

ROULETTE INTERMEDIUM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2017

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

ROULETTE INTERMEDIUM, INC.
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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Roulette Intermedium, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of Roulette Intermedium, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Roulette Intermedium, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Roulette Intermedium, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
February 5, 2018

ROULETTE INTERMEDIUM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

(With summarized comparative information for the year ended June 30, 2016)

ASSETS	2017	2016
Current assets		
Cash and cash equivalents	\$ 34,630	\$ 12,460
Promises to give	188,480	120,750
Accounts receivable	2,233	5,510
Prepaid expenses	26,451	32,194
Total current assets	251,794	170,914
Property and equipment, net of accumulated depreciation	1,438,102	1,649,300
Other assets		
Promises to give, noncurrent	-	70,000
Security deposits - noncurrent	23,200	23,200
Total other assets	23,200	93,200
TOTAL ASSETS	\$ 1,713,096	\$ 1,913,414
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 51,707	\$ 33,029
Loan payable	45,000	-
Deferred revenue	56,365	108,187
Total current liabilities	153,072	141,216
Long-term liabilities		
Line of credit	380,000	310,000
Deferred rent	283,670	274,639
Total long-term liabilities	663,670	584,639
Total liabilities	816,742	725,855
Net assets		
Unrestricted	718,284	1,047,559
Temporarily restricted	178,070	140,000
Total net assets	896,354	1,187,559
TOTAL LIABILITIES AND NET ASSETS	\$ 1,713,096	\$ 1,913,414

The accompanying notes are an integral part of these financial statements.

ROULETTE INTERMEDIUM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With summarized comparative information for the year ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue and support				
Grants and contributions				
Foundations	\$ 329,005	\$ 108,070	\$ 437,075	\$ 368,568
Government	172,880	-	172,880	543,783
Board members	106,150	-	106,150	90,250
Individual	92,426	-	92,426	87,620
Corporations	17,757	-	17,757	17,500
Total grants and contributions	718,218	108,070	826,288	1,107,721
Program service revenue				
Rentals, studio and production fees	487,259	-	487,259	495,455
Concert income	182,218	-	182,218	164,183
Concessions, CD, t-shirt, and guide sales	47,745	-	47,745	51,002
Memberships	18,290	-	18,290	16,821
Advertising	6,200	-	6,200	6,620
Total program service revenue	741,712	-	741,712	734,081
Other income				
Fiscal administration fees	2,100	-	2,100	3,060
Interest and dividend income	29	-	29	94
Miscellaneous	-	-	-	3,660
Total other income	2,129	-	2,129	6,814
Net assets released from restrictions	70,000	(70,000)	-	-
	1,532,059	38,070	1,570,129	1,848,616
Expenses				
Program services	1,545,758	-	1,545,758	1,443,965
Supporting services				
Management and general	240,041	-	240,041	180,301
Fundraising	75,535	-	75,535	80,692
	1,861,334	-	1,861,334	1,704,958
Change in net assets	(329,275)	38,070	(291,205)	143,658
Net assets - beginning of year	1,047,559	140,000	1,187,559	1,043,901
Net assets - end of year	\$ 718,284	\$ 178,070	\$ 896,354	\$ 1,187,559

ROULETTE INTERMEDIUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With summarized comparative information for the year ended June 30, 2016)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Wages and salaries	\$ 436,214	\$ 149,993	\$ 25,000	\$ 611,207	\$ 463,821
Performance and other fees	372,097	3,108	-	375,205	418,719
Depreciation	257,597	-	-	257,597	271,178
Rent expense	168,385	3,472	1,736	173,593	168,492
Employee benefits	61,349	21,095	3,516	85,960	49,661
Payroll taxes	41,143	14,147	2,358	57,648	47,019
Repairs and maintenance	50,832	1,048	524	52,404	46,741
Development	-	-	41,700	41,700	43,834
Production	41,604	-	-	41,604	37,050
Insurance	29,984	618	309	30,911	28,346
Merchant processing fees	26,137	-	-	26,137	22,147
Printing and reproduction	21,060	-	-	21,060	17,926
Professional fees	-	15,140	-	15,140	18,498
Marketing and promotion	14,442	-	-	14,442	9,421
Telephone and communications	-	13,755	-	13,755	13,302
Utilities	9,991	206	103	10,300	13,206
Office supplies	-	10,147	-	10,147	11,254
Travel and entertainment	8,283	-	-	8,283	8,236
Equipment rental and purchases	5,580	-	-	5,580	4,849
Payroll processing fees	-	3,132	-	3,132	2,411
Interest and bank charges	-	2,040	-	2,040	977
Postage	1,060	125	62	1,247	3,310
Dues and subscriptions	-	1,040	-	1,040	1,010
Miscellaneous	-	975	-	975	2,800
Fundraising expense	-	-	227	227	750
	<u>\$ 1,545,758</u>	<u>\$ 240,041</u>	<u>\$ 75,535</u>	<u>\$ 1,861,334</u>	<u>\$ 1,704,958</u>

ROULETTE INTERMEDIUM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With summarized comparative information for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (291,205)	\$ 143,658
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>		
Depreciation	257,597	271,178
Repayment of loans payable to Fund for the City of New York by New York City Department of Cultural Affairs on behalf of Organization	(72,000)	(470,000)
(Increase) decrease in operating assets:		
Cash held under agency agreements	-	12,000
Promises to give	2,270	(49,665)
Accounts receivable	3,277	(4,142)
Prepaid expenses	5,743	(8,857)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	18,678	(989)
Due to fiscally sponsored projects	-	(12,000)
Deferred revenue	(51,822)	28,578
Deferred rent	9,031	14,459
Total adjustments	<u>172,774</u>	<u>(219,438)</u>
Net cash used in operating activities	<u>(118,431)</u>	<u>(75,780)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(46,399)	(436,060)
Net cash used in investing activities	<u>(46,399)</u>	<u>(436,060)</u>
Cash flows from financing activities:		
Proceeds from loans payable - Fund for the City of New York	72,000	470,000
Proceeds from board member loans	45,000	-
Proceeds from line of credit	70,000	-
Net cash provided by financing activities	<u>187,000</u>	<u>470,000</u>
Net increase (decrease) in cash and cash equivalents	22,170	(41,840)
Cash and cash equivalents, beginning of year	12,460	54,300
Cash and cash equivalents, end of year	<u>\$ 34,630</u>	<u>\$ 12,460</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,941	\$ 1,110
Income taxes	\$ -	\$ -
Noncash investing and financing activities:		
Repayment of loans payable to Fund for the City of New York by New York City Department of Cultural Affairs on behalf of Organization	<u>\$ 72,000</u>	<u>\$ 470,000</u>

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Roulette Intermedium, Inc. (the “Organization”) was incorporated on June 27, 1984 under the laws of the State of New York. The Organization’s ongoing purpose has been to provide opportunities for innovative composers, musicians and interdisciplinary collaborators to present their work in accessible, appropriate, and professional concert presentations in New York City. The Organization is committed to presenting work by young and emerging artists as well as established innovators. The Organization’s programs are as follows:

Concert Series of Experimental and Adventurous Music – The Organization presents concerts for artists from an extremely broad range of disciplines and backgrounds. The Organization supports artists long before they are recognized by mainstream funding and commissioning programs, and provides audiences with a consistent survey of contemporary work in a wide variety of modalities.

Commissioning Program – Awards Jerome commissions to emerging composers each year.

Facilities Rentals – offers rental of the new Art Deco theatre to other not-for-profit organizations, arts organizations, community groups, and educational programs in line with the Organization’s mission. The Organization also offers rental options for weddings, benefits, conferences and other commercial events.

Roulette TV – the Organization creates high quality music television programs focusing on one composer’s work for each program and is broadcast weekly. Programs are also sold to museums and schools.

Website Broadcasts – Recordings of the Organization’s concerts which are accessed by listeners all over the world.

The Organization’s programs are supported primarily by fees and services for performances and to performers, and by government, board member, foundation, individual, and corporate contributions.

Financial Statement Presentation

The Organization presents its financial statements under the guidelines of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Program revenue earned but not yet received that is expected to be collected within one year is recorded as accounts receivable at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as promises to give at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Building improvements	Lease term
Performance equipment	5
Piano	25
Office equipment	5

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and Equipment (cont'd)

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Agency Transactions

As a fiscal agent, the Organization agrees to pass assets (cash) received from donors to an entity or individual specified by those donors. The Organization has little or no discretion in determining the use of assets transferred to them. A processing fee of 5-8% is charged to selected beneficiaries for each agency transaction. The Organization's policy is to recognize the cash received and an offsetting liability, "Due to Fiscally Sponsored Projects", until the funds are fully distributed to the ultimate beneficiary, at which time the liability is removed from the Organization's books and the processing fee is recorded as revenue.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this 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. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

Memberships are sold for one year periods from the date of purchase. Advance payments for memberships and facilities rental are recorded as deferred revenue.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributed Services

A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. In addition, directors and officers have made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Accounting for Leases

The Organization follows *FASB Technical Bulletin 85-3* to account for its operating lease with rent abatements and scheduled rent increases. Rent expense is recognized on a straight-line basis over the lease term.

Functional Allocation of Expenses

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

Comparative Data

The amounts shown for the year ended June 30, 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

The Organization's Form 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2016, 2015, and 2014 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2017, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Sales Taxes

The State of New York and counties within the State impose a Sales Tax on all of the Company's sales to non-exempt customers. The Company collects that sales tax and remits the entire amount to the State. The Company's accounting policy is to exclude the tax collected and remitted to the State from revenue and expense.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the year ended June 30, 2017 was \$3,250.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after June 30, 2017. The Organization is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard update which affects the presentation of financial statements of not-for-profit entities. Among other changes, the update reduces the number of net asset classifications from three to two categories: (1) assets with donor restrictions and (2) those without donor restrictions, expands disclosure requirements for net assets with donor restrictions or board designations, and includes several new reporting requirements related to expenses. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 31, 2017 and in interim periods in annual periods beginning after December 31, 2018. Early application is permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Date of Management's Review

Management has evaluated subsequent events through February 5, 2018, which is the date the financial statements were available to be issued.

2) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

3) PROMISES TO GIVE

Promises to give at June 30, 2017 consists of the following:

	<u>Unrestricted</u>	<u>Future Programs and Periods</u>	<u>Total</u>
Baisley Powell Elebash Fund	\$ -	\$ 75,000	\$ 75,000
Jerome Foundation	-	70,000	70,000
New York City Department of Cultural Affairs	23,080	-	23,080
Mertz Gilmore Foundation	-	20,000	20,000
Arts of the South Finger Lakes	400	-	400
	<u>\$ 23,480</u>	<u>\$ 165,000</u>	<u>\$ 188,480</u>

Amounts expected to be collected in:

Less than one year	\$ 188,480
One to five years	-
	<u>\$ 188,480</u>

The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

4) AGENCY TRANSACTIONS

During the year ended June 30, 2017, the Organization transferred \$27,900 to Sally Silvers, a fiscally sponsored entity. No amounts were due at year-end.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2017. Depreciation expense for the year then ended was \$257,597.

Building improvements	\$ 1,466,494
Performance equipment	1,030,412
Piano	117,660
Office equipment	<u>38,456</u>
	2,653,022
Less: accumulated depreciation	<u>1,214,920</u>
	<u>\$ 1,438,102</u>

During the year ended June 30, 2017, property and equipment totaling \$16,838 no longer used in operations was written-off.

6) LOANS – FUND FOR THE CITY OF NEW YORK

During the year ended June 30, 2017, the Organization received a \$72,000 interest-free short-term bridge loan from the Fund for the City of New York (the “Fund”). Prior to year-end, the loan was repaid to the Fund by the New York City Department of Cultural Affairs.

7) RELATED PARTY TRANSACTIONS

Loan Payable – Board Member

During the year ended June 30, 2017, the Organization received short-term cash flow loans totaling \$45,000 from one of the Organization’s board members. The loans are interest-free and are due on or before July 1, 2018. Subsequent to year-end, the loans were forgiven and converted into contributions to the Organization.

Line of Credit – mediaThefoundation Inc.

At June 30, 2017, the Organization is obligated for an outstanding balance of \$380,000 on an interest-free line of credit agreement with mediaThefoundation Inc. (the “Media”), a private foundation supervised and managed by one of the Organization’s board members. In 2017, Media formally extended the first installment date to June 30, 2020. The balance is due and payable over five equal annual installments beginning June 30, 2020, unless extended by Media. Subsequent to year-end, Media forgave \$70,000 of the line of credit and converted it into contributions to the Organization.

Rental of Space - Director

The Organization rents office, storage and studio space from its Director, James Staley. Rent paid for the year ended June 30, 2017 was \$8,700.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

8) EQUIPMENT FUNDING AGREEMENT – CITY OF NEW YORK

The City of New York (the “City”) has appropriated capital funds relating to the acquisition and installation of equipment for the Organization’s performance space located in Brooklyn, New York. The City’s investment of capital funding obligates the recipient organization to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, education or artistic uses and/or related purposes approved by the City. The Organization has granted a first lien to the City on all equipment, furniture and fixtures, or other collateral, to be purchase, paid for or financed, by reimbursement or otherwise, by the City of New York pursuant to the equipment funding agreement.

9) NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year ended June 30, 2017 are for the following:

Satisfaction of time/purpose restrictions:	
Programs for emerging composers for fiscal year 2017	\$ 70,000
Total	<u>\$ 70,000</u>

10) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 are available for the following:

Capital project	\$ 75,000
Programs for emerging composers for fiscal year 2018	70,000
DanceRoulette program	20,000
Interpretation concert series	<u>13,070</u>
Total	<u>\$ 178,070</u>

11) FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages and salaries, employee benefits, payroll taxes, and postage, which are allocated on the basis of estimates of time and effort, as well as rent expense, insurance, repairs and maintenance, and utilities, which are allocated on a square footage basis.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017

12) CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at a major financial institution. The balances, at times, may exceed federally insured limits. As of June 30, 2017, there were no uninsured balances. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

13) LEASE COMMITMENTS

The Organization leases its office and performance space under the terms of a non-cancelable operating lease which expires on August 31, 2030. The Organization also leases office equipment under a non-cancelable operating lease which expires on December 31, 2017. Rent and equipment rental expense for the year ended June 30, 2017 was \$173,593 and \$5,580, respectively.

Future minimum lease payments under the non-cancelable leases are as follows:

June 30,	
2018	160,813
2019	163,751
2020	167,845
2021	172,041
2022	176,342
Thereafter	<u>1,615,017</u>
Total	<u>\$ 2,455,809</u>

For financial reporting purposes, the Organization recognizes \$13,741 per month based on the total rent abatements to be received and rent increases effective during the lease term. As a result, the Organization had a deferred rent liability totaling \$283,670 at year-end.