A Contemporary Theatre

July 29, 2015

Greetings,

Thank you for your interest in ACT Theatre. We are pleased to make available the audited financial statements for fiscal year 2014. 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 manages 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 16 and 18 break out the performance of each entity.

In 2014 ACT continued to make significant strides toward self-sufficiency and financial sustainability. ACT's major gifts campaign was fully underway in 2014. At present, ACT has already raised more than $1 million in this campaign, which will retire ACT's debt, provide for necessary maintenance of the historic Eagles Auditorium building, and develop working capital reserves to provide an internal source of funds to meet the needs of ACT's normal business cycle.

Total contributed revenue in 2014 was up 12% over 2013. ACT also took better advantage of the revenue potential of our physical building in 2014; ticket revenue and venue rentals were up, exceeding our budgeted goals by $105,000. *A Christmas Carol* set yet another record for ticket sales, exceeding our goal by $71,000. These successes were offset by diminished corporate giving and operational funding in 2014. Foundation revenue for ACT's operating budget is lower in 2014 – however, this figure is slightly misleading. Some foundation gifts arrived after the fiscal year end and will appear as a boost to our 2015 revenue.

As ACT continues to make steady progress toward sustainability, we paid off another $279,000 of our outstanding notes in 2014. At the beginning of 2014, ACT reduced its bank line of credit by $290,000, which allowed the ACT Foundation to put its principal under management (rather than holding it in a CD at the bank in guarantee of the line of credit). As a result, the ACT Foundation returned $69,068 in interest and dividend revenues in 2014 to ACT – for the first time ever.

In 2015, ACT is increasing venue rentals, taking advantage of the inherent revenue potential of our facility. ACT is also taking targeted step to maximize the efficiency of its newly restructured Development team, working closely with professional consultants to improve the integration of ACT's staff across multiple departments as we unite to drive our Major Gifts campaign. Overall, ACT's 2015 budget reflects conservative goals: we have set moderate and achievable revenue goals. We continue our commitment to living within our means, while not undercutting the programming that drives our ability to produce earned and contributed revenue.

Looking ahead, the 2016 season celebrates "the next era" of ACT. Planning is under way to maximize growth in audience development and to publicly launch John Langs' first season as Artistic Director in our 51st Season.

Sincerely,

Carlo Scandiuzzi, Executive Director

A CONTEMPORARY THEATRE, INC.
AND AFFILIATES

Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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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, 2014 and 2013, 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.

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, 2014 and 2013, 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.

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Emphasis-of-Matter

The Theatre has a line of credit and note payable that mature in 2015 as further described in Note 6. Management's plans regarding the Theatre's financial condition is described in Note 10. Our opinion is not modified with respect to those matters.

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 16 through 19 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
July 21, 2015

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents	$ 181	$ 608,291
Accounts and interest receivable	106,378	56,312
Current portion of pledges receivable	529,081	192,791
Prepaid expenses and deposits	74,118	116,010
Total Current Assets	**709,758**	**973,404**
Pledges receivable, net of current portion	57,500	
Cash restricted for endowment	3,779	298,091
Investments	2,343,615	1,995,868
Property and equipment, net	13,943,222	14,478,717
Total Assets	**$ 17,057,874**	**$ 17,746,080**
Liabilities and Net Assets		
Current Liabilities:		
Checks written in excess of account balance	$ 56,414	$ -
Accounts payable	268,484	182,963
Accrued expenses	237,236	199,220
Current portion of deferred revenue	22,915	22,915
Advance ticket sales	1,318,620	1,172,032
Line of credit	1,005,521	1,570,000
Current portion of notes payable	1,600,000	290,092
Total Current Liabilities	**4,509,190**	**3,437,222**
Notes payable, net of current portion		1,250,000
Deferred revenue, net of current portion	481,192	504,107
Total Liabilities	**4,990,382**	**5,191,329**
Net Assets:		
Unrestricted	9,141,658	10,061,352
Temporarily restricted	632,442	200,207
Permanently restricted	2,293,392	2,293,192
Total Net Assets	**12,067,492**	**12,554,751**
Total Liabilities and Net Assets	**$ 17,057,874**	**$ 17,746,080**

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Unrestricted Activities
For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenue and Support:		
Subscriptions and single tickets	$ 2,587,156	$ 2,523,876
Contribution revenue	1,982,962	1,922,625
Contributions and investment income released from restriction	252,967	145,040
Memberships	241,918	247,688
In-kind contributions	262,333	321,810
Other revenue	601,356	559,444
Total Revenue and Support	**5,928,692**	**5,720,483**
Expenses:		
Artistic and production	3,559,785	3,095,415
Audience development and services	1,108,776	1,125,906
Development	633,622	542,799
Administration	941,328	980,116
Total Expenses	**6,243,511**	**5,744,236**
Change in Unrestricted Net Assets Before Depreciation	**(314,819)**	**(23,753)**
Depreciation	604,875	610,869
Change in Unrestricted Net Assets	**$ (919,694)**	**$ (634,622)**

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted Activities		
Revenue and support	$ 5,675,725	$ 5,575,443
Contributions and investment income released from restriction	252,967	145,040
Expenses	(6,848,386)	(6,355,105)
Change in Unrestricted Net Assets	**(919,694)**	**(634,622)**
Temporarily Restricted Activities		
Contributions	601,294	73,135
Endowment investment income	83,908	2,139
Contributions and investment income released from restriction	(252,967)	(145,040)
Change in Temporarily Restricted Net Assets	**432,235**	**(69,766)**
Permanently Restricted Activities		
Endowment contributions	200	50,909
Change in Permanently Restricted Net Assets	**200**	**50,909**
Total Change in Net Assets	**(487,259)**	**(653,479)**
Net assets, beginning of year	12,554,751	13,208,230
Net Assets, End of Year	**$ 12,067,492**	**$ 12,554,751**

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
For the Year Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	$ (487,259)	$ (653,479)
Adjustments to reconcile change in net assets		
to net cash used in operating activities-		
Depreciation	604,875	610,869
Forgiveness of notes payable	(134,456)	(194,122)
Realized/unrealized gain on investments	(13,780)	
Donated piano	(35,000)	
Cash (used) provided by changes in operating assets and liabilities:		
Accounts and interest receivable	(50,066)	(630)
Pledges receivable	(393,990)	(57,952)
Prepaid expenses and deposits	41,892	(4,848)
Accounts payable	85,521	(254,894)
Accrued expenses	38,016	(27,985)
Advance ticket sales	146,588	45,396
Deferred revenue	(22,915)	(22,915)
Net Cash Used in Operating Activities	**(220,574)**	**(560,560)**
Cash Flows From Investing Activities:		
Purchase of property and equipment	(34,380)	(23,566)
Net change in cash restricted for endowment	294,312	(298,091)
Proceeds from sale of investments	2,489,347	45,330
Purchase of investments	(2,823,314)	(3,715)
Net Cash Used in Investing Activities	**(74,035)**	**(280,042)**
Cash Flows From Financing Activities:		
Collection of pledges restricted for endowment	200	250,000
Checks written in excess of account balance	56,414	
Net line of credit activity	(564,479)	(290,000)
Proceeds from notes payable	350,000	1,258,579
Payments on notes payable	(155,636)	
Net Cash (Used in) Provided by Financing Activities	**(313,501)**	**1,218,579**
Net Change in Cash and Cash Equivalents	**(608,110)**	**377,977**
Cash and cash equivalents, beginning of year	608,291	230,314
Cash and Cash Equivalents, End of Year	**$ 181**	**$ 608,291**
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 163,289	$ 120,366
Donated piano	$ 35,000	$ -

See accompanying notes.

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. 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 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.

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, 2014 and 2013.

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.

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, 2014 and 2013, donated services and materials equaled $262,333 and $321,810, respectively.

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.

Note 1 - Continued

Advertising - The Theatre expenses advertising costs as they are incurred. Total advertising expense for the years ended December 31, 2014 and 2013, was $201,992 and $191,186, respectively.

Federal Income Taxes - The Internal Revenue Service has determined that ACT, ETC and the Foundation 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.

	2014	2013
Artistic and production	$ 4,150,510	$ 3,692,134
Audience development and services	1,108,776	1,125,906
Development	633,622	542,799
Administration	955,478	994,266
Total Functional Expenses	**$ 6,848,386**	**$ 6,355,105**

Subsequent Events - The Theatre has evaluated subsequent events through July 21, 2015, the date on which the financial statements were available to be issued.

Note 2 - Pledges Receivable

Pledges receivable consisted of the following at December 31:

	2014	2013
Receivables due in less than one year	$ 529,081	$ 192,791
Receivables due in two to five years	57,500	
Total Pledges Receivable, Net	**$ 586,581**	**$ 192,791**

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.

Note 3 - Continued

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

Stocks, Mutual Funds and Exchange Traded 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.

Marketable Debt Securities - 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, 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**

	Fair Value Measurements as of December 31, 2013		
	Level 1	Level 2	Total
Exchange traded funds	$ 1,573	$ -	$ 1,573
Total Investments at Fair Value	**$ 1,573**	**$ -**	**1,573**
Investments valued at cost-			
Certificates of deposit			1,994,295
Total Investments			**$ 1,995,868**

Note 3 - Continued

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

	2014	2013
Interest and dividends	$ 70,128	$ 2,139
Realized and unrealized gains	13,780	
	$ 83,908	**$ 2,139**

The investments of the Foundation at December 31, 2014 and 2013, are pledged as collateral for the line of credit described in Note 6. A certificate of deposit totaling $33,913 and $32,671 at December 31, 2014 and 2013, respectively, is pledged as an equity bond for an actors' union.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2014	2013
Building and improvements	$ 12,702,141	$ 12,702,141
Land	2,411,188	2,411,188
Theatre equipment	1,200,146	1,165,765
Theatre furnishings and lights	179,795	179,795
Office and other equipment	714,747	714,747
Box office and development software	392,360	392,360
Non-depreciable piano	35,000	
Automobile	10,000	10,000
	17,645,377	17,575,996
Less accumulated depreciation	(3,702,155)	(3,097,279)
Total Property and Equipment, Net	**$ 13,943,222**	**$ 14,478,717**

Depreciation and amortization expense for the years ended December 31, 2014 and 2013, was $604,875 and $610,869, 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.

Note 6 - Line of Credit and Notes Payable

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

	2014	2013
Revolving line of credit with available borrowings up to $1,570,000, secured by investments, prime interest rate less 0.25% (not less than 3.75%), due October 31, 2015.	$ 1,005,521	$ 1,570,000
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, due October 31, 2015.	1,250,000	1,250,000
Related party notes payable, unsecured, 8% interest rate, due December 31, 2015.	350,000	
Note payable to a financial institution, unsecured, guaranteed by a board member, prime interest rate (not less than 4%), annual principal payments of $100,000 with final balance due at maturity on December 31, 2013, monthly interest payments. The final payment was made on January 2, 2014.		95,635
Note payable from an individual, unsecured, 4% interest rate, due December 31, 2014.		10,000
Related party notes payable, unsecured, 0% interest rate, due December 31, 2014.		184,457
Total debt	2,605,521	3,110,092
Less current portion	(2,605,521)	(1,860,092)
Line of Credit and Notes Payable, Net of Current Portion	**$ -**	**$ 1,250,000**

Total interest expense for the years ended December 31, 2014 and 2013, was $163,289 and $120,366, 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 and $194,122 were forgiven during the years ended December 31, 2014 and 2013, respectively.

Subsequent to year-end, the Theatre entered into an additional loan agreement with related parties totaling $750,000, 8% interest rates, due March 26, 2017.

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 2014 or 2013.

Note 8 - Temporarily Restricted Net Assets

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

	2014	2013
Major gifts campaign	$ 420,935	$ 30,872
HVAC	31,625	25,000
Unappropriated endowment income	18,508	16,544
Pledges receivable	161,374	127,791
	$ 632,442	**$ 200,207**

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.

Note 9 - Continued

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	$ 545	$ 14,551	$ 2,242,283	$ 2,257,379
Interest and dividends		2,139		2,139
Change in present value discount of pledges receivable (contribution revenue)			50,909	50,909
Appropriation of endowment for expenditure	146	(146)		
Other Foundation expenses	(691)			(691)
Endowment Net Assets, December 31, 2013		**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
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)
Endowment Net Assets, December 31, 2014	**$ -**	**$ 18,508**	**$ 2,293,392**	**$ 2,311,900**

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. In accordance with U.S. GAAP, there were no deficiencies of this nature reported in unrestricted net assets at December 31, 2014 or 2013.

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.

Note 9 - Continued

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, 2014 or 2013.

Note 10 - Financial Condition

As shown in the accompanying consolidated financial statements, the Theatre incurred net losses (change in unrestricted net assets) of $919,694 and $634,622 during the years ended December 31, 2014 and 2013, respectively. Additionally, the Theatre’s current liabilities exceed its current assets by approximately $3.80 million and $2.46 million at December 31, 2014 and 2013, respectively.

Included in current liabilities at December 31, 2014, is a $1.0 million draw on a $1.57 million line of credit with a bank that expires on October 31, 2015 and a note payable to a trust of $1.25 million that matures on October 31, 2015. Management intends to seek renewal of the line of credit with the bank and has obtained a letter that the trustee intends to provide an extension of the term of the note payable with the trust.

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.

SUPPLEMENTARY INFORMATION

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	529,081			529,081
Prepaid expenses and deposits	74,118			74,118
Total Current Assets	**709,577**	**181**		**709,758**
Pledges receivable, net of current portion	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:				
Checks written in excess of account balance	$ 56,414	$ -	$ -	$ 56,414
Accounts payable	268,484			268,484
Accrued expenses	237,236			237,236
Current portion of deferred revenue	22,915			22,915
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	**4,509,190**			**4,509,190**
Deferred revenue, net of current portion	481,192			481,192
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 Financial Position
December 31, 2013

	ACT	ETC	Foundation	Consolidated Total
Assets				
Current Assets:				
Cash and cash equivalents	$ 608,110	$ 181	$ -	$ 608,291
Accounts and interest receivable	56,312			56,312
Current portion of pledges receivable	192,791			192,791
Prepaid expenses and deposits	115,920	90		116,010
Total Current Assets	**973,133**	**271**		**973,404**
Cash restricted for endowment			298,091	298,091
Investments	34,244		1,961,624	1,995,868
Property and equipment, net	625,775	13,852,942		14,478,717
Interorganization receivables (payables)	55,336	(105,357)	50,021	
Total Assets	**$ 1,688,488**	**$ 13,747,856**	**$ 2,309,736**	**$ 17,746,080**
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	$ 182,963	$ -	$ -	$ 182,963
Accrued expenses	199,220			199,220
Current portion of deferred revenue	22,915			22,915
Advance ticket sales	1,172,032			1,172,032
Line of credit	1,570,000			1,570,000
Current portion of notes payable	290,092			290,092
Total Current Liabilities	**3,437,222**			**3,437,222**
Notes payable, net of current portion	1,250,000			1,250,000
Deferred revenue, net of current portion	504,107			504,107
Total Liabilities	**5,191,329**			**5,191,329**
Net Assets:				
Unrestricted	(3,686,504)	13,747,856		10,061,352
Temporarily restricted	183,663		16,544	200,207
Permanently restricted			2,293,192	2,293,192
Total Net Assets	**(3,502,841)**	**13,747,856**	**2,309,736**	**12,554,751**
Total Liabilities and Net Assets	**$ 1,688,488**	**$ 13,747,856**	**$ 2,309,736**	**$ 17,746,080**

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	3,559,024	761	69,050	(69,050)	3,559,785
Audience development and services	1,108,776				1,108,776
Development	633,622				633,622
Administration	928,434		12,894		941,328
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 income			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.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
Unrestricted Activities					
Revenue and Support:					
Subscriptions and single tickets	$ 2,523,876	$ -	$ -	$ -	$ 2,523,876
Contribution revenue	1,922,625				1,922,625
Contributions and investment income released from restriction	144,894		146		145,040
Memberships	247,688				247,688
In-kind contributions	321,810				321,810
Other revenue	559,444				559,444
Total Revenue and Support	**5,720,337**		**146**		**5,720,483**
Expenses:					
Artistic and production	3,080,775	14,640			3,095,415
Audience development and services	1,125,906				1,125,906
Development	542,799				542,799
Administration	913,575	65,850	691		980,116
Total Expenses	**5,663,055**	**80,490**	**691**		**5,744,236**
Change in Unrestricted Net Assets Before Depreciation	**57,282**	**(80,490)**	**(545)**		**(23,753)**
Depreciation	107,935	502,934			610,869
Change in Unrestricted Net Assets	**(50,653)**	**(583,424)**	**(545)**		**(634,622)**
Temporarily Restricted Activities					
Contributions	73,135				73,135
Endowment investment income			2,139		2,139
Contributions and investment income released from restriction	(144,894)		(146)		(145,040)
Change in Temporarily Restricted Net Assets	**(71,759)**		**1,993**		**(69,766)**
Permanently Restricted Activities					
Endowment contributions			50,909		50,909
Change in Permanently Restricted Net Assets			**50,909**		**50,909**
Total Change in Net Assets	**(122,412)**	**(583,424)**	**52,357**		**(653,479)**
Net assets, beginning of year	(3,380,429)	14,331,280	2,257,379		13,208,230
Net Assets, End of Year	**$ (3,502,841)**	**$ 13,747,856**	**$ 2,309,736**	**$ -**	**$ 12,554,751**

See independent auditor’s report.