THEATREWORKS/U.S.A. CORP.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

THEATREWORKS/U.S.A. CORP. AND SUBSIDIARY

TABLE OF CONTENTS

FRIEDMAN LLP®
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Theatreworks/U.S.A. Corp.

We have audited the accompanying consolidated financial statements of Theatreworks/U.S.A. Corp. and Subsidiary (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

(Continued)

1700 Broadway, New York, NY 10019 p 212.842.7000 f 212.842.7001 friedmanllp.com

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Theatreworks/U.S.A. Corp. and Subsidiary as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidated Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Friedman LLP

November 13, 2017

THEATREWORKS/U.S.A. CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2017	June 30, 2016
ASSETS		
Cash and cash equivalents	$ 173,801	$ 240,190
Restricted cash	92,701	104,061
Accounts receivable, net of allowance for doubtful accounts of $24,000 and $2,000 in 2017 and 2016, respectively	317,935	200,143
Prepaid expenses	340,545	434,057
Investments, at fair value	531,348	506,221
Property and equipment, net	618,412	802,951
Other assets	64,422	91,395
	$ 2,139,164	$ 2,379,018
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 688,998	$ 730,669
Deposits on future performances	292,283	257,818
Deferred rent payable	95,045	162,677
Capital lease obligations	260,657	409,432
Loan payable	313,847	320,634
Other liabilities	11,870	8,294
	1,662,700	1,889,524
Net assets (deficit)		
Unrestricted	(105,997)	(25,083)
Temporarily restricted	81,605	45,310
Permanently restricted	500,856	469,267
Total net assets	476,464	489,494
	$ 2,139,164	$ 2,379,018

See notes to consolidated financial statements.

THEATREWORKS/U.S.A. CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, public support and other				
Contributions	$ 574,087	$ 81,605	$ -	$ 655,692
Performance fees	3,114,627	-	-	3,114,627
Ticket sales	3,740,187	-	-	3,740,187
Interest and dividends	117	-	-	117
Net realized and unrealized gain	-	-	31,589	31,589
Royalties	25,067	-	-	25,067
Studio income	787,563	-	-	787,563
Loss on sale of property and equipment	(18,252)	-	-	(18,252)
Merchandise, net of cost of goods sold of $11,273	47,904	-	-	47,904
Miscellaneous income	1,869	-	-	1,869
Net assets released from restrictions	45,310	(45,310)	-	-
Total revenue, public support and other	8,318,479	36,295	31,589	8,386,363
Expenses				
Program services - Theatre	7,066,012	-	-	7,066,012
Program services - Studio rentals	665,577	-	-	665,577
Total program services	7,731,589	-	-	7,731,589
Supporting services				
Management and general	507,208	-	-	507,208
Fundraising	160,596	-	-	160,596
Total supporting services	667,804	-	-	667,804
Total expenses	8,399,393	-	-	8,399,393
Change in net assets	(80,914)	36,295	31,589	(13,030)
Net assets (deficit)				
Beginning of year	(25,083)	45,310	469,267	489,494
End of year	$ (105,997)	$ 81,605	$ 500,856	$ 476,464

See notes to consolidated financial statements.

THEATREWORKS/U.S.A. CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, public support and other				
Contributions	$ 432,884	$ 45,310	$ -	$ 478,194
Performance fees	3,819,206	-	-	3,819,206
Ticket sales	3,132,303	-	-	3,132,303
Interest and dividends	39,105	-	-	39,105
Net realized and unrealized loss	-	-	(4,003)	(4,003)
Royalties	54,303	-	-	54,303
Studio income	691,375	-	-	691,375
Gain on sale of property and equipment	15,779	-	-	15,779
Miscellaneous income	37,444	-	-	37,444
Net assets released from restrictions	81,962	(81,962)	-	-
Total revenue, public support and other	8,304,361	(36,652)	(4,003)	8,263,706
Expenses				
Program services - Theatre	7,189,091	-	-	7,189,091
Program services - Studio rentals	635,366	-	-	635,366
Total program services	7,824,457	-	-	7,824,457
Supporting services				
Management and general	330,322	-	-	330,322
Fundraising	162,886	-	-	162,886
Total supporting services	493,208	-	-	493,208
Total expenses	8,317,665	-	-	8,317,665
Change in net assets	(13,304)	(36,652)	(4,003)	(53,959)
Net assets (deficit)				
Beginning of year	(11,779)	81,962	473,270	543,453
End of year	$ (25,083)	$ 45,310	$ 469,267	$ 489,494

See notes to consolidated financial statements.

THEATREWORKS/U.S.A. CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2017	2016
Cash flows from operating activities		
Change in net assets	$ (13,030)	$ (53,959)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	202,590	235,014
Bad debt expense	26,763	980
Net realized and unrealized (gain) loss	(31,589)	4,003
Loss (gain) on sale of property and equipment	18,252	(15,779)
Changes in assets and liabilities		
Restricted cash	11,360	(5,048)
Accounts receivable	(144,555)	(50,613)
Grants receivable	-	17,160
Prepaid expenses	93,512	251,267
Other assets	26,973	(18,588)
Accounts payable and accrued expenses	(41,671)	(49,294)
Deposits on future performances	34,465	(78,964)
Deferred rent payable	(67,632)	(54,551)
Other liabilities	3,576	3,204
Net cash provided by operating activities	119,014	184,832
Cash flows from investing activities		
Purchase of investments	-	(130,054)
Proceeds from sale of investments	6,462	140,669
Purchase of property and equipment	(25,584)	(9,800)
Proceeds from sale of property and equipment	59,281	70,256
Net cash provided by investing activities	40,159	71,071
Cash flows from financing activities		
Repayment of principal on loans	(91,467)	(70,000)
Proceeds from loan borrowings	84,680	230,816
Repayment of capital lease obligation	(218,775)	(234,996)
Net cash used in financing activities	(225,562)	(74,180)
Net increase (decrease) in cash and cash equivalents	(66,389)	181,723
Cash and cash equivalents, beginning of year	240,190	58,467
Cash and cash equivalents, end of year	$ 173,801	$ 240,190
Supplemental cash flow disclosure		
Cash paid for interest	$ 52,066	$ 18,908
Noncash investing and financing activities		
Purchase of property and equipment through capital lease obligations	70,000	378,819
Write-off of fully depreciated property and equipment	653,349	47,424

See notes to consolidated financial statements.

1 - NATURE OF ACTIVITIES

Theatreworks/U.S.A. Corp. ("Theatreworks"), a not-for-profit organization incorporated in the State of New York, produces and presents dramatic-musical performances for the general public, but particularly for audiences of grade school and junior high school students. Theatreworks' support comes primarily from admission and performance fees related to its productions and from contributions.

The Lightning Thief, LLC ("Lightning Thief") is a New York limited liability company that was organized on September 9, 2016. Lightning Thief's sole member is Theatreworks. The purpose of Lightning Thief is to engage in the production of the play, "The Lightning Thief". Effective May 24, 2017, Lightning Thief entered into a joint venture agreement with Martian Entertainment LLC to co-produce "The Lightning Thief: A Percy Jackson Musical".

Theatreworks/U.S.A. Corp. and The Lightning Thief, LLC are referred to collectively herein as the "Organization")

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Organization's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into the following three categories:

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 action of the Organization and/or the passage of time.

When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received and expended in the same fiscal year are included as unrestricted revenues.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of Theatreworks and its wholly owned subsidiary, the Lightning Thief. All intercompany transactions have been eliminated in consolidation.

Use of Estimates
Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Tax Status
The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization as described in Section 509(a).

Cash and Cash Equivalents
Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash
As part of the collective bargaining agreement with the Actors' Equity Association, the Organization is required to maintain deposit funds as collateral for a letter of credit for the benefit of the Actors' Equity Association.

Accounts Receivable
Accounts receivable are recorded at their net realizable value. An allowance for doubtful accounts is recorded based on a combination of aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received.

Investments
Investments are stated at fair value. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses from securities sold are determined using the first-in, first-out method. Interest and dividend income is recognized when earned. US GAAP establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Under GAAP, the three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that reflect management's own assumptions.

Property and Equipment
Property and equipment is stated at cost. Assets acquired with a cost of more than $4,000 are capitalized. Depreciation is computed using straight-line methods over estimated useful asset lives, which range from 5 to 7 years. Leasehold improvements are amortized using the straight-line method over the lease term, or the estimated useful lives of the improvements, whichever is shorter.

Revenue Recognition
Contributions are recognized as revenue when an unconditional promise to give has been made or is received.

Ticket sales and performance fees are recognized as revenue in the period in which the related event takes place. The Organization receives advances on ticket sales and deposits on future performance fees which are recorded as a liability. As each production is presented, the portion of the advance sales collections that pertains to that production will be recognized as revenue. In the event any of the scheduled productions for future seasons are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

The Organization records merchandise income and cost of merchandise sold for Lightning Thief when title to goods is transferred to the customer, which is generally when the Organization sells the merchandise to the customer.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

The Organization received contributed theatre space in the rent equivalent amount of $46,600 for each of the years ended June 30, 2017 and 2016. Such donations are recorded in the consolidated statement of activities as contributions, with an offset to expenses as program services - theatre, as donors of such items receive no commensurate value in return. In addition, there were $13,660 in various computer related donations for the year ended June 30, 2017.

Functional Expenses

The costs of providing programs and other activities of the Organization have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. The Organization's programs consist of theatrical programs (produced and managed productions), which are sold to venues through the Touring department and field trips (to the Organization's productions), which are sold, primarily to schools, through the box office. Chelsea Studios is a theatre and dance rehearsal facility with space used by the Organization's production companies or rented for a fee.

Subsequent Events

These financial statements were approved by management and available for issuance on November 13, 2017. Management has evaluated subsequent events through this date.

3 - INVESTMENTS

The Organization's investments at fair value consisted of the following:

	Investments at Fair Value			
June 30, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 15,211	$ -	$ -	$ 15,211
Common stock	349,435	-	-	349,435
Corporate fixed income	-	94,049	-	94,049
Mutual funds	72,653	-	-	72,653
Total assets at fair value	$ 437,299	$ 94,049	$ -0-	$ 531,348

	Investments at Fair Value			
June 30, 2016	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 17,774	$ -	$ -	$ 17,774
Common stock	322,789	-	-	322,789
Corporate fixed income	-	94,562	-	94,562
Mutual funds	71,096	-	-	71,096
Total assets at fair value	$ 411,659	$ 94,562	$ -0-	$ 506,221

3 - INVESTMENTS (Continued)

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2017	2016
Automobiles and vans	$ 302,044	$ 467,191
Computers	155,012	261,907
Office equipment	141,220	237,140
Furniture and fixtures	99,334	179,325
Recording equipment	225,263	508,172
Leasehold improvements	1,017,775	1,009,825
	1,940,648	2,663,560
Less - Accumulated depreciation and amortization	1,322,236	1,860,609
	$ 618,412	$ 802,951

Depreciation and amortization expense totaled $202,591 and $235,014 for the years ended June 30, 2017 and 2016, respectively.

5 - COMMITMENTS

The Organization leases office and shop space under an operating lease. In 2004, the lease was amended to include additional space and was extended to August 31, 2018. The Organization received $231,690 in free rent as reimbursement for leasehold improvements made to this additional space. Under an additional amendment to the lease made on December 2, 2010, the Organization forfeited some leased shop space and, in exchange, received $185,000 in cash incentive. On September 26, 2013, the Organization entered into an agreement to surrender an entire floor as of February 28, 2014. The Organization received rent abatement of the fixed rent, escalations and services for the surrendered floor from September 2013 through February 2014. In addition, the Organization received rent abatement of fixed rent, escalations and services for an additional floor for the months of September and October 2013, and rent credit for some services previously billed. Such free rent and cash incentives have been recorded as deferred rent payable and are being amortized on a straight-line basis over the remaining lease term. Under the terms of the lease, the Organization is obligated to pay certain operating expenses and real estate taxes. In addition, warehouse space is leased on a month-to-month basis.

Future minimum rental payments, including escalations, under the operating lease are summarized as follows:

Year Ending June 30,	
2018	$ 424,320
2019	71,097
	$ 495,417

Rental expense for the years ended June 30, 2017 and 2016 was $440,390 and $424,467, respectively.

6 - CAPITAL LEASES

The Organization leases vans, various copiers and audio equipment under capital leases expiring through 2020. Obligations under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation and amortization expense for the years ended June 30, 2017 and 2016.

6 - CAPITAL LEASES (Continued)

The following is a summary of property held under capital leases:

	June 30, 2017	June 30, 2016
Vans	$ 302,044	$ 467,191
Copiers	75,600	75,600
Server	17,839	17,839
Audio equipment	94,500	94,500
Network replacement	70,000	-
	559,983	655,130
Less - Accumulated amortization	151,836	109,306
Net capitalized leases	$ 408,147	$ 545,824

Minimum future lease payments under capital leases as of June 30, 2017 are as follows:

Year Ending June 30,	
2018	$ 152,733
2019	79,115
2020	28,809
Present value of net minimum lease payments	$ 260,657

Certain capital leases provide renewal or purchase options. Generally, purchase options are at prices representing the expected fair value of the property at the expiration of the lease term.

7 - DEBT

The Organization has a Portfolio Loan Account Facility with a bank, using the endowment as collateral (Collateral Account) and with an interest rate of 4% plus a Portfolio Loan Account index. The amount of the facility is determined based on the value of the securities in the Collateral Account and the loan advance rates for the securities in the Collateral Account. The interest rates at June 30, 2017 and 2016 were 5.22% and 4.47%, respectively. The principal balance of the loan payable was $313,847 and $320,634 at June 30, 2017 and 2016, respectively.

7 - DEBT (Continued)

On July 6, 2015, the Organization entered into a term loan agreement with Alliance of Resident Theatres/New York ("A.R.T./New York") for $50,000. The loan required monthly payments of interest only through November 1, 2015, a principal payment of $15,000 plus interest on December 1, 2015, a monthly payment of interest on January 1, 2016, and a principal payment of $35,000 plus interest on February 1, 2016. The interest rate was 3.25% throughout the term of the loan. The loan was collateralized by the Organization's interest in certain of its contracts with customers. The loan was paid in full during fiscal year 2016, and there were no amounts outstanding under this loan as of June 30, 2016.

Interest expense related to debt borrowing for the years ended June 30, 2017 and 2016 was $48,078 and $14,549, respectively.

8 - RELATED PARTY

The Lightning Thief obtained a $100,000 loan from a board member on September 8, 2016, which accrued interest at 8% per annum. Although the loan was due March 31, 2018, the Lightning Thief paid off the loan in two payments during fiscal year 2017. The first half of the loan of $50,000 was paid off on April 21, 2017, with an interest payment of $2,667. The second half of the loan of $50,000 was paid off on May 9, 2017, with an interest payment of $3,000.

The Lightning Thief obtained another $100,000 loan from a board member on September 15, 2016, which accrued interest at 8% per annum. Although the loan was due March 31, 2018, the Lighting Thief paid off the loan on May 9, 2017, with an interest payment of $6,000.

On July 7, 2017, the Organization entered into a loan agreement with a board member for $200,000, with interest at 4.25%. Monthly payments of $28,978 are required from November 30, 2017 through the loan maturity date of May 30, 2018.

9 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets for the year ended June 30, 2017:

Program	Balance, July 1, 2016	Contributions	Released From Restrictions	Balance, June 30, 2017
Theatre	$ 45,310	$ -	$ (45,310)	$ -
Construction	-	81,605	-	81,605

The following summarizes the changes in temporarily restricted net assets for the year ended June 30, 2016:

Program	Balance, July 1, 2015	Contributions	Released From Restrictions	Balance, June 30, 2016
Theatre	$ 81,962	$ 45,310	$ (81,962)	$ 45,310

10 - PERMANENTLY RESTRICTED NET ASSETS

The Organization maintains an endowment established by a donor with an initial contribution of $100,000. Additional contributions have been made to such endowment over time. The Organization follows the provisions of the New York Uniform Prudent Management of Institutional Funds Act (“NYPMIFA”), directions from its donors and its own governing documents. NYPMIFA provides a standard of conduct for managing and delegating authority with respect to institutional funds, rules of construction for appropriating from an endowment fund and rules for release or modification of restriction on institutional funds.

The focus of the endowment is to provide for the current and long-term needs of the Organization by balancing the goal of capital preservation with the goal of increasing its portfolio value. The Organization seeks to achieve its investment aims by the active management of its investible assets in common stock and mutual funds. The Organization’s portfolio is managed by professional investment managers.

10 - PERMANENTLY RESTRICTED NET ASSETS (Continued)

The terms of the endowment are that:

a. The fund will remain in a separate, permanently restricted bank or brokerage account, its funds not to be commingled with other monies of the Organization. The principal amount plus any increase in investments and capital gains are always to remain in the account.

b. Any interest or dividends earned by the endowment-investment fund are to be transferred to the Organization's checking account for the benefit of the general operations fund.

c. Should the Organization cease to exist for any reason, the original $100,000 endowment is to be transferred to another charity, specifically, Children's Aid Society, 105 E. 22nd St., New York, New York for the Jean Stern Scholarship Fund. If the Children's Aid Society is not in existence at such time, $100,000 is to be given to the New York Community Trust.

11 - SUBSEQUENT EVENTS

On July 5, 2017, the Organization renewed its loan agreement with A.R.T./New York for $50,000, with interest at 3.25%. This loan is being repaid on a weekly basis with interest payments beginning August 1, 2017 and principal plus interest beginning November 7, 2017. The final payment is due January 2, 2018, the maturity date. The loan is collateralized by $72,000 of Classic Productions Contracts and $15,000 of funds in the Steinberg Trust.

CONSOLIDATED SUPPLEMENTARY INFORMATION

THEATREWORKS/U.S.A. CORP. AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	All Theatre Program Services	Studio Program Services	Management and General	Fundraising	Total
Salaries	$ 2,132,815	$ 106,441	$ 241,248	$ 97,221	$ 2,577,725
Payroll taxes and employee benefits	391,658	19,520	20,460	17,824	449,462
Fees - directors and choreographers	28,012	-	-	-	28,012
Artists’ fees	794,781	-	-	-	794,781
Professional fees	64,734	5,881	105,730	6,595	182,940
Theatre rental	996,576	-	-	-	996,576
Rehearsal and warehouse rental	44,293	-	-	-	44,293
Office rental	88,058	314,593	25,160	12,576	440,387
Sets, costumes and other production costs	407,462	-	-	-	407,462
Royalties and rights	584,013	-	-	-	584,013
Performance lodging and travel	466,102	-	-	-	466,102
Performers’ meal allowances	103,684	-	-	-	103,684
Staff travel	20,134	-	-	-	20,134
Promotion and publicity	221,488	-	-	-	221,488
Postage and telephone	26,973	5,759	5,849	7,335	45,916
Office and administrative expense	98,434	132,931	39,830	13,717	284,912
Bad debt expense	6,102	18,790	1,871	-	26,763
Depreciation and amortization	147,762	46,173	5,988	2,667	202,590
Interest expense	1,160	-	50,906	-	52,066
Union expense	305,824	-	-	-	305,824
Insurance	135,947	15,489	10,166	2,661	164,263
	$ 7,066,012	$ 665,577	$ 507,208	$ 160,596	$ 8,399,393

See Independent Auditors’ Report.

THEATREWORKS/U.S.A. CORP. AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	All Theatre Program Services	Studio Program Services	Management and General	Fundraising	Total
Salaries	$ 2,206,951	$ 108,090	$ 142,949	$ 97,385	$ 2,555,375
Payroll taxes and employee benefits	400,870	10,294	19,559	23,934	454,657
Fees - directors and choreographers	43,359	-	-	-	43,359
Artists' fees	1,039,430	-	-	-	1,039,430
Professional fees	41,960	3,812	68,533	4,275	118,580
Theatre rental	985,153	-	-	-	985,153
Rehearsal and warehouse rental	43,751	-	-	-	43,751
Office rental	84,874	303,219	24,250	12,124	424,467
Sets, costumes and other production costs	182,418	-	-	-	182,418
Royalties and rights	508,121	-	-	-	508,121
Performance lodging and travel	510,933	-	-	-	510,933
Performers' meal allowances	113,500	-	-	-	113,500
Staff travel	35,096	-	-	-	35,096
Promotion and publicity	259,403	-	-	-	259,403
Postage and telephone	28,612	6,108	6,204	7,780	48,704
Office and administrative expense	84,480	114,093	34,186	11,773	244,532
Bad debt expense	223	688	69	-	980
Depreciation and amortization	156,438	71,014	5,192	2,370	235,014
Interest expense	421	-	18,487	-	18,908
Union expense	300,173	-	-	-	300,173
Insurance	162,925	18,048	10,893	3,245	195,111
	$ 7,189,091	$ 635,366	$ 330,322	$ 162,886	$ 8,317,665

See Independent Auditors' Report.