit in financial institutions. Balances generally exceed federally insured deposit limits. Management of the Theatre does not anticipate nonperformance by the financial institutions and reviews the financial viability of these institutions on a periodic basis.