

ASOLO THEATRE, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2008
(With Comparative Amounts for 2007)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Asolo Theatre, Inc.
Sarasota, Florida

We have audited the accompanying statement of financial position of the Asolo Theatre, Inc. as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Theatre's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Theatre's 2007 financial statements, and in our report dated November 12, 2007, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Asolo Theatre, Inc. as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CPA Associates

Bradenton, Florida
October 3, 2008

ASOLO THEATRE, INC.
STATEMENT OF FINANCIAL POSITION
(With Comparative Amounts for 2007)

	June 30, 2008				June 30, 2007	
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	Total
	Undesignated	Board Designated				
ASSETS						
Cash and cash equivalents	\$ 770,530	--	558,111	137,140	1,465,781	1,245,147
Investments	296,678	721,967	--	2,126,970	3,145,615	3,063,962
Accounts receivable, net	193,390	--	--	--	193,390	134,243
Due from unrestricted fund	(792,500)	--	--	792,500	--	--
Prepaid expenses and other current assets	182,772	--	--	--	182,772	140,075
Property and equipment, net	1,758,202	--	--	--	1,758,202	553,982
Prepaid lease, net	2,629,276	--	--	--	2,629,276	2,706,796
Deposits	31,065	--	--	--	31,065	21,735
TOTAL ASSETS	\$ 5,069,413	721,967	558,111	3,056,610	9,406,101	7,865,940
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 223,573	--	--	--	223,573	165,510
Lines of credit	180,000	--	--	--	180,000	--
Mortgage payable	946,665	--	--	--	946,665	--
Note payable	--	--	--	--	--	23,479
Deferred revenue	1,363,974	--	--	--	1,363,974	1,511,676
Total liabilities	2,714,212	--	--	--	2,714,212	1,700,665
Net assets	2,355,201	721,967	558,111	3,056,610	6,691,889	6,165,275
TOTAL LIABILITIES AND NET ASSETS	\$ 5,069,413	721,967	558,111	3,056,610	9,406,101	7,865,940

See accompanying notes.

ASOLO THEATRE, INC.
STATEMENT OF ACTIVITIES
(With Comparative Amounts for 2007)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	Undesignated	Board Designated			Year Ended June 30,	
					2008	2007
Operating revenue:						
Resident season	\$ 3,267,936	--	--	--	3,267,936	2,647,214
Scene and costume shops	108,254	--	--	--	108,254	191,707
Total operating revenue	<u>3,376,190</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,376,190</u>	<u>2,838,921</u>
Operating expenses:						
Production costs:						
Resident season	3,333,618	--	--	--	3,333,618	2,369,934
FSU/Asolo conservatories	209,655	--	--	--	209,655	187,674
Scene and costume shops	2,382,094	--	--	--	2,382,094	1,512,085
Total production costs	<u>5,925,367</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,925,367</u>	<u>4,069,693</u>
Support services:						
General and administrative	1,623,232	--	--	--	1,623,232	1,536,968
Development	225,744	--	--	--	225,744	185,093
Total support services	<u>1,848,976</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,848,976</u>	<u>1,722,061</u>
Total operating expenses	<u>7,774,343</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,774,343</u>	<u>5,791,754</u>
Decrease in net assets from operations	(4,398,153)	--	--	--	(4,398,153)	(2,952,833)
Contributions, support and other revenue:						
Contributions	2,068,981	--	558,111	137,140	2,764,232	2,706,394
State grants	123,680	--	--	--	123,680	135,833
Other government grants	95,908	--	--	--	95,908	114,183
Investment income	27,706	54,811	--	--	82,517	286,519
Other revenue	2,078,261	--	--	--	2,078,261	584,719
Total contributions, support and other revenue	<u>4,394,536</u>	<u>54,811</u>	<u>558,111</u>	<u>137,140</u>	<u>5,144,598</u>	<u>3,827,648</u>
Special event revenue	248,503	--	--	--	248,503	241,666
Less: Costs of direct benefits to donors and fundraising expenses	<u>242,948</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>242,948</u>	<u>100,957</u>
Net special event revenue	<u>5,555</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,555</u>	<u>140,709</u>
Total contributions, support and other revenue	4,400,091	54,811	558,111	137,140	5,150,153	3,968,357
Net assets released from restrictions	<u>292,962</u>	<u>--</u>	<u>(292,962)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net increase in net assets, before depreciation and amortization	294,900	54,811	265,149	137,140	752,000	1,015,524
Depreciation and amortization	<u>225,386</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>225,386</u>	<u>194,572</u>
Net increase in net assets	69,514	54,811	265,149	137,140	526,614	820,952
Net assets - Beginning of the year	2,207,687	745,156	292,962	2,919,470	6,165,275	5,344,323
Transfers of net assets	<u>78,000</u>	<u>(78,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net assets - End of the year	<u>\$ 2,355,201</u>	<u>721,967</u>	<u>558,111</u>	<u>3,056,610</u>	<u>6,691,889</u>	<u>6,165,275</u>

See accompanying notes.

ASOLO THEATRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	Program Services			Total Program Services	Support Services		Total Support Services	Year Ended June 30,	
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops		General and Administrative	Development		2008	2007
Artistic personnel:									
Equity salaries	\$ 499,962	--	--	499,962	--	--	--	499,962	358,361
Other artistic personnel	943,623	--	--	943,623	--	--	--	943,623	753,918
Benefits and payroll taxes	432,143	--	--	432,143	--	--	--	432,143	288,394
Total artistic personnel	1,875,728	--	--	1,875,728	--	--	--	1,875,728	1,400,673
Production expenses:									
Production salaries	--	--	1,506,818	1,506,818	--	--	--	1,506,818	1,031,023
Benefits and payroll taxes	--	--	365,311	365,311	--	--	--	365,311	265,399
Costumes	--	--	117,362	117,362	--	--	--	117,362	69,724
Scenery	--	--	339,459	339,459	--	--	--	339,459	90,091
Properties	46,091	--	--	46,091	--	--	--	46,091	21,578
Sound	13,717	--	--	13,717	--	--	--	13,717	9,105
Lighting	136,328	--	--	136,328	--	--	--	136,328	10,401
Royalties	237,395	--	--	237,395	--	--	--	237,395	166,664
General	3,320	--	20,353	23,673	--	--	--	23,673	20,668
Total production expenses	436,851	--	2,349,303	2,786,154	--	--	--	2,786,154	1,684,653
Total artistic personnel and production expenses	2,312,579	--	2,349,303	4,661,882	--	--	--	4,661,882	3,085,326
General:									
Administrative salaries	--	--	--	--	392,740	--	392,740	392,740	376,875
Benefits and payroll taxes	--	--	--	--	278,308	--	278,308	278,308	277,011
Advertising	539,886	--	--	539,886	--	--	--	539,886	393,536
Brochures and printing	69,125	--	--	69,125	--	15,435	15,435	84,560	66,152
Telemarketing	30,456	--	--	30,456	--	2,340	2,340	32,796	48,649
Concessions	45,705	--	--	45,705	--	--	--	45,705	44,615
Other marketing	35,884	--	--	35,884	445,867	13,674	459,541	495,425	475,242
Rent	71,523	--	--	71,523	92,539	--	92,539	164,062	93,119
Utilities	--	--	3,473	3,473	27,228	--	27,228	30,701	27,401
Maintenance	566	--	14,303	14,869	99,068	--	99,068	113,937	89,670
Travel - equity	50,645	--	--	50,645	--	--	--	50,645	16,002
Travel and entertainment	45,126	--	3,016	48,142	4,278	1,537	5,815	53,957	37,032

See accompanying notes.

ASOLO THEATRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	Program Services			Total Program Services	Support Services		Total Support Services	June 30,	
	Resident	FSU/Asolo	Scene and		General	Development		2008	2007
	Season	Conservatories	Costume Shops		and Administrative				
Telephone	--	--	--	--	50,818	--	50,818	50,818	41,962
Legal and accounting	--	--	--	--	55,782	--	55,782	55,782	45,112
Insurance	--	--	--	--	53,575	--	53,575	53,575	66,126
Dues, subscriptions and literature	3,681	--	--	3,681	15,390	1,354	16,744	20,425	17,517
Office supplies and postage	50,161	--	11,999	62,160	22,582	10,333	32,915	95,075	93,537
Miscellaneous	12,108	--	--	12,108	27,030	2,120	29,150	41,258	115,539
Opening night dinners	--	--	--	--	--	123,772	123,772	123,772	77,778
Cultivation and stewardship	--	--	--	--	--	45,351	45,351	45,351	36,958
Capital campaign	--	--	--	--	--	2,909	2,909	2,909	--
Interest - operating	--	--	--	--	21,442	--	21,442	21,442	15,771
Bank charges	--	--	--	--	16,064	--	16,064	16,064	5,848
Consulting	51,956	--	--	51,956	18,537	68	18,605	70,561	34,285
Personnel recruitment	13,479	--	--	13,479	--	--	--	13,479	18,724
Training and education	738	209,655	--	210,393	1,984	6,851	8,835	219,228	191,967
Total general expenses	1,021,039	209,655	32,791	1,263,485	1,623,232	225,744	1,848,976	3,112,461	2,706,428
Total expenses before depreciation and amortization	3,333,618	209,655	2,382,094	5,925,367	1,623,232	225,744	1,848,976	7,774,343	5,791,754
Depreciation and amortization	137,730	--	--	137,730	87,656	--	87,656	225,386	194,572
Total expenses	\$ 3,471,348	209,655	2,382,094	6,063,097	1,710,888	225,744	1,936,632	7,999,729	5,986,326

See accompanying notes.

ASOLO THEATRE, INC.
STATEMENT OF CASH FLOWS
(With Comparative Amounts for 2007)

	Year Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$ 526,614	820,952
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	147,866	117,052
Amortization	77,520	77,520
Net loss on disposal of property and equipment	--	4,121
Net unrealized/realized gains on investments	14,529	(283,628)
Contributions restricted for long-term investments	(137,140)	(364,121)
Changes in operating assets and liabilities:		
Accounts receivable	(59,147)	308,335
Prepaid expenses and other current assets	(42,697)	(6,956)
Deposits	(9,330)	(4,170)
Accounts payable and accrued expenses	58,063	68,777
Deferred revenue	(147,702)	522,488
Net cash provided by operating activities	<u>428,576</u>	<u>1,260,370</u>
Cash flows from investing activities:		
Purchases of property and equipment	(225,421)	(476,016)
Purchases of investments	(174,182)	(364,817)
Sale of investments	78,000	69,000
Net cash used in investing activities	<u>(321,603)</u>	<u>(771,833)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted to endowment	137,140	364,121
Payment on loan payable	(23,479)	(2,071)
Net cash provided by financing activities	<u>113,661</u>	<u>362,050</u>
Net increase in cash	220,634	850,587
Cash at beginning of year	<u>1,245,147</u>	<u>394,560</u>
Cash at end of year	<u>\$ 1,465,781</u>	<u>1,245,147</u>
Supplemental disclosures of cash flow information and noncash investing and financing activities:		
Cash paid for interest	<u>\$ 21,442</u>	<u>15,771</u>
Property acquired with debt	<u>\$ 1,126,665</u>	<u>25,550</u>

See accompanying notes.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization and Nature of Activities: The Asolo Theatre, Inc. (the "Theatre") is a not-for-profit corporation whose mission is to produce and present high quality professional theatre in a fiscally responsible manner for its community. The Theatre performs primarily in rotating repertory with a resident company to celebrate the actor-artist; to attract regional, national, and international audiences; and to provide a training ground for Florida State University graduate students. The Theatre is dedicated to work which moves, enlightens, entertains, and educates individuals of all ages and backgrounds.

Comparative Financial Information: The financial statements include certain prior year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Cash and Cash Equivalents: The Theatre considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included as investment income in the statement of activities.

Accounts Receivable: The Theatre records accounts receivables at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. At June 30, 2008, the allowance for doubtful accounts was \$5,000.

Property and Equipment: The Theatre records its property and equipment at cost or at fair market value, if donated. Depreciation of buildings and equipment is provided for using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives of assets range from 3 to 5 years for furniture, fixtures, and equipment and 3 to 10 years for leasehold improvements and 39 years for buildings and improvements. Maintenance and repair costs are expensed as incurred.

Deferred Revenue: Revenue from ticket sales are recognized in the year the show occurs and revenue from advance subscription sales are recognized in the year the season occurs. Revenue received in the fiscal year prior to the show or season is deferred. Starting with the opening of the season, the subscription revenue will be recognized as revenue ratably each month as the plays are performed. In the event any of the scheduled productions for the upcoming season are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Donated Materials, Facilities, and Services: Material gifts-in-kind used in the Theatre's program (e.g. advertising, catering services, etc.) are recorded as income and expense at the time the gifts are received, which is normally also the time they are used. Such gifts-in-kind amounted to approximately \$407,000 for the current year.

Professional organizations along with a substantial number of unpaid volunteers have made significant contributions of their time, services and materials to develop and support the programs of the Theatre. These contributions include, but are not limited to, ushers, guides, lecturers, board members, and clerical support. The value of this contributed time and materials are not reflected in these statements since they are not susceptible to objective measurement.

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

Income Taxes: The Theatre is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Theatre is required to pay income taxes on the excess of revenues derived from activities unrelated to the tax-exempt purpose of the Theatre over the related expenses.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising: Advertising expense consists of newspaper and broadcast advertising. For the year ended June 30, 2008, advertising expense was approximately \$540,000 and was expensed as incurred. Of this amount, \$183,000 was donated by local cable television companies and \$80,000 by a local newspaper.

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

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B: INVESTMENTS

At June 30, 2008, investments consist of the following:

Cash and cash equivalents	\$ 351,021
Certificates of deposits	125,004
Common stock	6,045
Mutual funds	<u>2,663,545</u>
Total	<u>\$ 3,145,615</u>

Investment income for the year ended June 30, 2008, totaled \$82,517, including interest from cash and cash equivalent accounts. The amounts included in investment income in the statement of activities consists of interest income of \$98,626, net realized and unrealized losses of \$14,529, and fees of \$1,580 for the period ended June 30, 2008.

NOTE C: PROPERTY AND EQUIPMENT

At June 30, 2008, property and equipment consist of the following:

Buildings and improvements	\$ 1,168,843
Furniture and fixtures	647,825
Vehicles	174,011
Leasehold improvements	330,603
Computer software	<u>151,359</u>
Total property and equipment	2,472,641
Less accumulated depreciation	<u>(714,439)</u>
Total	<u>\$ 1,758,202</u>

Depreciation expense was \$147,866 for the year ended June 30, 2008.

NOTE D: RELATIONSHIP WITH FLORIDA STATE UNIVERSITY

The Theatre and Florida State University are currently engaged in a partnership whereby the Theatre shares space within the Florida State University Center for the Performing Arts building with the Florida State University/Asolo Conservatory of Professional Actor Training. The primary benefits to the Theatre are the monies paid by Florida State University for services rendered and the opportunity to include trained young actors in the company.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D: RELATIONSHIP WITH FLORIDA STATE UNIVERSITY (CONTINUED)

Additionally, the Theatre and Florida State University share services and personnel for the benefit of the graduate level students of the Florida State University Conservatory. The students benefit from this interrelating of the entities through their exposure to and participation in the professional theater environment which the Theatre provides.

Concurrent with the transfer of ownership of a building to Florida State University, the Theatre's lease with the State of Florida through the John and Mable Ringling Museum of Art covering the land upon which the theater complex was built was abrogated and the land lease was assigned to Florida State University. Effective July 1, 1996, the Theatre and Florida State University signed a lease agreement which will terminate on October 6, 2042. The lease was originally recognized on the statement of financial position as a prepaid lease in the amount of \$3,404,476 and is being amortized over the life of the lease agreement. The unamortized portion of the lease agreement at June 30, 2008, is \$2,629,276.

The Theatre and Florida State University have negotiated an operating agreement whereby Florida State University pays the Theatre \$430,356, contingent upon an annual appropriation of the Legislature, for the years ending June 30, 2004 through 2010, for services rendered by the Theatre to the conservatory program. During 2008, the Theatre was paid \$404,536 in accordance with this agreement.

During 2008, the Theatre paid \$209,655 to Florida State University for student fellowship for the student conservatory program.

The Theatre collects box office receipts on behalf of Florida State University. As of June 30, 2008, the amount due to Florida State University for box office receipts totaled \$42,071.

NOTE E: LINES OF CREDIT

The Theatre has two unsecured lines of credit with local financial institutions totaling \$430,000. The lines of credit have an interest rate of prime (5.00% at June 30, 2008) plus .25% and are payable on demand. There was \$180,000 outstanding on one of the lines of credit as of June 30, 2008.

NOTE F: MORTGAGE PAYABLE

During 2008, the Theatre opened a mortgage line of credit totaling \$1,200,000; which is secured by the buildings and any related assets. The mortgage matures on October 1, 2009, and bears interest at prime (4.00% at June 30, 2008) plus .25%. There was \$946,665 outstanding on the line of credit as of June 30, 2008.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G: LEASE COMMITMENTS

The Theatre leases office equipment under an operating lease agreement, which expires in 2013. Future minimum rental payments required under this lease agreement are as follows:

2009	\$ 40,217
2010	40,217
2011	40,217
2012	40,217
2013	<u>10,054</u>
Total	<u>\$ 170,922</u>

Additionally, the Theatre leases space for a scene shop on a month-to-month basis. Total rent expense for the year ended June 30, 2008 was \$164,062.

NOTE H: BOARD DESIGNATED NET ASSETS

The Board of the Theatre has designated investments in the amount of \$721,967 as an operating reserve.

NOTE I: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008, temporarily restricted net assets consist of the following:

Co-producers	\$ 155,000
Season presenters	105,000
Scholarships	19,500
Corporate sponsorships	20,000
Endowment campaign	138,388
50th Anniversary event	<u>120,223</u>
Total	<u>\$ 558,111</u>

NOTE J: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is expendable in accordance with the Trust Indenture. Permanently restricted net assets were \$3,056,610 at June 30, 2008.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K: ENHANCEMENT REVENUE

The Theatre has an enhancement funds agreement with Tale Productions LP to produce *A Tale of Two Cities*. During the year ended June 30, 2008, the Theatre recognized revenue totaling \$1,515,067, which is included in other revenue on the statement of activities. The related expenses for the enhancement are recognized by their natural classification (such as salaries) and function (such as program services) and are included in resident season program services on the statement of functional expenses.

NOTE L: EMPLOYEE BENEFITS

The Theatre has a tax deferred annuity plan for the benefit of qualifying full-time regular and full-time seasonal employees who have successfully completed two years of service. The Theatre contributes five percent of annual gross salary to the plan, exclusive of overtime pay. Employee contribution to the plan is optional. Total expense for the year ended June 30, 2008, was approximately \$43,000.

NOTE M: CONCENTRATIONS OF CREDIT RISK

The Theatre maintains cash in bank accounts with creditworthy, high-quality financial institutions. The balances at times may exceed federally insured limits. At June 30, 2008, the Theatre exceeded the insured limit by approximately \$1,352,182.

Additionally, the Theatre has significant investments in stocks, bonds and mutual funds which are subject to concentrations of credit risk. Investments are made by investment managers engaged by the Theatre. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Theatre.