CenterStage
RICHMOND

Financial Statements

June 30, 2016 and 2015

Keiter
Your Opportunity Advisors

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RICHMOND CENTERSTAGE

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Richmond CenterStage
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond CenterStage, (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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. 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 Richmond CenterStage as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As described in Note 2, the financial statements of Richmond CenterStage only, with its investments in subsidiaries reported by the equity method of accounting, have been prepared solely to present the separate results of operations and financial position of Richmond CenterStage. The Organization publishes consolidated financial statements, which are its primary financial statements. We also have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Richmond CenterStage, RPAC, Inc. and related entities as of June 30, 2016 and 2015 and for the years then ended, and we expressed an unmodified opinion on those financial statements.

Keiter

November 15, 2016
Glen Allen, Virginia

RICHMOND CENTERSTAGE

Statements of Financial Position
June 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	$ 709,597	$ 442,727
Cash - restricted for payment on line of credit of affiliate	-	11,132,580
Accounts receivable	36,797	17,045
Pledges and grants receivable - current, net	712,816	1,579,897
Other current assets	29,486	-
Advances to affiliates	1,556,222	1,441,222
Total current assets	3,044,918	14,613,471
Property and equipment, net	11,099,344	12,322,585
Other assets:		
Pledges and grants receivable - non-current, net	6,841,187	973,110
Investment in partnership	49,954	54,662
Investment in endowment	2,230,711	2,103,665
Investment in and advances to affiliates	92,685,158	79,346,207
Total noncurrent assets	101,807,010	82,477,644
	$ 115,951,272	$ 109,413,700

See accompanying notes to financial statements.

RICHMOND CENTERSTAGE

Statements of Financial Position, Continued
June 30, 2016 and 2015

Liabilities and Net Assets	2016	2015
Current liabilities:		
Notes payable - current	$ -	$ 411,669
Accounts payable	68,234	27,661
Accrued expenses	20,000	23,000
Deferred revenue - current	1,069,063	650,000
Due to affiliate	1,852,672	1,816,782
Total current liabilities	3,009,969	2,929,112
Long-term obligations:		
Line of credit, net	1,615,020	-
Notes payable - non-current	-	347,144
Deferred revenue - non-current	14,145,906	6,325,000
Total liabilities	18,770,895	9,601,256
Net assets:		
Unrestricted	91,708,849	95,057,772
Temporarily restricted	3,228,020	2,511,164
Permanently restricted	2,243,508	2,243,508
Total net assets	97,180,377	99,812,444
	$ 115,951,272	$ 109,413,700

See accompanying notes to financial statements.

RICHMOND CENTERSTAGE

Statements of Activities
Year Ended June 30, 2016, with Comparative Totals for 2015

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenues:					
Contributions	$ 1,524,433	$ 1,598,872	$ -	$ 3,123,305	$ 2,878,807
Grants	36,530	435,000	-	471,530	1,751,575
Program revenue	1,094,932	-	-	1,094,932	5,785,618
Equity in losses of affiliates	(5,115,475)	-	-	(5,115,475)	(2,785,075)
Interest income	248,112	-	-	248,112	200,289
Investment income, net	5,292	114,807	-	120,099	69,705
Other revenue	97,886	-	-	97,886	84,041
	(2,108,290)	2,148,679	-	40,389	7,984,960
Net assets released from restriction	1,431,823	(1,431,823)	-	-	-
Expenses:					
Program services:					
Program expense	1,033,115	-	-	1,033,115	939,701
Depreciation	687,405	-	-	687,405	578,374
Support services:					
General and administrative	269,394	-	-	269,394	358,518
Fundraising	682,542	-	-	682,542	248,885
Total expenses	2,672,456	-	-	2,672,456	2,125,478
Change in net assets	(3,348,923)	716,856	-	(2,632,067)	5,859,482
Net assets, beginning of year	95,057,772	2,511,164	2,243,508	99,812,444	93,952,962
Net assets, end of year	$ 91,708,849	$ 3,228,020	$ 2,243,508	$ 97,180,377	$ 99,812,444

See accompanying notes to financial statements.

RICHMOND CENTERSTAGE

Statements of Activities, Continued
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
Contributions	$ 839,578	$ 1,964,857	$ 74,372	$ 2,878,807
Grants	-	1,751,575	-	1,751,575
Program revenue	5,785,618	-	-	5,785,618
Equity in losses of affiliates	(2,785,075)	-	-	(2,785,075)
Interest income	200,289	-	-	200,289
Investment income, net	-	69,705	-	69,705
Other revenue	84,041	-	-	84,041
Total support and revenues	4,124,451	3,786,137	74,372	7,984,960
Net assets released from restriction	3,144,184	(3,144,184)	-	-
Expenses:				
Program services:				
Program expense	939,701	-	-	939,701
Depreciation	578,374	-	-	578,374
Support services:				
General and administrative	358,518	-	-	358,518
Fundraising	248,885	-	-	248,885
Total expenses	2,125,478	-	-	2,125,478
Change in net assets	5,143,157	641,953	74,372	5,859,482
Net assets, beginning of year	89,914,615	1,869,211	2,169,136	93,952,962
Net assets, end of year	$ 95,057,772	$ 2,511,164	$ 2,243,508	$ 99,812,444

See accompanying notes to financial statements.

RICHMOND CENTERSTAGE

Statements of Functional Expenses
Year Ended June 30, 2016, with Comparative Totals for 2015

	2016				2015
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries	$ 177,988	$ 56,021	$ 72,307	$ 306,316	$ 347,567
Taxes, payroll	15,704	4,943	6,380	27,027	31,793
Employee benefits	22,924	7,216	9,313	39,453	32,132
Education	62,119	-	-	62,119	43,718
Fundraising	-	-	30,442	30,442	106,408
Gala expenses	-	-	544,641	544,641	50,230
Taxes, licenses and fees	10,928	25,679	-	36,607	66,876
Travel, meals, meeting expense	2,224	5,340	194	7,758	5,501
Depreciation	687,405	61,103	15,275	763,783	642,638
Supplies, printing, postage	994	1,834	517	3,345	4,261
Professional fees	5,908	51,511	1,773	59,192	122,979
Office rent, equipment and insurance	27,356	6,210	327	33,893	21,638
Utilities	7,854	10,799	981	19,634	23,571
Office expense and miscellaneous	775	11,641	392	12,808	22,845
In-kind expenses	10,526	10,526	-	21,052	17,592
Interest expense	57,790	1,078	-	58,868	37,958
Performance expense	83,545	-	-	83,545	114,308
Contribution expense	-	-	-	-	8,000
Marketing	46,480	15,493	-	61,973	50,463
Operating subsidy for RPAC entities	500,000	-	-	500,000	375,000
	$ 1,720,520	$ 269,394	$ 682,542	$ 2,672,456	$ 2,125,478

See accompanying notes to financial statements.

RICHMOND CENTERSTAGE

Statements of Functional Expenses, Continued
Year Ended June 30, 2015

	Program Services	General and Administrative	Fundraising	Total
Salaries	$ 202,706	$ 82,441	$ 62,420	$ 347,567
Taxes, payroll	18,542	7,541	5,710	31,793
Employee benefits	15,703	11,594	4,835	32,132
Education	43,718	-	-	43,718
Fundraising	-	-	106,408	106,408
Gala expenses	-	-	50,230	50,230
Taxes, licenses and fees	20,039	46,837	-	66,876
Travel, meals, meeting expense	2,992	2,169	340	5,501
Depreciation	578,374	51,411	12,853	642,638
Supplies, printing, postage	1,327	2,298	636	4,261
Professional fees	12,162	107,169	3,648	122,979
Office rent, equipment and insurance	16,091	5,153	394	21,638
Utilities	9,428	12,964	1,179	23,571
Office expense and miscellaneous	15,073	7,540	232	22,845
In-kind expenses	8,796	8,796	-	17,592
Interest expense	37,958	-	-	37,958
Performance expense	114,308	-	-	114,308
Contribution expense	8,000	-	-	8,000
Marketing	37,858	12,605	-	50,463
Operating subsidy for RPAC entities	375,000	-	-	375,000
	$ 1,518,075	$ 358,518	$ 248,885	$ 2,125,478

See accompanying notes to financial statements.

RICHMOND CENTERSTAGE

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (2,632,067)	$ 5,859,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	763,783	642,638
Gain on sale of property and equipment	(6,104)	-
Contributions restricted for endowment	-	(74,372)
Equity in losses of affiliates	5,115,475	2,785,075
Investment income reinvested	(55,696)	(52,808)
Unrealized net loss (gain) on investments	53,527	61,449
Realized net gain on sale of investments	(100,291)	(76,283)
Changes in operating assets and liabilities:		
Accounts receivable	(19,752)	83,316
Pledges and grants receivable, net	(5,000,996)	(641,115)
Advances to affiliates, net	(1,931,782)	5,526,724
Other current assets	(29,486)	26,829
Accounts payable	40,573	(88,670)
Accrued expenses	(3,000)	2,785
Deferred revenue	8,239,969	1,290,000
Net cash provided by operating activities	4,434,153	15,345,050
Cash flows from investing activities:		
Purchase of property and equipment	(291,470)	(1,883,636)
Proceeds from sale of property and equipment	400,136	-
Purchase of investments	(219,878)	(133,853)
Proceeds from the sale of investments	200,000	-
Advances to affiliates	(16,601,754)	(2,267,143)
Net cash used in investing activities	(16,512,966)	(4,284,632)

See accompanying notes to financial statements.

RICHMOND CENTERSTAGE

Statements of Cash Flows, Continued
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from financing activities:		
Contributions restricted to endowment	$ -	$ 74,372
Proceeds from line of credit	1,615,020	-
Proceeds from note payable	-	100,000
Payments on note payable	(401,917)	(8,290)
Net cash provided by financing activities	1,213,103	166,082
Change in cash and cash equivalents	(10,865,710)	11,226,500
Cash and cash equivalents, beginning of year	11,575,307	348,807
Cash and cash equivalents, end of year	$ 709,597	$ 11,575,307
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 57,790	$ 37,958
Noncash transactions:		
Payment of note payable with proceeds from sale of property and equipment	$ (356,896)	$ -

See accompanying notes to financial statements.

1. Nature of Operations:

Richmond CenterStage (the "Organization") a non-profit corporation organized in December 2000 for the purpose of supporting the performing arts in the Commonwealth of Virginia. Effective January 30, 2015, the Organization changed its name from CenterStage Foundation to Richmond CenterStage.

The Organization's *Vision* is to be a catalyst for creative and vibrant arts throughout the Richmond, Virginia area.

The Organization's *Mission* is to provide diverse local and world-class performing arts, transformative arts education experiences for students of all ages, and inspirational venues—all to strengthen the cultural and economic vitality of Greater Richmond.

In addition to its comprehensive BrightLights Education Initiatives and wide array of performances and productions, Richmond CenterStage hosts a range of resident arts companies in a collaborative environment. The Organization provides support for these distinctive venues: Altria Theater at Monroe Park, Carpenter Theatre and Dorothy Pauley Square downtown, which houses Rhythm Hall, Showcase Gallery, the Libby S. Gottwald Playhouse and the Genworth BrightLights Education Center.

Dominion Arts Center (Formerly, Richmond CenterStage)

In January 2005, the Organization entered into an agreement with the Carpenter Center for the Performing Arts (the "Carpenter Center") to transfer substantially all assets of the Carpenter Center, at fair value, to the Organization. In addition, the Organization entered into a transfer agreement with the Richmond Redevelopment and Housing Authority ("RRHA") to receive property, previously owned by the Carpenter Center, which is commonly known as the Thalhimer property. In June 2007, the Organization began to renovate the Carpenter Center and construct a performing arts center within the adjacent Thalhimer property. This adjacent facility includes a multi-purpose performance hall, a 200-seat community playhouse, a performing arts education center, offices and support space.

The entire facilities, including the former Carpenter Center, were named *Richmond CenterStage*. During 2008, the names of the two major property sections of *Richmond CenterStage* were changed to *Carpenter Theatre* and *Dorothy Pauley Square*. The facilities were completed in September 2009. In December 2015, the Organization changed the name of *Richmond CenterStage* to *Dominion Arts Center* in connection with the receipt of a $5.5 million grant, which is recorded as grants receivable and deferred revenue at June 30, 2016 (see Note 6).

A wholly-owned, controlled subsidiary of the Organization, RPAC, Inc. ("RPAC Inc.") was formed in July 2007 with responsibility for (1) construction implementation and oversight, (2) management of the *Dominion Arts Center* facilities and (3) management of the *Altria Theater* under an agreement with the City of Richmond.

1. Nature of Operations, Continued:

RPAC Inc. is the general partner and manages the operations of Richmond Performing Arts Center, LLLP ("RPAC LLLP"), which was formed in December 2008 and controls the *Carpenter Theatre* through a capital lease with the City of Richmond.

RPAC Inc. was not a member, but the Manager of Richmond Performing Arts Tenant, LLC ("RPAC Tenant") through January 27, 2016, at which time RPAC Inc. acquired 100% of the membership interest in RPAC Tenant. RPAC Tenant leases the *Carpenter Theatre* from RPAC LLLP and is a limited partner in RPAC LLLP.

RPAC Inc. is the Manager and effectively controls the operations of Richmond Performing Arts SCP, LLC ("RPA SCP"), which was formed in December 2008 and is the state tax credit limited partner in RPAC LLLP.

Altria Theater

In March 2012, RPAC Inc., as general partner, organized a partnership, Landmark Theater, LLLP ("LT LLLP"), to rehabilitate, develop and lease the *Altria Theater*, a performing arts venue located in downtown Richmond, Virginia formerly named the *Landmark Theater*. In December 2012, LT LLLP entered into an agreement with the Economic Development Authority of the City of Richmond to lease the *Altria Theater*. LT LLLP renovated the *Altria Theater*, which was funded using federal and state tax credits, contributions for naming rights, and contributions from the City of Richmond, local corporations, and private individuals.

In connection with earning federal and state historic tax credits for the rehabilitation, RPAC Inc. created Landmark Theater Master Tenant, LLC and Landmark Theater SCP, LLC. Additionally, RPAC, Inc. federal New Market Tax Credits ("NMTC") to help fund the rehabilitation of *Altria Theater*.

RPAC, Inc. is the managing member of Landmark Theater Master Tenant, LLC ("LTM Tenant"), which was formed in December 2012 and subleases the *Altria Theater* from LT LLLP and is a limited partner in LT LLLP.

RPAC, Inc. is the managing member of Landmark Theater SCP, LLC ("LT SCP"), which was formed in December 2012 and is the state tax credit limited partner in LT LLLP. RPAC, Inc. is the general partner of LT LLLP that was established in December 2012.

2. Summary of Significant Accounting Policies:

Basis of Presentation: The accompanying financial statements include only the accounts of Richmond CenterStage. The Organization's investment in and advances to RPAC Inc., RPAC LLLP, RPAC Tenant, RPA SCP, LT LLLP, LTM Tenant, and LT SCP have been reported by the equity method of accounting, and the Organization has recognized its share of the operating results of RPAC Inc., RPAC LLLP, RPAC Tenant, RPA SCP, LT LLLP, LTM Tenant, and LT SCP for each fiscal year. As a result of RPAC Inc.'s control over RPAC LLLP, RPAC Tenant, RPA SCP, LT LLLP, LTM Tenant, and LT SCP, the Organization consolidates the financial statements of these entities for primary financial reporting purposes.

Cash and Cash Equivalents: The Organization considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Cash – Restricted: Restricted cash of $11,132,580 at June 30, 2015 was restricted by a debt covenant within the loan agreement of RPAC Inc. governing the $21.5 million line of credit (see Note 8). The debt covenant required the developer fee paid to the Organization in June 2015 of $11,132,580 be re-invested in RPAC Inc. and be applied as a repayment on the line of credit by July 31, 2015.

Pledges and Grants Receivable: The Organization has recorded pledges receivable related to the completed construction and renovation of the venues, the Organization's endowment, naming rights, and for education. Management reviews these pledges on an annual basis to determine collectability. The allowance for doubtful pledges was $8,110 as of June 30, 2016 and $58,110 as of June 30, 2015.

Accounts Receivable: Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. At June 30, 2016 and 2015, no allowance for uncollectible accounts was considered necessary.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the consolidated statements of activities. Investments in partnerships with a less than 20% ownership percentage are reported at cost and evaluated for impairment on an annual basis.

Credit Risk and Concentrations: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and pledges receivable. The Organization places its cash and cash equivalents with financial institutions in amounts which from time to time exceed federally insured limits. Accounts receivable and pledges and grants receivable are from individuals, corporations and foundations located primarily in the Richmond, Virginia area. The Organization believes its credit risk related to these accounts receivable and pledges and grants receivable is limited due to the nature of its donors.

2. Summary of Significant Accounting Policies, Continued:

Credit Risk and Concentrations, Continued: At June 30, 2016, one donor accounted for 79% of pledges and grants receivable. One donor accounted for 25% of contributions and grants revenue for 2016. At June 30, 2015, three donors accounted for 64% of pledges and grants receivable. These concentrations were the result of the Organization’s capital campaign strategy to secure construction gifts from a small pool of large donors to renovate the *Altria Theater* or for naming rights related to the venues.

Property and Equipment: The various classes of property and equipment are stated at cost or fair value at the date of donation. Depreciation of property is computed primarily using the straight-line method over the estimated useful lives of the various assets as follows: buildings - 30 to 40 years; building improvements - 10 to 25 years; and furniture and equipment - 5 to 7 years. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred.

The Organization has implemented Financial Accounting Standards Board (“FASB”) guidance related to accounting for the impairment of long-lived assets, which requires the Organization under certain circumstances to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows the recorded amounts of the assets will be reduced to their fair value. No impairments were identified during 2016 and 2015.

Financial Statement Presentation: The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> Unrestricted net assets are those whose use by the Organization has not been limited by donors to a specific time period or purpose.
>
> Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.
>
> Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expended to support the activities of the Organization.

Recognition of Revenue: Contributions and grants, except for a specific grant related to naming rights (see Note 6), are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor as to purpose or time are reported as an increase in temporarily or permanently restricted net assets even if the restriction expires in the fiscal year in which the contribution or grant is recognized. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted.

2. Summary of Significant Accounting Policies, Continued:

Recognition of Revenue, Continued: Program and special event revenue received in advance is deferred and recognized when the program or special event is delivered. Amounts received in connection with naming rights are also deferred and recognized over the period of the naming rights (see Note 6).

Contributed Materials and Services: The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and are of the type that would have been purchased if not contributed, would be recognized in the financial statements, if material. The Organization recognized contributed materials and services of $21,052 in 2016 and $17,592 in 2015.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, fund-raising campaign solicitations and various committee assignments. The value of these services could not be estimated and is not recognized in the financial statements.

Income Taxes: Richmond CenterStage is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Income Tax Uncertainties: The Organization has adopted FASB guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Organization's financial statements.

In accordance with the FASB guidance, the Organization discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Organization's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Organization has completed its assessment and determined that there were no tax positions which would require recognition under the interpretation. The Organization's tax returns are not currently under examination by any tax authority.

2. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Reclassifications: Certain prior year balances have been reclassified to conform with current year presentation.

Subsequent Events: Management has evaluated subsequent events through November 15, 2016, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

3. Pledges and Grants Receivable:

Pledges and Grants receivable represent unconditional promises to give which have been made by donors but have not yet been received by the Organization. Pledges and grants which will not be received in the subsequent year have been discounted using an estimated rate of return (1.41% for 2016 and 1.77% for 2015) which could be earned if such contributions and grants had been received in the current year.

Total pledges and grants receivable, which are a component of deferred revenue or temporarily and permanently restricted net assets, were as follows at June 30:

	2016	2015
Receivable in less than one year	$ 723,312	$ 1,638,007
Receivable in future years	7,292,781	998,601
	8,016,093	2,636,608
Less: Allowance for doubtful pledges	(8,110)	(58,110)
Less: Discount to net present value	(453,980)	(25,491)
	$ 7,554,003	$ 2,553,007

4. Investments:

Investments held in the Organization's endowment consisted of the following at June 30:

	2016		2015	
	Cost	Market	Cost	Market
Mutual funds	$ 1,957,837	$ 2,230,711	$ 1,781,971	$ 2,103,665

The following schedule summarizes the net investment income for the years ended June 30:

	2016	2015
Dividends	$ 73,335	$ 52,808
Unrealized net loss	(53,527)	(59,576)
Realized net gain	100,291	76,473
	$ 120,099	$ 69,705

The Organization has a 1% interest in Elephant Eye Theatricals, LLC, which was organized to develop theatrical presentations. In connection with this investment, the Organization entered into a Presentation Rights Agreement giving the Organization first call on any shows developed by Elephant Eye in Richmond or a 75-mile radius. The investment is valued at $49,954 as of June 30, 2016 and $54,662 as of June 30, 2015. The Organization recognized an unrealized loss of $4,708 in 2016 and $1,872 in 2015. During 2016, the Organization received a $10,000 distribution from the investment.

5. Property and Equipment:

The Organization had the following property and equipment as of June 30:

	2016	2015
Land	$ 4,299,019	$ 4,299,019
Land improvements	645,899	655,068
Buildings	5,990,845	6,857,125
Equipment	1,693,813	1,674,974
Furniture and fixtures	2,555,250	2,539,104
Construction in progress	265,656	-
	15,450,482	16,025,290
Accumulated depreciation	4,351,138	3,702,705
	$ 11,099,344	$ 12,322,585

6. Agreements with City of Richmond:

The Organization and RPAC Inc. are parties to a Comprehensive Agreement with the City of Richmond which placed certain legal requirements on the parties.

The City of Richmond agreed to provide grant funding of $25,000,000, and, in accordance with the Comprehensive Agreement, the Organization transferred title of the *Carpenter Theatre* land and building to the City by special warranty deed in 2008.

The Comprehensive Agreement provided for the Organization to transfer the *Carpenter Theatre* property to the City. The Organization transferred the property to the City in May 2008, followed by the December 30, 2008 execution of the lease agreement by which RPAC LLLP leased the *Carpenter Theatre* property from the City. The Organization's historical cost basis in the Carpenter Theatre land ($1,040,000) and building ($5,032,878) was recorded as part of RPAC LLLP's property and equipment.

The lease agreement executed with the City provides for RPAC LLLP to pay annual rent of $1 to the City for the *Carpenter Theatre* through December 30, 2048, with the option to purchase the property for $1 at the end of the lease. RPAC LLLP is responsible for the ongoing routine maintenance and repair of the *Carpenter Theatre*.

Under the terms of the lease agreement, RPAC LLLP is to indemnify, defend and hold harmless the City and its officers, directors, agents and employees, from and against any and all losses, claims, liabilities, or damages arising from the use or occupancy of the leased *Carpenter Theatre*, including any matters that arise from the sublease of the *Carpenter Theatre*.

6. Agreements with City of Richmond, Continued:

Under the Comprehensive Agreement, RPAC Inc. provided construction management oversight for the renovation of the *Carpenter Theatre* and the construction of *Dorothy Pauley Square* using funding for construction transferred to it by the Organization. After the completion of the renovation and construction in September 2009, RPAC Inc. became responsible for managing the facilities, including but not limited to, scheduling use of the facilities, renting the facilities, entering services contracts, ticketing, marketing, hiring/firing staff, payroll processing, and approving finances and operating budgets. To support operations, the City has agreed to contribute annually up to $500,000 in a dollar-for-dollar match to Organization contributions. The Organization has begun to raise contributions for an endowment fund. The primary use of investment earnings of the endowment will be to fund its contributions to RPAC Inc.

The Comprehensive Agreement also provided that RPAC Inc. will have a lease on *Dorothy Pauley Square*, which is owned by the Organization. The December 30, 2008 lease agreement between the Organization and RPAC Inc. for the *Dorothy Pauley Square* facilities provides for annual rent of $1 for 99 years, with all operating costs to be paid by RPAC Inc.

On July 11, 2012, LT LLLP entered into a lease with the Economic Development Authority of the City of Richmond (the "EDA") for the *Altria Theater*. The lease is for a term of 99 years at a rental of $1 per year, which has been paid in full by LT LLLP. The lease allowed for LT LLLP to engage in construction and restoration activities for certain improvements and repairs so long as they were in accordance with certain historic requirements. Further, the lease was executed with the intent that LT LLLP would enter into a sublease agreement with LTM Tenant and that LTM Tenant would use a management company to operate the *Altria Theater* as a performing arts facility.

Under the terms of the lease agreement, LT LLLP is to indemnify, defend and hold harmless the EDA and its officers, directors, agents and employees, from and against any and all losses, claims, liabilities, or damages arising from the use or occupancy of the leased *Altria Theater*, including any matters that arise from the sublease of the *Altria Theater*.

During 2013, the EDA sold the naming rights to the *Altria Theater* as a whole and to certain internal portions of the *Altria Theater* for a series of conditional payments totaling $12,000,000. The EDA was required to donate the initial payment from these sales to RCS, which amounted to approximately $3,000,000 and subsequent payments totaling $9,000,000 have been made directly to the Organization. The naming rights for *Altria Theater* as a whole are for 20 years and took effect on October 1, 2013. The naming rights for internal portions of the *Altria Theater* are for 10 years and took effect on October 1, 2013. The revenue received by the Organization will be amortized over the respective effective period.

6. Agreements with City of Richmond, Continued:

During 2016, the Organization sold the naming rights to the *Dominion Arts Center* in connection with a grant for $5.5 million. The naming rights for *Dominion Arts Center* are for 15 years and took effect on January 1, 2016. The grant revenue received by the Organization will be amortized over the respective effective period.

In October 2014, the City of Richmond approved a grant to the Organization of $1,750,000 to assist with real estate taxes for the *Richmond CenterStage* and Altria *Theater*.

7. Investments in and Advances to Affiliates - Other Agreements:

Investments in and advances to affiliates consist of the following at June 30:

	2016	2015
Investment in RPAC, Inc.	$ 46,625,091	$ 33,417,358
Advances to RPAC, Inc.	23,060,067	22,928,849
Note receivable from RPAC, LLLP	23,000,000	23,000,000
	$ 92,685,158	$ 79,346,207

7. Investments in and Advances to Affiliates - Other Agreements, Continued:

The combined condensed financial position of the affiliates as of June 30, 2016 and 2015 is set forth below:

	2016	2015
Assets		
Cash and cash equivalents	$ 6,283,628	$ 5,987,297
Accounts receivable	1,260,581	1,506,589
Property and equipment, net	138,938,648	143,635,541
Other assets	5,139,562	5,498,174
Investment in partnerships	44,812,625	28,111,272
Due from related parties	296,451	375,559
Total assets	$ 196,731,495	$ 185,114,432
Liabilities and Equity		
Accounts payable	$ 1,880,112	$ 2,036,098
Accrued expenses	7,114,711	7,035,319
Due to Organization	46,060,067	45,928,849
Deferred revenue	8,090,787	8,608,886
Note payable, noncurrent	4,961,600	24,961,600
Equity	91,437,717	61,528,629
Noncontrolling interest	37,186,501	35,015,051
Total liabilities and equity	$ 196,731,495	$ 185,114,432

7. Investments in and Advances to Affiliates - Other Agreements, Continued:

The combined condensed results of operations of the affiliates for the years ended June 30, 2016 and 2015 are set forth below:

	2016	2015
Support and Revenues		
Grants	$ 64,646	$ 64,646
Program revenues	7,213,188	5,034,194
Contributions	2,140,000	1,900,000
Interest income	241,670	424,852
Total	9,659,504	7,423,692
Expenses		
Program services:		
Program expense	11,260,926	8,149,054
Depreciation	5,283,053	5,009,628
Losses allocable to noncontrolling interest	(1,769,000)	(2,949,915)
Total	14,774,979	10,208,767
Net loss	$ (5,115,475)	$ (2,785,075)

Partnership Agreements

RPAC LLLP was organized as a taxable limited liability limited partnership in order that third-party investors could invest in limited partner equity interests and receive specific individual allocations of Federal Historic Tax Credits, New Markets Tax Credits, and Virginia Rehabilitation Tax Credits (which RPAC LLLP earned for the rehabilitation of the *Carpenter Theater*) that were agreed upon in the entity formation documents. As of June 30, 2016, no further capital contributions are required or expected from the partners.

Under the partnership agreement, RPAC LLLP is obligated to pay the Organization a development fee of up to $6,960,416 for its services in connection with the development of *Dominion Arts Center*. In addition, RPAC LLLP and RPAC Inc. have certain obligations to indemnify the investor limited partners as stipulated in the partnership agreement.

7. Investments in and Advances to Affiliates - Other Agreements, Continued:

LT LLLP is organized as a taxable limited liability limited partnership in order that third-party investors could invest in limited partner equity interests and receive specific individual allocations of Federal Historic Tax Credits, New Markets Tax Credits, and Virginia Rehabilitation Tax Credits (which LT LLLP earned for the rehabilitation of the *Altria Theater*) that were agreed upon in the entity formation documents. As of June 30, 2016, no further capital contributions are required or expected from the partners.

Sublease Agreements

RPAC LLLP has subleased the *Carpenter Theatre* to RPAC Tenant under a 32-year agreement that expires in September 2041. In 2012, the lease was amended to reduce currently payable rents, with no effect on aggregate rents due under the lease. The base rent escalates from $558,240 for 2016 to over $4.5 million in 2041. In addition, RPAC Tenant pays all insurance and operating expenses, other than repairs to real property and property taxes which are paid by RPAC LLLP. The lease term commenced with the September 2009 opening of the facility. Scheduled minimum lease payments for the following fiscal years are as follows: $906,285 for 2017, $1,287,990 for 2018, $1,378,575 for 2019, $1,494,405 for 2020, and $1,592,910 for 2021. Scheduled aggregate minimum lease payments for 2022 to the end of the lease in 2042 approximate $61.9 million.

LT LLLP has subleased the *Altria Theater* to LTM Tenant under at 34-year agreement that expires in December 2046. The base rent escalates from $337,500 for 2016 to $865,500 in 2046. In addition, LTM Tenant pays all insurance, repairs and maintenance, taxes and operating expenses as additional rent. Scheduled minimum lease payments for the following fiscal years are as follows: $576,500 for 2017, $614,000 for 2018, $675,000 for 2019, $770,000 for 2020, and $840,500 for 2021. Scheduled aggregate minimum lease payments for 2022 to the end of the lease in 2046 approximate $21.8 million.

7. Investments in and Advances to Affiliates - Other Agreements, Continued:

Management Agreements

RPAC LLLP and RPAC Tenant have contractually engaged RPAC Inc. to manage the operations of *Dominion Arts Center* and also agreed to allow RPAC Inc. to engage a professional management company to provide those management services. In December 2008, RPAC Inc. entered into a management agreement with a professional management company covering *Dominion Arts Center,* which provided for minimum monthly payments of $8,000, plus certain incentive fees, for all management services for these venues. In addition to the monthly payments and incentive fees, RPAC Inc. reimburses the professional management company for the costs of using its employees, as well as, other direct venue expenses. This agreement was subsequently extended to 2015, with minimum monthly fees of $10,000 and certain incentive fees. In March 2015, the agreement was renewed through 2022, with minimum monthly fees of $5,000 and certain incentive fees.

In July 2012, LT LLLP entered into a management agreement with a professional management company to manage the *Altria Theater*. The management agreement included a provision that, at the time that LT LLLP entered into a master lease of the *Altria Theater* with LTM Tenant, LT LLLP would assign all of its rights, title and interest in the management agreement to LTM Tenant. The master lease of the *Altria Theater* was executed on December 20, 2012. The term of the management agreement is for 60 months and began on July 11, 2012, with the option to renew for five additional one-year terms. As compensation for its services under the management agreement, the management company is to receive a monthly fixed management fee of $5,000 and an incentive fee based on the *Altria Theater*'s net operating profit or loss. In addition to the monthly payments and incentive fees, the professional management company will be reimbursed for the costs of using its employees, as well as, other direct venue expenses. In March 2015, the agreement was renewed through 2018, with minimum monthly fees of $5,000 and certain incentive fees.

Development Agreement

In connection with the rehabilitation of the *Altria Theater*, LT LLLP entered into a development agreement with the Organization. For the Organization's services in connection with the rehabilitation of the *Altria Theater* and the supervision of the rehabilitation of the improvements, LT LLLP paid the Organization an amount equal to $11,132,580 (the "Development Fee"). The Development Fee was paid to the Organization and held in a restricted cash account as of June 30, 2015. The amount was restricted by a debt covenant within the loan agreement of RPAC Inc. governing the $21.5 million line of credit (see Note 8). The debt covenant requires the developer fee of $11,132,580 be re-invested in RPAC Inc. and be applied as a repayment on the line of credit by July 31, 2015.

8. Line of Credit:

RPAC Inc. had available a revolving line of credit with a commercial bank that provided for borrowings of up to $21,500,000 to fund the renovations of the *Altria Theater*. Interest on outstanding borrowings accrued and was payable monthly at an interest rate of LIBOR plus 2.5% (2.69% at June 30, 2015). The line of credit was collateralized by certain assets of RPAC Inc., the Organization, and LT LLLP. All outstanding borrowings, along with any unpaid interest, was due on or before June 30, 2016. The line of credit was paid in full and closed during December 2015. The line of credit had $20,000,000 outstanding at June 30, 2015.

In December 2015, the Organization entered into a promissory note for a line of credit with a commercial bank that allows borrowings up to $3,000,000. The note includes a step-down provision that reduces the principal amount of the loan to $2,000,000 at June 10, 2018 and $1,000,000 at December 10, 2020. The note also includes a term note conversion feature that allows both the Organization and the commercial bank to mutually agree to convert the outstanding balance on December 10, 2020 into a five-year term loan. Interest on outstanding borrowings accrues and is payable monthly at an interest rate of LIBOR plus 3.5% (3.71% at June 30, 2016). The note is collateralized by certain real property of the Organization and has an outstanding balance of $1,635,503 at June 30, 2016. Interest expense was $32,921 for 2016.

The note is shown net of deferred loan costs incurred in connection with obtaining the note of $20,483, which is net of $1,078 of accumulated amortization, at June 30, 2016. Amortization expense was $1,078 for 2016. The deferred loan costs are being amortized over a period of ten years. Amortization expense is expected to be $2,156 for each of the next five years.

9. Notes Payable:

In October 2013, the Organization entered into a promissory note with a commercial bank with an initial principal balance of $374,438. The promissory note required monthly principal and interest payments of $2,466, including interest at 5.25%, through October 15, 2018. The note was collateralized by real property. The promissory note was paid in full during December 2015. The outstanding loan balance was $357,892 at June 30, 2015. Interest expense was $13,648 for 2016 and $21,300 for 2015.

In June 2014, the Organization entered into a loan with a commercial bank that provided for multiple advances up to $1,500,000. Interest on outstanding borrowings accrued and was payable monthly at an interest rate 4.8%. Interest only payments were due through December 31, 2015. Principal and interest payments are due through June 30, 2016, at which time the loan matures and all outstanding borrowings, along with any unpaid interest, is due. The loan was collateralized by certain assets of the Organization. The loan was paid in full during December 2015. There was $400,921 outstanding on the loan at June 30, 2015. Interest expense was $11,221 for 2016 and $16,659 for 2015.

10. Commitments and Contingencies:

The Historic Tax Credits ("HTC") related to the qualified expenditures by RPAC LLLP for the renovation of the *Carpenter Theatre* and by LT LLLP for the renovation of the *Altria Theater* are subject to five years of compliance under Section 47 of the Internal Revenue Code. For RPAC LLLP, this compliance ended August 14, 2014 and for LT LLLP, the HTC compliance for its Federal HTC of $12,610,790 and State HTC of $15,639,881 will end September 12, 2019. The HTC recapture decreases by 20% each year during the five year compliance period. The New Markets Tax Credit ("NMTC") compliance is for seven years as described in Section 45D of the Internal Revenue Code. For RPAC LLLP's approximately $2.4 million in NMTC, the compliance ended December 31, 2015. The NMTC compliance for LT LLLP's approximately $2.5 million in NMTC will end December 12, 2019. The NMTC recapture is a full recapture of the NMTC previously taken plus interest. The tax credits are also contingent on maintaining compliance with applicable sections of the Internal Revenue Code and other regulatory requirements.

While the Organization has no knowledge of any problems with obtaining and maintaining the above-cited compliance, any such potential noncompliance could require a substantial adjustment to the contributed capital of the investor limited partners.

Through January 27, 2016, pursuant to the RPAC LLLP partnership agreement, certain investor limited partners were to receive priority returns as RPAC LLLP makes distributions and certain guaranteed payments. These payments were payable as fees or return of capital as RPAC LLLP had net cash flow or in certain other circumstances. Priority returns amounted to $136,011 for each of 2016 and 2015. Guaranteed payments were $135,564 for 2016 and $111,191 for 2015.

Pursuant to the LT LLLP partnership agreement, LTM Tenant is entitled to an annual priority return, meaning an annual distribution to LTM Tenant of an amount equal to one percent (1%) of its Adjusted Capital Contribution beginning as of its Admission Date (December 20, 2012), payable from net cash flow. Priority return payments were $14,045 for 2016 and $1,415 for 2015.

Pursuant to the RPAC Tenant and LTM Tenant operating agreements, RPAC Inc. is obligated to fund any operating deficits of the *Carpentre Theatre* and the *Altria Theater* to the extent required to enable RPAC Tenant and LTM Tenant to pay operating expenses and make the rent payments required by the sublease agreements. Such Operating Deficit Loans do not bear interest and are subordinated to any other debt of RPAC Tenant and LTM Tenant. Unpaid rents for RPAC Tenant, which account for the majority of the Operating Deficit Loans balance, amounted to $11,792,401 at June 30, 2016 and $10,038,886 at June 30, 2015. Unpaid rents for LTM Tenant, which account for all of the Operating Deficit Loans balance, amounted to $2,180,875 at June 30, 2016 and $1,762,125 at June 30, 2015.

10. Commitments and Contingencies, Continued:

The Organization has unconditionally guaranteed the performance obligations of RPAC Inc. to make all payments required under all agreements related to *Dominion Arts Center's* future operations and the *Altria Theater* renovations and future operations.

Pursuant to its articles of incorporation, the Organization has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Organization's request in such capacities. Pursuant to the Comprehensive Agreement with the City of Richmond, agreements related to the tax credit financing arrangements, and several other contractual agreements, RPAC Inc. and the Organization have provided various indemnifications to third parties.

The maximum liability under these obligations is not estimable; however, the Organization believes that the estimated fair value of these indemnification obligations is not material to the Organization's financial position.

11. Temporarily Restricted Net Assets:

Temporarily restricted net assets consisted of the following at June 30:

	2016	2015
Cash and cash equivalents	$ 47,500	$ 47,500
Pledges receivable	3,073,352	2,463,664
Income from endowment	107,168	-
	$ 3,228,020	$ 2,511,164

Temporarily restricted net assets were donor-restricted for the following at June 30:

	2016	2015
Operations	$ 2,699	$ 5,300
Education and programming	62,500	62,500
Capital expenditures/*Altria Theater* renovation	3,055,653	2,443,364
Income from endowment	107,168	-
	$ 3,228,020	$ 2,511,164

11. Temporarily Restricted Net Assets, Continued:

During 2016, net assets released from restriction totaling $311,473 were used for education and programming, $240,000 were used for rent subsidies for resident companies and related costs, and $880,350 were used to fund construction-related expenditures, primarily through capital contributions from the Organization to RPAC, Inc., which were passed through to LT LLLP for the renovation of *Altria Theater*.

During 2015, net assets released from restriction totaling $1,750,000 were used for real estate taxes, net assets released from restriction totaling $626,792 were used for education and programming, and net assets released from restriction totaling $767,392 were used to fund construction-related expenditures, primarily through capital contributions from the Organization to RPAC, Inc., which were passed through to LT LLLP for the renovation of *Altria Theater.*

12. Permanently Restricted Net Assets:

Permanently restricted net assets consist of assets endowed to the Organization, of which the principal is to be held in perpetuity and any related income generated used to fund future programs. Permanently restricted net assets consisted of the following at June 30:

	2016	2015
Cash and cash equivalents	$ 64,000	$ 50,500
Pledges receivable	55,965	89,343
Investments	2,123,543	2,103,665
	$ 2,243,508	$ 2,243,508

The Organization has a goal to raise $10 million towards its endowment.

13. Endowment Funds:

The Organization has received donor-restricted contributions in the form of cash and pledges intended to establish the Organization’s endowment fund. As required by accounting principles generally accepted in the United States, the net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

13. Endowment Funds, Continued:

Interpretation of Relevant Law: The Organization has interpreted the Virginia State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of original gifts received and designated as endowments. As a result of this interpretation, the Organization would classify as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 funds not classified as permanently restricted net assets would be classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and a 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 Organization
- The investment policies of the Organization

Return Objectives and Risk Parameters: In March 2015, the Organization adopted a policy for the endowment fund that attempts to provide a predictable stream of funding to the Organization’s program(s) supported by the endowment. The adopted policy incorporates investment and spending practices to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted contributions that the Organization must hold in perpetuity. Under this policy, the endowment assets, at the present, are to be invested in one or more broadly diversified funds holding both equities and fixed income instruments. As the endowment fund grows, further investment diversification alternatives will be considered.

The Organization expects its endowment funds over time to provide an average rate of return of more than five percent annually. Actual returns in any given year may vary from this amount.

13. Endowment Funds, Continued:

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization invests in a balanced mutual fund in the moderate allocation category. The mutual fund offers exposure to stocks (about two-thirds of the portfolio) and bonds (about one-third of the portfolio). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: Where stipulations regarding spending from components of the endowment fund do not exist, the Organization will have the discretion to disburse annually up to 5% of the trailing twelve quarters average market value of the individual fund components of the endowment fund. Should a significant gift be received in this period of time, the value of the investment income will be weighted to consider the amount of the distributions. No distribution will be permitted if the distribution would decrease the contributed principal of the respective component of the endowment fund expect in periods of market fluctuations that caused the endowment to drop below is historic dollar value. Under these conditions, the Organization would follow and be in compliance with SPMIFA that allows spending at a steady rate.

Funds with Deficits: 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 SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2016 and 2015, there were no individual donor-restricted endowment funds with deficiencies.

Endowment net asset composition by type of fund was as follows as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 107,168	$ 2,243,508	$ 2,350,676

Endowment net asset composition by type of fund was as follows as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 2,243,508	$ 2,243,508

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Notes to Financial Statements, Continued

13. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ -	$ 2,243,508	$ 2,243,508
Investment return:				
Investment income	-	55,696	-	55,696
Realized net gain	-	100,291	-	100,291
Unrealized net loss	-	(48,819)	-	(48,819)
Total investment return	-	107,168	-	107,168
New contributions	-	-	-	-
Appropriations for expenditure	-	-	-	-
Net assets, end of year	$ -	$ 107,168	$ 2,243,508	$ 2,350,676

Changes in endowment net assets were as follows for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ -	$ 2,169,136	$ 2,169,136
Investment return:				
Investment income	-	52,808	-	52,808
Realized net gain	-	76,474		76,474
Unrealized net gain	-	(59,577)	-	(59,577)
Total investment return	-	69,705	-	69,705
New contributions	-	-	74,372	74,372
Appropriations for expenditure	-	(69,705)	-	(69,705)
Net assets, end of year	$ -	$ -	$ 2,243,508	$ 2,243,508

14. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value 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 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's investments are in a mutual fund that invests in value stocks (60% to 70%) and fixed income securities (30% to 40%), and the fair value $2,230,711 at June 30, 2016 and of $2,103,665 at June 30, 2015 was based upon Level 1 valuation criteria.

15. Retirement Plan:

Employees of the Organization may participate in a 401(k) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting the plan requirements. The Organization may make discretionary contributions to the plan. The Organization's contributions to the plan amounted to $4,746 during 2016 and $7,107 during 2015.