

September 12, 2016

Greetings,

Thank you for your interest in ACT Theatre. We are pleased to make available the audited financial statements for fiscal year 2015. Following this letter you will find the complete audit, prepared by the accounting firm of Clark Nuber, P.S.

The financial portfolio of ACT Theatre contains three separate, related entities: ACT Theatre produces and presents theatre; Eagles Theatre Center is the owner of the landmark building; ACT Foundation receives and invests endowment contributions for the benefit of ACT Theatre. Because the three organizations share some common board members and common management, the accompanying audited financial statements consolidate all three entities. **Pages 17 and 19** break out the performance of each entity.

2015 was the 50th Anniversary of ACT as well as Kurt Beattie's final year as Artistic Director after 12 years at the helm. The Mainstage season featured *Cat on a Hot Tin Roof* as a look back to ACT's inaugural season in 1965, which landed in the top three for gross ticket sales in ACT history. ACT produced two world premieres: *Threesome* went on to a successful run in NYC and *Bloomsday* was a finalist for an American Theatre Critics Steinberg Award. *Hold These Truths* and *Mr. Burns, a post electric play*, both exceeded goals and attracted new patrons. It was also the 40th Anniversary of ACT's production of *A Christmas Carol*, which set another gross ticket sales record for the fifth consecutive year. Total earned revenue increased by 6%.

Total contributed revenue in 2015 was up 10% over 2014. The 50th Anniversary Gala was a tremendous success and ACT received several prestigious grants in 2015, elevating support for strategic programs. ACT received a Kenan Charitable Trust Directing Fellowship grant (joining company with the Kennedy Center and Lincoln Center); a Doris Duke Charitable Trust grant to partner with Artist in Residence Lucia Neare; and two major public grants were awarded in support of maintaining and renovating ACT's nationally registered historic landmark building from the Building for the Arts (State of Washington) and 4Culture (King County).

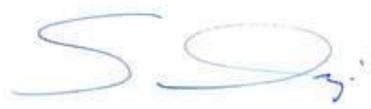
ACT continues to make steady progress toward sustainability, raising an additional \$1,690,248 for the ACT for the Future campaign. ACT had significant improvement in its cash position by reducing the line of credit. Not taking into account the unrealized losses in the ACT Foundation investments, the change in unrestricted net assets was \$300,000 better than 2014.



The 2016 season celebrates the next era of ACT. Season 51 introduces the partnership of John Langs as Artistic Director with Becky Witmer as Managing Director, and Carlo Scandiuzzi continuing his eighth year of leadership as Executive Director. Chuck Sitkin continues as the Chair of the Board of Trustees. The year is off to a positive start with the sale of Transfer Development Rights (TDRs) that benefit both ACT and the Downtown Historic Theatre District.

Thank you for your interest and please let us know if you have any further inquiry about ACT Theatre's current and/or future financial plans.

Sincerely,



Carlo Scandiuzzi, Executive Director



Becky Witmer, Managing Director

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors A Contemporary Theatre, Inc. and Affiliates Seattle, Washington

We have audited the accompanying consolidated financial statements of A Contemporary Theatre, Inc. and Affiliates (collectively, the Theatre), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of unrestricted activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Theatre as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Management's plans regarding the Theatre's financial condition is described in Note 10. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 17 through 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
June 24, 2016

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 9,354	\$ 181
Accounts and interest receivable	17,249	106,378
Current portion of pledges receivable, net	346,879	529,081
Prepaid expenses and deposits	260,124	74,118
Total Current Assets	633,606	709,758
Long-term pledges receivable, net	901,771	57,500
Cash restricted for endowment	3,555	3,779
Investments	2,218,624	2,343,615
Property and equipment, net	13,399,676	13,943,222
Total Assets	\$ 17,157,232	\$ 17,057,874
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 194,535	\$ 268,484
Checks written in excess of account balance		56,414
Accrued expenses	169,944	237,236
Advance ticket sales	1,162,179	1,318,620
Line of credit	672,567	1,005,521
Current portion of notes payable	11,000	1,600,000
Total Current Liabilities	2,210,225	4,486,275
Notes payable, net of current portion	2,000,000	
Deferred revenue	481,192	504,107
Total Liabilities	4,691,417	4,990,382
Net Assets:		
Unrestricted	8,416,914	9,141,658
Temporarily restricted	1,755,409	632,442
Permanently restricted	2,293,492	2,293,392
Total Net Assets	12,465,815	12,067,492
Total Liabilities and Net Assets	\$ 17,157,232	\$ 17,057,874

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statements of Unrestricted Activities
For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenue and Support:		
Subscriptions and single tickets	\$ 2,746,138	\$ 2,587,156
Contribution revenue	1,871,737	1,982,962
Endowment investment return	(107,869)	
Contributions and investment income released from restriction	717,497	252,967
Memberships	251,608	241,918
In-kind contributions	165,008	262,333
Other revenue	790,204	601,356
	<u>6,434,323</u>	<u>5,928,692</u>
Total Revenue and Support	6,434,323	5,928,692
Expenses:		
Artistic and production	3,629,186	3,550,015
Audience development and services	1,336,938	1,172,815
Development	653,315	648,403
Administration	936,381	872,278
	<u>6,555,820</u>	<u>6,243,511</u>
Total Expenses	6,555,820	6,243,511
Change in Unrestricted Net Assets Before Depreciation	(121,497)	(314,819)
Depreciation	603,247	604,875
	<u>603,247</u>	<u>604,875</u>
Change in Unrestricted Net Assets	\$ (724,744)	\$ (919,694)

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Activities		
Revenue and support	\$ 5,716,826	\$ 5,675,725
Contributions and investment income released from restriction	717,497	252,967
Expenses	<u>(7,159,067)</u>	<u>(6,848,386)</u>
Change in Unrestricted Net Assets	(724,744)	(919,694)
Temporarily Restricted Activities		
Contributions	1,782,487	601,294
Endowment investment return	57,977	83,908
Contributions and investment income released from restriction	<u>(717,497)</u>	<u>(252,967)</u>
Change in Temporarily Restricted Net Assets	1,122,967	432,235
Permanently Restricted Activities		
Endowment contributions	<u>100</u>	<u>200</u>
Change in Permanently Restricted Net Assets	100	200
Total Change in Net Assets	398,323	(487,259)
Net assets, beginning of year	<u>12,067,492</u>	<u>12,554,751</u>
Net Assets, End of Year	<u>\$ 12,465,815</u>	<u>\$ 12,067,492</u>

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statements of Cash Flows
For the Year Ended December 31, 2015 and 2014**

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 398,323	\$ (487,259)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	603,247	604,875
Forgiveness of notes payable		(134,456)
Realized and unrealized losses (gains) on investments	131,488	(13,780)
Contributions restricted for long-term purposes	(453,910)	
Donated piano		(35,000)
Cash (used) provided by changes in operating assets and liabilities:		
Accounts and interest receivable	89,129	(50,066)
Pledges receivable	(308,259)	(393,990)
Prepaid expenses and deposits	(186,006)	41,892
Accounts payable	(73,949)	85,521
Accrued expenses	(67,292)	38,016
Advance ticket sales	(156,441)	146,588
Deferred revenue	(22,915)	(22,915)
Net Cash Used in Operating Activities	(46,585)	(220,574)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(59,701)	(34,380)
Net change in cash restricted for endowment	224	294,312
Proceeds from sale of investments	1,387,882	2,489,347
Purchase of investments	(1,394,379)	(2,823,314)
Net Cash Used in Investing Activities	(65,974)	(74,035)
Cash Flows From Financing Activities:		
Collection of pledges restricted for long-term purposes	100,100	200
Checks written in excess of account balance	(56,414)	56,414
Net line of credit activity	(332,954)	(564,479)
Proceeds from notes payable	761,000	350,000
Payments on notes payable	(350,000)	(155,636)
Net Cash Provided by (Used in) Financing Activities	121,732	(313,501)
Net Change in Cash and Cash Equivalents	9,173	(608,110)
Cash and cash equivalents, beginning of year	181	608,291
Cash and Cash Equivalents, End of Year	\$ 9,354	\$ 181
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 196,040	\$ 163,289
Donated piano	\$ -	\$ 35,000

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Note 1 - Organization and Significant Accounting Policies

Organization - A Contemporary Theatre, Inc. (ACT) was incorporated in 1965 for artistic, cultural, and educational purposes. ACT's main operation is the presentation of staged performances for the purpose of entertainment.

Eagles Theatre Centre (ETC), a separate Washington nonprofit corporation, was formed in 1994 to manage the development and construction of Kreielsheimer Place, the Theatre's performance and administrative facility in downtown Seattle, Washington. The only activity in ETC is the management of Kreielsheimer Place.

A Contemporary Theatre Foundation (the Foundation), a Washington nonprofit corporation, was formed in October 2000 to receive and invest donations for the benefit of the Theatre and for the management of an endowment.

Principles of Consolidation - ACT, ETC and the Foundation (collectively, the Theatre) have some common board members and common management. Additionally, ACT is the sole corporate member of ETC and the Foundation's bylaws require that its governing board include three current officers of the ACT board and no fewer than two members who are either at-large members of ACT's board or ACT advisory board members and at least one non-affiliated board member. Accordingly, the results of ACT, ETC and the Foundation have been consolidated. All significant intercompany transactions have been eliminated upon consolidation.

Basis of Presentation - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Theatre and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Theatre and/or the passage of time.

Permanently Restricted Net Assets - Permanently restricted net assets must be maintained by the Theatre in perpetuity, the income of which is expendable for operations. Permanently restricted net assets increase when the Theatre receives contributions for which donor-imposed restrictions limiting the Theatre's use of an asset for its economic benefits neither expire with the passage of time nor can be removed by the Theatre meeting certain requirements.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Theatre has adopted a policy to classify temporarily restricted contributions to the annual campaign as unrestricted to the extent that temporary restrictions were met in the year the contribution was received.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Note 1 - Continued

Cash and Cash Equivalents - The Theatre considers cash and cash equivalents to include all highly liquid investments purchased with an original maturity of three months or less.

Pledges Receivable and Contribution Revenue - Contributions are recognized when the donor makes a promise to give (pledge) to the Theatre that is, in substance, unconditional. Contributions of noncash assets are recognized at their estimated fair value on the date of contribution. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using the discount rate adjustment technique, in which the rate is based upon what the market participant would demand. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not reported as contribution revenue until the conditions are substantially met.

The Theatre uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges as of December 31, 2015 and 2014.

Contribution amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

Investments - Investments in certificates of deposit and money markets are carried at cost plus accrued interest. Investments in stocks, mutual funds, exchange traded funds and bonds are carried at fair value. Interest and dividends are included in investment return as earned.

Property and Equipment - The Theatre's property and equipment are stated at cost if purchased, or fair value on the date of receipt if contributed. All property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

Advance Ticket Sales - Advance ticket sales for future performances are accrued and reported as a liability and are recognized as revenue when performances are completed.

Financial Instruments and Credit Risk Concentration - Financial instruments that potentially subject the Theatre to concentrations of credit risk consist of cash and cash equivalents and pledges receivable. The Theatre places its temporary cash deposits with one major financial institution. At times, balances may exceed federally insured limits. The Theatre has not experienced a credit loss associated with cash investments.

Concentrations - A significant number of Theatre employees including actors, theatrical stage workers and musicians are represented by unions with multi-year collective bargaining agreements which expire in 2017 and 2018.

Donated Services and Materials - The Theatre receives various donated auction items, catering, marketing, materials and services that contribute to the annual gala and the Theatre's operations. Certain professional services and materials have been recorded at their estimated fair value at the date of receipt. For the years ended December 31, 2015 and 2014, donated services and materials equaled \$165,008 and \$262,333, respectively.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Note 1 - Continued

In addition to those services and materials that have been recorded, a substantial number of volunteers have made significant contributions of time to the Theatre. The value of this contributed time does not meet the criteria for recognition under U.S. GAAP and, accordingly, is not reflected in the accompanying consolidated financial statements.

Advertising - The Theatre expenses advertising costs as they are incurred. Total advertising expense for the years ended December 31, 2015 and 2014 was \$264,961 and \$201,992, respectively.

Federal Income Taxes - The Internal Revenue Service has notified ACT, ETC and the Foundation that they are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

Allocation of Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

	<u>2015</u>	<u>2014</u>
Artistic and production	\$ 4,218,283	\$ 4,140,740
Audience development and services	1,336,938	1,172,815
Development	653,315	648,403
Administration	<u>950,531</u>	<u>886,428</u>
Total Functional Expenses	<u>\$ 7,159,067</u>	<u>\$ 6,848,386</u>

Reclassifications - Certain reclassifications were made to the 2014 financial statements to conform to the 2015 presentation. The reclassifications had no impact on previously reported total assets, liabilities, net assets, or change in net assets.

Note 2 - Pledges Receivable

Pledges receivable consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Receivables due in less than one year	\$ 702,689	\$ 529,081
Receivables due in two to five years	<u>565,955</u>	<u>57,500</u>
	1,268,644	586,581
Less present value discount of 3%	<u>(19,994)</u>	<u></u>
Total Pledges Receivable, Net	<u>\$ 1,248,650</u>	<u>\$ 586,581</u>

As a result of the Major Gifts Campaign, pledges receivables at December 31, 2015, includes significant pledges of \$500,000 and \$293,000 from two grantors.

\$355,810 of pledges due in less than one year represent pledges for long-term purposes; therefore, these pledges are included in long-term pledges receivable on the consolidated statements of financial position at December 31, 2015.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Note 3 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value:

Stocks and Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Theatre at year-end.

Bonds - Valued at the closing price reported on the active market on which the securities are traded.

The valuation methodologies used by the Theatre may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Total investments and fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements as of December 31, 2015		
	Level 1	Level 2	Total
Stocks	\$ 949,499	\$ -	\$ 949,499
Bonds		1,053,947	1,053,947
Total Investments at Fair Value	\$ 949,499	\$ 1,053,947	2,003,446
Investments valued at cost-			
Certificates of deposit			33,913
Money market funds			181,265
Total Investments			\$ 2,218,624

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 3 - Continued

	Fair Value Measurements as of December 31, 2014		
	Level 1	Level 2	Total
Stocks	\$ 782,507	\$ -	\$ 782,507
Bonds		1,304,872	1,304,872
Mutual funds	162,377		162,377
Total Investments at Fair Value	\$ 944,884	\$ 1,304,872	2,249,756
Investments valued at cost-			
Certificates of deposit			33,913
Money market funds			59,946
Total Investments			\$ 2,343,615

Investment return for the years ended December 31 was as follows:

	2015	2014
Interest and dividends	\$ 81,596	\$ 70,128
Realized gains (losses)	31,960	(112)
Unrealized (losses) gains	(163,448)	13,892
	\$ (49,892)	\$ 83,908

The investments of the Foundation at December 31, 2015 and 2014, are pledged as collateral for the line of credit described in Note 6. A certificate of deposit totaling \$33,913 at December 31, 2015 and 2014 is pledged as an equity bond for an actors' union.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 12,737,740	\$ 12,702,141
Land	2,411,188	2,411,188
Theatre equipment	1,211,315	1,200,146
Theatre furnishings and lights	179,795	179,795
Office and other equipment	722,798	714,747
Box office and development software	397,241	392,360
Nondepreciable piano	35,000	35,000
Automobile	<u>10,000</u>	<u>10,000</u>
	17,705,077	17,645,377
Less accumulated depreciation	<u>(4,305,401)</u>	<u>(3,702,155)</u>
Total Property and Equipment, Net	<u>\$ 13,399,676</u>	<u>\$ 13,943,222</u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014, was \$603,247 and \$604,875, respectively.

The Theatre's building is subject to various legal restrictions on its use.

The Theatre's building is a part of a condominium. The Theatre is a member in the condominium association that maintains certain common spaces that benefit the Theatre and the owner of the other unit in the condominium.

Note 5 - Deferred Revenue

During 1995, the Theatre received approximately \$917,000 from the City of Seattle in exchange for certain public benefits. The City of Seattle has rights to use certain facilities in Kreielsheimer Place up to 15 times each year for a 40 year period. The amount received is amortized over the term of the obligation on a straight-line basis in the amount of \$22,915 per year.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014**

Note 6 - Line of Credit and Notes Payable

Line of credit and notes payable consisted of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Revolving line of credit with available borrowings up to \$1,570,000, secured by investments, prime interest rate plus 0.5% (4.00% and 3.75% at December 31, 2015 and 2014, respectively). During 2015 the line's maturity date was renewed from October 31, 2015 to October 31, 2016.	\$ 672,567	\$ 1,005,521
Note payable to a trust, secured by the real property of Eagles Theatre Centre, 8% interest rate, monthly payments of interest of \$8,333.33. During 2015 the note's maturity date was extended from October 31, 2015 to October 31, 2017.	1,250,000	1,250,000
Related party note payable, unsecured, 8% interest rate, due March 26, 2017.	750,000	
Related party notes payable, unsecured, interest free, due January 31, 2016.	11,000	
Related party notes payable, unsecured, 8% interest rate, due December 31, 2015.		350,000
Total debt	2,683,567	2,605,521
Less current portion	<u>(683,567)</u>	<u>(2,605,521)</u>
Line of Credit and Notes Payable, Net of Current Portion	<u>\$ 2,000,000</u>	<u>\$ -</u>

Total interest expense for the years ended December 31, 2015 and 2014, was \$196,040 and \$163,289, respectively.

The related party notes are payable to executives and staff of the Theatre and board of trustee members of the Theatre. Notes payable to related parties and other individuals of \$134,456 were forgiven during the year ended December 31, 2014. There were no balances forgiven during 2015.

Note 7 - Benefit Plan

The Theatre maintains a tax-deferred savings plan (the Plan), which is available to substantially all of its full-time regular and full-time seasonal employees. The Plan is funded by discretionary employee contributions. The Theatre made no payments to the Plan during 2015 or 2014.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Major gifts campaign	\$ 1,165,978	\$ 420,935
Restoration and renovation	293,910	
Pledges receivable	193,621	161,374
Terra cotta	60,000	
Artist residency	40,000	
HVAC	1,900	31,625
Unappropriated endowment income		18,508
	<u>\$ 1,755,409</u>	<u>\$ 632,442</u>

Note 9 - Permanently Restricted Net Assets and Endowment

The Theatre's permanently restricted endowment consists of donor-restricted funds established to support the Theatre's operations. As required by U.S. GAAP, net assets associated with permanently restricted endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Theatre has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, 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 the 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 in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Theatre considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Theatre and the donor restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Theatre; and
- The investment policies of the Theatre.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014**

Note 9 - Continued

Changes to endowment net assets are as follows for the years ended December 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ -	\$ 16,544	\$ 2,293,192	\$ 2,309,736
Endowment investment return-				
Interest and dividends		70,128		70,128
Realized and unrealized gains		13,780		13,780
		<u>83,908</u>		<u>83,908</u>
Total endowment investment return		83,908		83,908
Contributions			200	200
Appropriation of endowment for expenditure	81,944	(81,944)		
Grant to the Theatre	(69,050)			(69,050)
Other Foundation expenses	(12,894)			(12,894)
		<u>18,508</u>	<u>2,293,392</u>	<u>2,311,900</u>
Endowment Net Assets, December 31, 2014		18,508	2,293,392	2,311,900
Endowment investment return-				
Interest and dividends		81,596		81,596
Realized and unrealized losses	(107,869)	(23,619)		(131,488)
	<u>(107,869)</u>	<u>57,977</u>		<u>(49,892)</u>
Total endowment investment return	(107,869)	57,977		(49,892)
Contributions			100	100
Appropriation of endowment for expenditure	76,485	(76,485)		
Grant to the Theatre	(63,000)			(63,000)
Other Foundation expenses	(13,485)			(13,485)
	<u>(107,869)</u>	<u>-</u>	<u>2,293,492</u>	<u>2,185,623</u>
Endowment Net Assets, December 31, 2015	\$ (107,869)	\$ -	\$ 2,293,492	\$ 2,185,623

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Theatre to retain as a fund of perpetual duration. These deficiencies generally result from unfavorable market fluctuations. The endowment fund had a net deficiency of \$107,869 at December 31, 2015. There were no such deficiencies at December 31, 2014.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2015 and 2014

Note 9 - Continued

Return Objectives and Risk Parameters - The Theatre has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Theatre must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve the principal. The Theatre expects its endowment funds, over time, to provide an average rate of return of approximately 3.0% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - The Theatre relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The Theatre targets a safe asset allocation that places a greater emphasis on endowment preservation.

Policy for Appropriating Endowment Assets for Expenditure - Income of the endowment shall be distributed at least annually and used exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. Any principal funds which have not been restricted by the donors, testators or transferors, may be expended, pledged, or offered as security.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Theatre did not have a formal spending policy with regards to endowment funds as of December 31, 2015 or 2014.

Note 10 - Financial Condition

As shown in the accompanying consolidated financial statements, the Theatre incurred net losses (change in unrestricted net assets) of \$724,744 and \$919,694 during the years ended December 31, 2015 and 2014, respectively. Additionally, the Theatre's current liabilities exceed its current assets by approximately \$1.58 million and \$3.78 million at December 31, 2015 and 2014, respectively.

Included in current liabilities at December 31, 2015, is approximately \$673,000 drawn on a \$1.57 million line of credit with a bank that expires on October 31, 2016. Management intends to seek renewal of the line of credit with the bank.

The Theatre is under steady management and is in the process of an institutional turnaround that includes initiatives to increase revenues and improve operational cash flows.

Note 11 - Subsequent Events

The Theatre has evaluated subsequent events through June 24, 2016, the date on which the financial statements were available to be issued.

During 2014, the City of Seattle awarded the Theatre Transferable Development Rights (TDRs). The TDRs increase development capacity for the Theatre's property and may be sold to third party developers, which management intends to do. Subsequent to December 31, 2015, the Theatre sold a portion of the awarded TDRs for net proceeds of \$704,039.

SUPPLEMENTARY INFORMATION

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Financial Position
December 31, 2015

	ACT	ETC	Foundation	Consolidated Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 9,173	\$ 181	\$ -	\$ 9,354
Accounts and interest receivable	17,249			17,249
Current portion of pledges receivable, net	346,879			346,879
Prepaid expenses and deposits	260,014	110		260,124
Total Current Assets	633,315	291		633,606
Long-term pledges receivable, net	901,771			901,771
Cash restricted for endowment			3,555	3,555
Investments	33,913		2,184,711	2,218,624
Property and equipment, net	552,603	12,847,073		13,399,676
Interorganization receivables (payables)	146,632	(144,081)	(2,551)	
Total Assets	\$ 2,268,234	\$ 12,703,283	\$ 2,185,715	\$ 17,157,232
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 194,443	\$ -	\$ 92	\$ 194,535
Accrued expenses	169,944			169,944
Advance ticket sales	1,162,179			1,162,179
Line of credit	672,567			672,567
Current portion of notes payable	11,000			11,000
Total Current Liabilities	2,210,133		92	2,210,225
Long-term notes payable, net of current portion	2,000,000			2,000,000
Deferred revenue, net of current portion	481,192			481,192
Total Liabilities	4,691,325		92	4,691,417
Net Assets:				
Unrestricted	(4,178,500)	12,703,283	(107,869)	8,416,914
Temporarily restricted	1,755,409			1,755,409
Permanently restricted			2,293,492	2,293,492
Total Net Assets	(2,423,091)	12,703,283	2,185,623	12,465,815
Total Liabilities and Net Assets	\$ 2,268,234	\$ 12,703,283	\$ 2,185,715	\$ 17,157,232

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Financial Position
December 31, 2014

	ACT	ETC	Foundation	Consolidated Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 181	\$ -	\$ 181
Accounts and interest receivable	106,378			106,378
Current portion of pledges receivable, net	529,081			529,081
Prepaid expenses and deposits	74,118			74,118
Total Current Assets	709,577	181		709,758
Long-term pledges receivable, net	57,500			57,500
Cash restricted for endowment			3,779	3,779
Investments	33,913		2,309,702	2,343,615
Property and equipment, net	593,215	13,350,007		13,943,222
Interorganization receivables (payables)	107,608	(106,027)	(1,581)	
Total Assets	\$ 1,501,813	\$ 13,244,161	\$ 2,311,900	\$ 17,057,874
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 268,484	\$ -	\$ -	\$ 268,484
Checks written in excess of account balance	56,414			56,414
Accrued expenses	237,236			237,236
Advance ticket sales	1,318,620			1,318,620
Line of credit	1,005,521			1,005,521
Current portion of notes payable	1,600,000			1,600,000
Total Current Liabilities	4,486,275			4,486,275
Deferred revenue	504,107			504,107
Total Liabilities	4,990,382			4,990,382
Net Assets:				
Unrestricted	(4,102,503)	13,244,161		9,141,658
Temporarily restricted	613,934		18,508	632,442
Permanently restricted			2,293,392	2,293,392
Total Net Assets	(3,488,569)	13,244,161	2,311,900	12,067,492
Total Liabilities and Net Assets	\$ 1,501,813	\$ 13,244,161	\$ 2,311,900	\$ 17,057,874

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
Unrestricted Activities					
Revenue and Support:					
Subscriptions and single tickets	\$ 2,746,138	\$ -	\$ -	\$ -	\$ 2,746,138
Contribution revenue	1,871,737				1,871,737
Endowment investment return			(107,869)		(107,869)
Contributions and investment income released from restriction	641,012		76,485		717,497
Memberships	251,608				251,608
In-kind contributions	165,008				165,008
Other revenue	853,204			(63,000)	790,204
Total Revenue and Support	6,528,707		(31,384)	(63,000)	6,434,323
Expenses:					
Artistic and production	3,591,242	37,944	63,000	(63,000)	3,629,186
Audience development and services	1,336,938				1,336,938
Development	653,315				653,315
Administration	922,896		13,485		936,381
Total Expenses	6,504,391	37,944	76,485	(63,000)	6,555,820
Change in Unrestricted Net Assets Before Depreciation	24,316	(37,944)	(107,869)		(121,497)
Depreciation	100,313	502,934			603,247
Change in Unrestricted Net Assets	(75,997)	(540,878)	(107,869)		(724,744)
Temporarily Restricted Activities					
Contributions	1,782,487				1,782,487
Endowment investment return			57,977		57,977
Contributions and investment income released from restriction	(641,012)		(76,485)		(717,497)
Change in Temporarily Restricted Net Assets	1,141,475		(18,508)		1,122,967
Permanently Restricted Activities					
Endowment contributions			100		100
Change in Permanently Restricted Net Assets			100		100
Total Change in Net Assets	1,065,478	(540,878)	(126,277)		398,323
Net assets, beginning of year	(3,488,569)	13,244,161	2,311,900		12,067,492
Net Assets, End of Year	\$ (2,423,091)	\$ 12,703,283	\$ 2,185,623	\$ -	\$ 12,465,815

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
Unrestricted Activities					
Revenue and Support:					
Subscriptions and single tickets	\$ 2,587,156	\$ -	\$ -	\$ -	\$ 2,587,156
Contribution revenue	1,982,962				1,982,962
Contributions and investment income released from restriction	171,023		81,944		252,967
Memberships	241,918				241,918
In-kind contributions	262,333				262,333
Other revenue	670,406			(69,050)	601,356
Total Revenue and Support	5,915,798		81,944	(69,050)	5,928,692
Expenses:					
Artistic and production	3,549,254	761	69,050	(69,050)	3,550,015
Audience development and services	1,172,815				1,172,815
Development	648,403				648,403
Administration	859,384		12,894		872,278
Total Expenses	6,229,856	761	81,944	(69,050)	6,243,511
Change in Unrestricted Net Assets Before Depreciation	(314,058)	(761)			(314,819)
Depreciation	101,941	502,934			604,875
Change in Unrestricted Net Assets	(415,999)	(503,695)			(919,694)
Temporarily Restricted Activities					
Contributions	601,294				601,294
Endowment investment return			83,908		83,908
Contributions and investment income released from restriction	(171,023)		(81,944)		(252,967)
Change in Temporarily Restricted Net Assets	430,271		1,964		432,235
Permanently Restricted Activities					
Endowment contributions			200		200
Change in Permanently Restricted Net Assets			200		200
Total Change in Net Assets	14,272	(503,695)	2,164		(487,259)
Net assets, beginning of year	(3,502,841)	13,747,856	2,309,736		12,554,751
Net Assets, End of Year	\$ (3,488,569)	\$ 13,244,161	\$ 2,311,900	\$ -	\$ 12,067,492

See independent auditor's report.