ROUNDABOUT THEATRE COMPANY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2013
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, 2013, 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, 2013, 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 2012 financial statements, and our report dated December 18, 2012, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lutz + Carr, LLP

New York, New York
December 11, 2013
### ROUNDABOUT THEATRE COMPANY, INC.

#### STATEMENT OF FINANCIAL POSITION

**AUGUST 31, 2013 WITH COMPARATIVE TOTALS FOR 2012**

See notes to financial statements.
### YEAR ENDED AUGUST 31, 2013 WITH COMPARATIVE TOTALS FOR 2012

#### Program Services

<table>
<thead>
<tr>
<th></th>
<th>American Airlines Theatre</th>
<th>Steinberg Center</th>
<th>Studio 54</th>
<th>Extended Programming</th>
<th>Education and Other Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, Gains and Other Support</td>
<td>$7,418,880 ($5,926,827)</td>
<td>$7,448,096</td>
<td>-</td>
<td>-</td>
<td>$1,966</td>
<td>$20,795,769</td>
</tr>
<tr>
<td>Contracted touring fees</td>
<td>-</td>
<td>-</td>
<td>14,898,551</td>
<td>-</td>
<td>14,898,551</td>
<td>-</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>352,699</td>
<td>395,440</td>
<td>121,029</td>
<td>25,000</td>
<td>548,038</td>
<td>1,442,206</td>
</tr>
<tr>
<td>Special event revenue</td>
<td>-</td>
<td>-</td>
<td>197,250</td>
<td>197,250</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less: Direct benefits to donors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rental income, net of direct expenses of $2,568,232 (2013) and $193,543 (2012)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,436,308</td>
<td>1,436,308</td>
</tr>
<tr>
<td>Other income</td>
<td>32,063</td>
<td>3,154</td>
<td>56,441</td>
<td>68,345</td>
<td>243,256</td>
<td>403,259</td>
</tr>
<tr>
<td>Net income released from restrictions</td>
<td>1,832</td>
<td>742,664</td>
<td>702,170</td>
<td>-</td>
<td>408,990</td>
<td>1,856,056</td>
</tr>
<tr>
<td>Net Assets Released from Restrictions</td>
<td>7,805,474</td>
<td>7,068,085</td>
<td>8,327,736</td>
<td>14,991,896</td>
<td>1,426,155</td>
<td>39,619,346</td>
</tr>
</tbody>
</table>

#### Supporting Services

<table>
<thead>
<tr>
<th></th>
<th>General Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, Gains and Other Support</td>
<td>$6,140,847</td>
<td>86,016</td>
<td>$6,226,863</td>
</tr>
<tr>
<td>Special series and event</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Telephone, postage and supplies</td>
<td>86,016</td>
<td>97,453</td>
<td>73,612</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,832</td>
<td>742,664</td>
<td>702,170</td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th></th>
<th>General Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, taxes and benefits</td>
<td>6,761,200</td>
<td>4,230,597</td>
<td>7,957,860</td>
</tr>
<tr>
<td>Salaries, taxes and benefits</td>
<td>1,879,811</td>
<td>1,006,671</td>
<td>2,612,384</td>
</tr>
<tr>
<td>Travel and housing</td>
<td>323,924</td>
<td>264,288</td>
<td>223,004</td>
</tr>
<tr>
<td>Press, publicity and advertising</td>
<td>2,363,968</td>
<td>1,114,409</td>
<td>2,201,639</td>
</tr>
<tr>
<td>Royalties</td>
<td>298,556</td>
<td>177,011</td>
<td>211,179</td>
</tr>
<tr>
<td>Telephone, postage and supplies</td>
<td>86,016</td>
<td>97,453</td>
<td>73,612</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,832</td>
<td>742,664</td>
<td>702,170</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>13,863,133</td>
<td>8,904,424</td>
<td>15,454,994</td>
</tr>
</tbody>
</table>

#### Net Increase (Decrease) in Net Assets Before Transfers and Appropriations

<table>
<thead>
<tr>
<th></th>
<th>$20,795,769</th>
<th>49,529,977</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Increase (Decrease) in Net Assets Before Transfers and Appropriations</td>
<td>$20,795,769</td>
<td>49,529,977</td>
</tr>
</tbody>
</table>

**See notes to financial statements.**
### Revenues, Gains and Other Support

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year Holdovers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions and subscriptions</td>
<td>$20,795,769</td>
<td>$49,529,977</td>
</tr>
<tr>
<td>Contracted touring fees</td>
<td>14,898,551</td>
<td></td>
</tr>
<tr>
<td>Grants and contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government, foundations, corporations and individuals</td>
<td>7,357,033</td>
<td>6,470,214</td>
</tr>
<tr>
<td>Special event revenue</td>
<td>2,897,034</td>
<td>7,269,904</td>
</tr>
<tr>
<td>Less: Direct benefits to donors</td>
<td>(474,697)</td>
<td>(488,214)</td>
</tr>
<tr>
<td>Rental income, net of direct expenses of $2,568,232 (2013) and $193,543 (2012)</td>
<td>1,436,308</td>
<td>1,401,729</td>
</tr>
<tr>
<td>Net investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation from endowment</td>
<td>88,868</td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,735,891</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues, Gains and Other Support</strong></td>
<td>50,762,135</td>
<td>58,552,852</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Airlines Theatre</td>
<td>13,883,133</td>
<td>12,202,899</td>
</tr>
<tr>
<td>Steinberg Center</td>
<td>8,904,424</td>
<td>8,277,752</td>
</tr>
<tr>
<td>Studio 54</td>
<td>15,454,894</td>
<td>8,410,134</td>
</tr>
<tr>
<td>Extended programming</td>
<td>13,771,086</td>
<td></td>
</tr>
<tr>
<td>Stephen Sondheim Theatre</td>
<td>764,880</td>
<td>29,708,582</td>
</tr>
<tr>
<td>Education and other programs</td>
<td>2,649,298</td>
<td>2,394,177</td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>55,427,715</td>
<td>60,993,544</td>
</tr>
</tbody>
</table>

### Supporting Services

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administrative</td>
<td>2,608,575</td>
<td>2,805,960</td>
</tr>
<tr>
<td>Fundraising</td>
<td>2,393,367</td>
<td>2,458,877</td>
</tr>
<tr>
<td><strong>Total Supporting Services</strong></td>
<td>5,001,942</td>
<td>5,264,837</td>
</tr>
</tbody>
</table>

### Total Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Assets Before Transfers</td>
<td>462,575</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>60,429,657</td>
<td>66,258,381</td>
</tr>
</tbody>
</table>

### Transfers

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Campaign Funds allocated to the Board Designated Endowment and Operating Funds</td>
<td>3,300,182</td>
<td>(3,300,182)</td>
</tr>
<tr>
<td><strong>Total Transfers</strong></td>
<td>5,636,613</td>
<td>(1,465,007)</td>
</tr>
</tbody>
</table>

### Net Assets (Deficit), End of Year

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets (deficit), beginning of year</td>
<td>(5,247,984)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit), End of Year</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

See notes to financial statements.
## Cash Flows From Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in net assets</td>
<td>$(2,016,725)</td>
<td>$(1,465,007)</td>
</tr>
<tr>
<td>Adjustments to reconcile decrease in net assets to net cash used by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,203,507</td>
<td>2,965,598</td>
</tr>
<tr>
<td>Change in allowance for uncollectible promises to give</td>
<td>(7,380)</td>
<td>(21,706)</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>50,000</td>
<td>-</td>
</tr>
<tr>
<td>Net realized and unrealized gain on investments</td>
<td>(746,313)</td>
<td>(1,026,880)</td>
</tr>
<tr>
<td>Amortization of bond issue costs and original issue discount</td>
<td>96,675</td>
<td>99,074</td>
</tr>
<tr>
<td>Permanently restricted contributions received</td>
<td>(2,000)</td>
<td>(400)</td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td>(783,500)</td>
<td>(1,125,278)</td>
</tr>
<tr>
<td>Receivables</td>
<td>(472,969)</td>
<td>873,165</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>(3,619,656)</td>
<td>1,249,259</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>127,658</td>
<td>96,570</td>
</tr>
<tr>
<td>Prepaid production costs</td>
<td>2,638,695</td>
<td>(39,964)</td>
</tr>
<tr>
<td>Other assets</td>
<td>17,642</td>
<td>(13,756)</td>
</tr>
</tbody>
</table>

## Cash Flows From Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property and equipment</td>
<td>(683,764)</td>
<td>(3,377,277)</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>44,407,567</td>
<td>17,594,000</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(40,054,684)</td>
<td>(17,349,429)</td>
</tr>
<tr>
<td>Sale of certificates of deposit</td>
<td>-</td>
<td>444,741</td>
</tr>
<tr>
<td>Net Cash Provided (Used) By Investing Activities</td>
<td>3,669,119</td>
<td>(2,687,965)</td>
</tr>
</tbody>
</table>

## Cash Flows From Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond repayment</td>
<td>(470,000)</td>
<td>(455,000)</td>
</tr>
<tr>
<td>Permanently restricted contributions received</td>
<td>2,000</td>
<td>400</td>
</tr>
<tr>
<td>Net Cash Used By Financing Activities</td>
<td>(468,000)</td>
<td>(454,600)</td>
</tr>
</tbody>
</table>

## Supplemental Data

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$734,418</td>
<td>$752,534</td>
</tr>
</tbody>
</table>

See notes to financial statements.
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.
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 40 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 are 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.
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 are shown net of the original issue discount, which is amortized over the term of the bonds at a rate equal to interest paid on the bonds. Amortization is included in interest expense.
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 interns and 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. For the year ended August 31, 2013, Education and Other Programs in the Statement of Operating Activities includes Stephen Sondheim Theatre expenses of $764,880.

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.
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.

Income Taxes
Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions were required in the financial statements. The Theatre’s tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

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 December 11, 2013 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 Board determined that each year any operating surpluses up to an amount equal to the annual depreciation expense be transferred to this fund. 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.
Note 3 - Restrictions on Assets (continued)

a - Unrestricted Net Assets (continued)

Capital Campaign
In 2003, the Theatre initiated a capital campaign to raise $32 million to support capital acquisitions and improvements to its properties and to establish a restricted endowment. This capital campaign was completed in 2008. Unrestricted funds raised and specific expenses incurred in connection with the capital campaign were reflected in the Capital Campaign Fund. Appropriations and transfers were made on a discretionary basis to support the Theatre's operations. As of August 31, 2013, $407,938 in multi-year pledges from this campaign were outstanding.

During the year ended August 31, 2013, Roundabout launched a $50 million capital campaign 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.

b - Temporarily Restricted Net Assets
Temporarily restricted net assets are restricted for the following future periods or for future programs:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Campaign</td>
<td>$5,776,017</td>
<td>$-</td>
</tr>
<tr>
<td>Future productions and programs</td>
<td>4,322,100</td>
<td>6,272,707</td>
</tr>
<tr>
<td>General operations</td>
<td>919,000</td>
<td>894,787</td>
</tr>
<tr>
<td></td>
<td>11,017,117</td>
<td>7,167,494</td>
</tr>
<tr>
<td>Less: Discount to present value</td>
<td>(268,190)</td>
<td>(147,388)</td>
</tr>
<tr>
<td></td>
<td>10,748,927</td>
<td>7,020,106</td>
</tr>
<tr>
<td>Accumulated endowment earnings</td>
<td>583,665</td>
<td>396,774</td>
</tr>
<tr>
<td></td>
<td>$11,332,592</td>
<td>$7,416,880</td>
</tr>
</tbody>
</table>


Note 3 - Restrictions on Assets (continued)

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, 2013 and 2012:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd Haimes Fund for Artistic Excellence</td>
<td>$479,510</td>
<td></td>
</tr>
<tr>
<td>Education Endowment Fund</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>General Endowment Fund</td>
<td>642,676</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,622,186</strong></td>
<td><strong>$1,622,186</strong></td>
</tr>
</tbody>
</table>

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.

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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$5,509,281</td>
<td>$4,142,238</td>
</tr>
<tr>
<td>One to five years</td>
<td>6,352,800</td>
<td>3,655,400</td>
</tr>
<tr>
<td>More than five years</td>
<td>-</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,862,081</td>
<td>8,097,638</td>
</tr>
<tr>
<td>Unamortized discount and allowance for uncollectible accounts</td>
<td>(322,898)</td>
<td>(185,491)</td>
</tr>
</tbody>
</table>

Net Unconditional Promises to Give $11,539,183 $7,912,147

Unconditional promises to give due after one year have been discounted to net present value using discount rates ranging from 0.89% to 5% per annum.
Note 4 - Promises to Give (continued)

The Theatre has received appropriations from the City of New York Department of Cultural Affairs (the “City”) for equipment purchases totaling $2,812,000. Of this amount, the Theatre has received and recognized substantially all of the first registered contract, for $1,372,000. In addition, $1,372,376 of the second contract for $1,440,000 has been recognized.

The City has also appropriated a total of $10,078,000 to the Theatre for theatre renovations and the initial outfitting of one of its theatres. Contracts have been registered for $5,968,000 of this amount, under which the Theatre has recognized $5,425,002. 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 $120,000 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.

Note 5 - Property and Equipment

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>Net Book Value</th>
<th>2012</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theatre improvements - American</td>
<td></td>
<td></td>
<td>Theatre equipment and furniture - American</td>
<td></td>
</tr>
<tr>
<td>Airlines Theatre</td>
<td>$24,566,694</td>
<td>$ 8,200,879</td>
<td>$24,493,445</td>
<td>$ 7,566,019</td>
</tr>
<tr>
<td>Theatre acquisition and renovation - 54th St.</td>
<td>$34,088,991</td>
<td>7,793,137</td>
<td>33,854,444</td>
<td>6,848,670</td>
</tr>
<tr>
<td>Leasehold improvements - Steinberg Center</td>
<td>$10,292,540</td>
<td>5,091,470</td>
<td>10,261,115</td>
<td>4,527,752</td>
</tr>
<tr>
<td>Leasehold improvements - 39th Street</td>
<td>$1,188,400</td>
<td>1,071,687</td>
<td>1,188,400</td>
<td>985,302</td>
</tr>
<tr>
<td>Leasehold improvements - other</td>
<td>$224,742</td>
<td>220,269</td>
<td>224,742</td>
<td>218,411</td>
</tr>
<tr>
<td>Leasehold improvements - Stephen Soundheim Theatre</td>
<td>$7,838,970</td>
<td>1,916,191</td>
<td>7,838,970</td>
<td>1,486,049</td>
</tr>
<tr>
<td>Theatre equipment and furniture - American Airlines Theatre</td>
<td>$945,911</td>
<td>907,410</td>
<td>945,911</td>
<td>899,605</td>
</tr>
<tr>
<td>Theatre equipment - other</td>
<td>$3,531,522</td>
<td>1,300,848</td>
<td>3,451,639</td>
<td>1,081,453</td>
</tr>
<tr>
<td>Office furniture, equipment and other</td>
<td>$1,827,045</td>
<td>1,020,449</td>
<td>1,605,070</td>
<td>705,572</td>
</tr>
<tr>
<td></td>
<td>$84,504,815</td>
<td>$27,522,340</td>
<td>$83,863,736</td>
<td>$24,318,833</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$56,982,475</td>
<td>$59,544,903</td>
<td></td>
</tr>
</tbody>
</table>

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.
ROUNDABOUT THEATRE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

Note 5 - Property and Equipment (continued)

During the year ended August 31, 2013, the Theatre recognized revenue from the City of New York in the amount of $1,738,626 for equipment purchases included in property and equipment. The Theatre has additional appropriations available from the City of New York (see Note 4).

Note 6 - Investments

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>Unrealized Gain (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,002,161</td>
<td>$1,002,161</td>
</tr>
<tr>
<td>Fixed Income Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government obligations</td>
<td>752,996</td>
<td>751,615</td>
</tr>
<tr>
<td>Mortgage backed securities</td>
<td>307,598</td>
<td>306,098</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>1,558,437</td>
<td>1,553,072</td>
</tr>
<tr>
<td>Equities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>6,587,674</td>
<td>6,458,545</td>
</tr>
<tr>
<td>International</td>
<td>2,320,062</td>
<td>2,273,597</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic fixed income</td>
<td>6,485,245</td>
<td>6,454,895</td>
</tr>
<tr>
<td>International fixed income</td>
<td>2,169,700</td>
<td>2,145,181</td>
</tr>
<tr>
<td>Domestic equities</td>
<td>256,500</td>
<td>246,484</td>
</tr>
<tr>
<td>International equities</td>
<td>1,990,000</td>
<td>1,932,553</td>
</tr>
<tr>
<td>Other Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>1,046,266</td>
<td>972,679</td>
</tr>
<tr>
<td>Real asset funds</td>
<td>1,865,334</td>
<td>1,880,510</td>
</tr>
<tr>
<td>Total</td>
<td>$26,341,973</td>
<td>$25,977,390</td>
</tr>
</tbody>
</table>

During the year ended August 31, 2013, the Theatre retained outside investment managers and transferred its portfolio into custody accounts.
Note 6 - Investments (continued)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
<td>Unrealized Gain</td>
</tr>
<tr>
<td>US Treasury Inflation Index Note</td>
<td>$4,685,307</td>
<td>$5,073,024</td>
<td>$387,717</td>
</tr>
<tr>
<td>Vanguard Total Bond Market Index Fund</td>
<td>1,751,544</td>
<td>1,915,826</td>
<td>164,282</td>
</tr>
<tr>
<td>Vanguard Total Stock Market Index Funds</td>
<td>3,898,621</td>
<td>4,664,534</td>
<td>765,913</td>
</tr>
<tr>
<td>Vanguard Inflation - Protected Securities Fund</td>
<td>510,611</td>
<td>530,541</td>
<td>19,930</td>
</tr>
<tr>
<td>Vanguard Prime Money Market Fund</td>
<td>17,400,035</td>
<td>17,400,035</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$28,246,118</strong></td>
<td><strong>$29,583,960</strong></td>
<td><strong>$1,337,842</strong></td>
</tr>
</tbody>
</table>

Investment income consists of the following at August 31:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$264,216</td>
<td>$366,130</td>
</tr>
<tr>
<td>Realized gain</td>
<td>$2,448,738</td>
<td>$923,402</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>$(1,702,425)</td>
<td>$103,478</td>
</tr>
<tr>
<td>Investment fees</td>
<td>$(17,771)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$992,758</strong></td>
<td><strong>$1,393,010</strong></td>
</tr>
</tbody>
</table>

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.
Note 7 - **Endowment Funds** (continued)

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.

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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$583,665</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>16,216,513</td>
<td>-</td>
</tr>
<tr>
<td>Total Endowment Funds</td>
<td>$16,216,513</td>
<td>$583,665</td>
</tr>
</tbody>
</table>
Note 7 - **Endowment Funds** (continued)

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, 2013 was $1,503,992.

Changes in endowment funds for the years ended August 31, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Endowment funds, beginning of year</td>
<td>$15,093,260</td>
<td>$396,774</td>
<td>$1,620,186</td>
<td>$17,110,220</td>
</tr>
<tr>
<td>Net investment income</td>
<td>473,253</td>
<td>275,759</td>
<td>-</td>
<td>749,012</td>
</tr>
<tr>
<td>Contributions received</td>
<td>650,000</td>
<td>-</td>
<td>-</td>
<td>650,000</td>
</tr>
<tr>
<td>Appropriation for spending</td>
<td>-</td>
<td>(88,868)</td>
<td>-</td>
<td>(88,868)</td>
</tr>
<tr>
<td>Endowment Funds, End of Year</td>
<td>$16,216,513</td>
<td>$583,665</td>
<td>$1,620,186</td>
<td>$18,420,364</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2012</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
<td>Total</td>
</tr>
<tr>
<td>Endowment funds, beginning of year</td>
<td>$14,542,770</td>
<td>$232,721</td>
<td>$1,619,786</td>
</tr>
<tr>
<td>Net investment income</td>
<td>547,065</td>
<td>237,652</td>
<td>-</td>
</tr>
<tr>
<td>Contributions received</td>
<td>3,425</td>
<td>-</td>
<td>400</td>
</tr>
<tr>
<td>Appropriation for spending</td>
<td>-</td>
<td>(73,599)</td>
<td>-</td>
</tr>
<tr>
<td>Endowment Funds, End of Year</td>
<td>$15,093,260</td>
<td>$396,774</td>
<td>$1,620,186</td>
</tr>
</tbody>
</table>

The primary investment goal of the Theatre is to maintain and build funds to ensure long-term stability. Generating current income is not a primary concern. 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 3-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.
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, 2013, 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 mature at various dates in varying amounts starting October 2008 through October 2032. The Theatre is subject to certain covenants and reporting requirements pursuant to the bond issuance. The Theatre is in compliance with all such covenants and requirements.

Through August 31, 2013, principal amounts totaling $2,195,000 have been repaid. Interest computed on different portions of the debt at various rates up to 5% per annum is paid monthly from the bond purchase date of July 23, 2003 to US Bank as trustee, which is then paid to the bondholders bi-annually. Bond issue costs are reflected as deferred charges. Interest expense was $734,418 and $752,534 and amortization of original issue discount was $96,675 and $99,074 for the years ended August 31, 2013 and 2012, respectively.

Principal amounts are due as follows:

<table>
<thead>
<tr>
<th>Year Ending August 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 490,000</td>
</tr>
<tr>
<td>2015</td>
<td>505,000</td>
</tr>
<tr>
<td>2016</td>
<td>525,000</td>
</tr>
<tr>
<td>2017</td>
<td>555,000</td>
</tr>
<tr>
<td>2018</td>
<td>580,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>12,870,000</td>
</tr>
<tr>
<td></td>
<td>15,525,000</td>
</tr>
<tr>
<td>Less: Unamortized original issue discount</td>
<td>(238,891)</td>
</tr>
<tr>
<td></td>
<td>$15,286,109</td>
</tr>
</tbody>
</table>
Note 10 - Admission and Subscription Revenue

Admission and subscription revenue consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscriptions</td>
<td>$9,146,826</td>
<td>$10,015,825</td>
</tr>
<tr>
<td>Box office</td>
<td>11,577,732</td>
<td>39,942,205</td>
</tr>
<tr>
<td>Handling fee revenue</td>
<td>521,977</td>
<td>496,376</td>
</tr>
<tr>
<td>Credit card and handling charges</td>
<td>(450,766)</td>
<td>(924,429)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,795,769</strong></td>
<td><strong>$49,529,977</strong></td>
</tr>
</tbody>
</table>

Note 11 - Other Income

Other income consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalties</td>
<td>$78,845</td>
<td>$87,343</td>
</tr>
<tr>
<td>Arts in education</td>
<td>242,719</td>
<td>233,074</td>
</tr>
<tr>
<td>Concession and catering</td>
<td>226,732</td>
<td>308,343</td>
</tr>
<tr>
<td>Insurance reimbursements</td>
<td>152,246</td>
<td>-</td>
</tr>
<tr>
<td>Conference registration fees</td>
<td>58,005</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>47,709</td>
<td>40,579</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$806,256</strong></td>
<td><strong>$669,339</strong></td>
</tr>
</tbody>
</table>

Note 12 - Commitments and Contingency

a - Operating Leases

On December 21, 1998, the Theatre executed a 16-year lease for administrative space on West 39th Street. The lease requires payments subject to annual increases, as well as increases for subsequent increases in taxes. The annual rent as of August 31, 2013 was $444,000 per annum, which increased by $12,000 during the year then ended. The Theatre has made substantial improvements to the facility totaling approximately $1,188,000.
Note 12 - Commitments and Contingency (continued)

a - Operating Leases (continued)

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 20-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 $1,993,000 have also been completed.

On September 15, 2008, the Theatre entered into a 20-year lease 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 ($180,416 for August 31, 2013) and other building expenses ($70,000 for August 31, 2013) and for air conditioning ($120,000 for August 31, 2013), subject to annual increases. The lease includes certain restrictions as to the use of the theatre.

The Theatre also leases rehearsal and warehouse facilities under operating leases. Leases for rehearsal spaces expire in 2015 and 2023; 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 $2,544,561 and $2,724,069 for the years ended August 31, 2013 and 2012, respectively.
Note 12 - Commitments and Contingency (continued)

a - Operating Leases (continued)
Future minimum lease payments under these leases are summarized as follows:

<table>
<thead>
<tr>
<th>Year Ending August 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$ 2,750,057</td>
</tr>
<tr>
<td>2015</td>
<td>2,501,373</td>
</tr>
<tr>
<td>2016</td>
<td>2,285,224</td>
</tr>
<tr>
<td>2017</td>
<td>2,327,711</td>
</tr>
<tr>
<td>2018</td>
<td>2,302,116</td>
</tr>
<tr>
<td>Thereafter</td>
<td>20,255,230</td>
</tr>
</tbody>
</table>

b - In 2005, the Theatre entered into a retention agreement with the Artistic Director under which, upon the completion of continuous service through May 7, 2018, he will receive a lump-sum of $3.2 million. It is the Theatre’s intention to make sinking-fund payments of $142,000 annually to fully fund this obligation over the life of the agreement, assuming a 7% discount rate. Through August 31, 2013, a cumulative total of $1,818,706 has been accrued and is fully funded. Should the Theatre replace the Artistic Director or curtail his duties other than for “cause,” full payment would be due.

Note 13 - Fundraising Expenses

Fundraising expenses consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual campaign</td>
<td>$2,254,122</td>
<td>$2,157,858</td>
</tr>
<tr>
<td>Gala, benefit and special events indirect expenses</td>
<td>139,245</td>
<td>165,237</td>
</tr>
<tr>
<td>Capital campaign</td>
<td>139,920</td>
<td>135,782</td>
</tr>
<tr>
<td></td>
<td>$2,533,287</td>
<td>$2,458,877</td>
</tr>
</tbody>
</table>
Note 14 - 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. Expense under this plan for the years ended August 31, 2013 and 2012 totaled $324,928 and $319,188, 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.

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 2013 and 2012 is for the plan’s year-end at December 31, 2012, and December 31, 2011, or if applicable, fiscal year ended during the Theatre’s 2013 and 2012 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.
Note 14 - Pension Plans (continued)

b - (continued)

<table>
<thead>
<tr>
<th>Pension Fund</th>
<th>EIN/Pension Plan Number</th>
<th>Pension Protection Act Zone Status</th>
<th>FIP/RP Status Pending/ Implemented</th>
<th>Contributions of the Theater</th>
<th>Surcharge Imposed</th>
<th>Expiration Date of Collective Bargaining Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Federation of Musicians and Employers Pension Fund</td>
<td>51-6120204/002</td>
<td>Red</td>
<td>Red</td>
<td>Implemented</td>
<td>$ 145,746</td>
<td>$ 203,411</td>
</tr>
<tr>
<td>Pension Fund of Wardrobe Attendants Union Local 764</td>
<td>13-6137855/001</td>
<td>Green</td>
<td>Green</td>
<td>N/A</td>
<td>59,168</td>
<td>105,024</td>
</tr>
<tr>
<td>IATSE Pension Fund of Local 1</td>
<td>13-6141973/001</td>
<td>Green</td>
<td>Green</td>
<td>N/A</td>
<td>255,917</td>
<td>325,392</td>
</tr>
<tr>
<td>Equity League Pension Trust Fund</td>
<td>13-6696817/001</td>
<td>Green</td>
<td>Green</td>
<td>N/A</td>
<td>321,315</td>
<td>424,046</td>
</tr>
<tr>
<td>League ATPAM Pension Fund</td>
<td>13-2928856/001</td>
<td>Green</td>
<td>Green</td>
<td>N/A</td>
<td>64,346</td>
<td>65,697</td>
</tr>
<tr>
<td>Treasurers &amp; Ticket Sellers Local 751 Pension Fund</td>
<td>13-6164776/001</td>
<td>Green</td>
<td>Green</td>
<td>N/A</td>
<td>30,282</td>
<td>50,819</td>
</tr>
<tr>
<td>All other multiemployer plans - total of seven other plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>138,710</td>
<td>146,776</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,015,484</td>
<td>$1,321,165</td>
</tr>
</tbody>
</table>

* To be renewed during fiscal year 2014.

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

Note 15 - Collective Bargaining Agreements

A significant portion of the Theatre’s actors and theatre staff are employed under the terms of collective bargaining agreements. Approximately 70% of the Theatre’s salaries and benefits were paid under these agreements.
Note 16 - **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.