

**ASOLO THEATRE, INC.**  
**FINANCIAL STATEMENTS**  
**Years Ended June 30, 2011 and 2010**

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6

**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, 2011, 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 financial statements for the year ended June 30, 2010, were audited by CPA Associates, independent accountants, certain of whose partners joined with Mauldin & Jenkins, LLC on June 1, 2011. CPA Associates' report dated January 12, 2011, expressed an unqualified opinion on those 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, 2011, 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.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
January 26, 2012

ASOLO THEATRE, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2011

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
<b>ASSETS</b>					
Cash and cash equivalents	\$ 436,678	--	599,786	1,000	1,037,464
Investments	60,000	1,104,218	--	2,652,335	3,816,553
Accounts receivable, net	130,855	--	--	--	130,855
Due from unrestricted fund	( 792,500)	--	--	792,500	--
Prepaid expenses and other current assets	90,135	--	--	--	90,135
Property and equipment, net	3,655,088	--	--	--	3,655,088
Prepaid lease, net	2,396,716	--	--	--	2,396,716
Interest in settlement distributions	41,000	--	--	--	41,000
Deposits	13,141	--	--	--	13,141
<b>TOTAL ASSETS</b>	<b>\$ 6,031,113</b>	<b>1,104,218</b>	<b>599,786</b>	<b>3,445,835</b>	<b>11,180,952</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 212,676	--	--	--	212,676
Due to Florida State University Foundation	1,900,001	--	--	--	1,900,001
Deferred revenue	968,165	--	--	--	968,165
Total liabilities	3,080,842	--	--	--	3,080,842
Net assets	2,950,271	1,104,218	599,786	3,445,835	8,100,110
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,031,113</b>	<b>1,104,218</b>	<b>599,786</b>	<b>3,445,835</b>	<b>11,180,952</b>

See accompanying notes.

ASOLO THEATRE, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2010

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
<b>ASSETS</b>					
Cash and cash equivalents	\$ 323,222	--	526,112	89,500	938,834
Investments	95,004	751,136	--	2,380,700	3,226,840
Accounts receivable, net	137,080	--	--	--	137,080
Due from unrestricted fund	( 792,500)	--	--	792,500	--
Prepaid expenses and other current assets	141,045	--	--	--	141,045
Property held for investment	346,500	--	--	--	346,500
Property and equipment, net	3,348,183	--	--	--	3,348,183
Prepaid lease, net	2,474,236	--	--	--	2,474,236
Interest in settlement distributions	50,000	--	--	--	50,000
Deposits	31,336	--	--	--	31,336
<b>TOTAL ASSETS</b>	<b>\$ 6,154,106</b>	<b>751,136</b>	<b>526,112</b>	<b>3,262,700</b>	<b>10,694,054</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 238,347	--	--	--	238,347
Line of credit	350,000	--	--	--	350,000
Due to Florida State University Foundation	2,000,001	--	--	--	2,000,001
Mortgage payable	942,728	--	--	--	942,728
Deferred revenue	949,014	--	--	--	949,014
Total liabilities	4,480,090	--	--	--	4,480,090
Net assets	1,674,016	751,136	526,112	3,262,700	6,213,964
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,154,106</b>	<b>751,136</b>	<b>526,112</b>	<b>3,262,700</b>	<b>10,694,054</b>

See accompanying notes.

ASOLO THEATRE, INC.  
STATEMENTS OF ACTIVITIES  
Year Ended June 30, 2011

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Operating revenue					
Resident season	\$ 3,349,823	--	--	--	3,349,823
Scene and costume shops	559,900	--	--	--	559,900
Total operating revenue	<u>3,909,723</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,909,723</u>
Operating expenses					
Production costs					
Resident season	3,866,847	--	--	--	3,866,847
FSU/Asolo conservatories	300,617	--	--	--	300,617
Scene and costume shops	2,094,237	--	--	--	2,094,237
Total production costs	<u>6,261,701</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,261,701</u>
Support services					
General and administrative	803,807	--	--	--	803,807
Development	543,862	--	--	--	543,862
Total support services	<u>1,347,669</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,347,669</u>
Total operating expenses	<u>7,609,370</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,609,370</u>
Decrease in net assets from operations	( 3,699,647)	--	--	--	( 3,699,647)
Contributions, support and other revenue					
Contributions	3,508,961	34,192	854,805	183,135	4,581,093
State grants	7,524	--	--	--	7,524
Other government grants	89,010	--	--	--	89,010
Investment income	2,656	461,890	--	--	464,546
Gain on sale of property	153,500	--	--	--	153,500
Other revenue	336,331	--	--	--	336,331
Total contributions, support and other revenue	<u>4,097,982</u>	<u>496,082</u>	<u>854,805</u>	<u>183,135</u>	<u>5,632,004</u>
Special event revenue	523,759	--	--	--	523,759
Less: Costs of direct benefits to donors and fundraising expenses	243,780	--	--	--	243,780
Net special event revenue	<u>279,979</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>279,979</u>
Total contributions, support and other revenue	4,377,961	496,082	854,805	183,135	5,911,983
Use of board designated assets	143,000	( 143,000)	--	--	--
Net assets released from restrictions	<u>781,131</u>	<u>--</u>	<u>( 781,131)</u>	<u>--</u>	<u>--</u>
Net increase in net assets, before depreciation and amortization	1,602,445	353,082	73,674	183,135	2,212,336
Depreciation and amortization	<u>326,190</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>326,190</u>
Net increase in net assets	1,276,255	353,082	73,674	183,135	1,886,146
Net assets, beginning of the year	<u>1,674,016</u>	<u>751,136</u>	<u>526,112</u>	<u>3,262,700</u>	<u>6,213,964</u>
Net assets, end of the year	<u>\$ 2,950,271</u>	<u>1,104,218</u>	<u>599,786</u>	<u>3,445,835</u>	<u>8,100,110</u>

See accompanying notes.

ASOLO THEATRE, INC.  
STATEMENTS OF ACTIVITIES  
Year Ended June 30, 2010

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Operating revenue					
Resident season	\$ 3,211,581	--	--	--	3,211,581
Scene and costume shops	336,248	--	--	--	336,248
Total operating revenue	<u>3,547,829</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,547,829</u>
Operating expenses					
Production costs					
Resident season	3,213,855	--	--	--	3,213,855
FSU/Asolo conservatories	309,206	--	--	--	309,206
Scene and costume shops	1,755,299	--	--	--	1,755,299
Total production costs	<u>5,278,360</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,278,360</u>
Support services					
General and administrative	941,639	--	--	--	941,639
Development	2,488,394	--	--	--	2,488,394
Total support services	<u>3,430,033</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,430,033</u>
Total operating expenses	<u>8,708,393</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,708,393</u>
Decrease in net assets from operations	( 5,160,564)	--	--	--	( 5,160,564)
Contributions, support and other revenue					
Contributions	3,991,030	--	526,112	139,250	4,656,392
State grants	25,000	--	--	--	25,000
Other government grants	92,900	--	--	--	92,900
Investment income (loss)	1,489	191,493	--	--	192,982
Settlement revenue	80,950	--	--	--	80,950
Other revenue	398,397	--	--	--	398,397
Total contributions, support and other revenue	<u>4,589,766</u>	<u>191,493</u>	<u>526,112</u>	<u>139,250</u>	<u>5,446,621</u>
Special event revenue	506,540	--	--	--	506,540
Less: Costs of direct benefits to donors and fundraising expenses	269,169	--	--	--	269,169
Net special event revenue	<u>237,371</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>237,371</u>
Total contributions, support and other revenue	4,827,137	191,493	526,112	139,250	5,683,992
Net assets released from restrictions	319,100	--	( 319,100)	--	--
Net (decrease) increase in net assets, before depreciation and amortization	( 14,327)	191,493	207,012	139,250	523,428
Depreciation and amortization	259,267	--	--	--	259,267
Net (decrease) increase in net assets	( 273,594)	191,493	207,012	139,250	264,161
Net assets, beginning of the year	1,921,266	405,477	319,100	3,303,960	5,949,803
Prior period adjustments	26,344	154,166	--	( 180,510)	--
Net assets, end of the year	<u>\$ 1,674,016</u>	<u>751,136</u>	<u>526,112</u>	<u>3,262,700</u>	<u>6,213,964</u>

See accompanying notes.

ASOLO THEATRE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2011

	Program Services			Support Services		Total
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic personnel						
Equity salaries	\$ 325,090	--	--	--	--	325,090
Other artistic personnel	1,117,339	--	--	--	--	1,117,339
Benefits and payroll taxes	262,879	--	--	--	--	262,879
Total artistic personnel	1,705,308	--	--	--	--	1,705,308
Production expenses						
Production salaries	--	--	1,291,298	--	--	1,291,298
Benefits and payroll taxes	--	--	314,318	--	--	314,318
Costumes	--	--	74,286	--	--	74,286
Scenery	--	--	289,665	--	--	289,665
Properties	64,172	--	5	--	--	64,177
Sound	32,964	--	--	--	--	32,964
Lighting	54,106	--	--	--	--	54,106
Royalties	189,057	--	--	--	--	189,057
General	709	--	35,525	--	--	36,234
Total production expenses	341,008	--	2,005,097	--	--	2,346,105
Total artistic personnel and production expenses	2,046,316	--	2,005,097	--	--	4,051,413
General						
Administrative salaries	524,529	--	--	143,051	219,045	886,625
Benefits and payroll taxes	66,461	--	--	212,371	22,985	301,817
Advertising	797,828	--	--	--	--	797,828
Brochures and printing	88,768	--	--	821	4,668	94,257
Telemarketing	20,554	--	--	--	323	20,877
Concessions	9,670	--	1,120	3,562	--	14,352
Other marketing	80,657	--	--	--	2,712	83,369
Rent	6,826	--	--	1,026	--	7,852
Utilities	10,615	--	36,467	3,598	--	50,680
Maintenance	2,344	--	32,748	129,006	--	164,098
Travel, equity	54,065	--	--	--	--	54,065
Travel and entertainment	55,386	--	1,168	9,806	2,415	68,775
Telephone	--	--	5,172	27,032	--	32,204
Legal and accounting	--	--	--	51,230	--	51,230
Insurance	--	--	--	65,504	--	65,504
Dues, subscriptions and literature	4,940	--	--	7,790	1,335	14,065
Office supplies and postage	46,332	--	11,597	19,792	9,002	86,723
Miscellaneous	11,847	--	373	41,538	( 8)	53,750
Condo fees	--	--	--	23,869	--	23,869
Opening and closing night dinners	--	--	--	--	231,035	231,035
Cultivation and stewardship	--	--	--	--	19,661	19,661
Capital campaign	--	--	--	--	8,626	8,626
Interest, operating	--	--	--	61,979	116	62,095
Bank charges	--	--	--	1,683	--	1,683
Consulting	27,105	--	--	--	11,875	38,980
Personnel recruitment	11,915	--	--	--	1,753	13,668
Training and education	689	300,617	495	149	8,319	310,269
Total general expenses	1,820,531	300,617	89,140	803,807	543,862	3,557,957
Total expenses before depreciation and amortization	3,866,847	300,617	2,094,237	803,807	543,862	7,609,370
Depreciation and amortization	226,670	--	--	99,520	--	326,190
Total expenses	\$ 4,093,517	300,617	2,094,237	903,327	543,862	7,935,560

See accompanying notes.

ASOLO THEATRE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2010

	Program Services			Support Services		Total
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic personnel						
Equity salaries	\$ 317,223	--	--	--	--	317,223
Other artistic personnel	817,312	--	--	--	--	817,312
Benefits and payroll taxes	250,268	--	--	--	--	250,268
Total artistic personnel	1,384,803	--	--	--	--	1,384,803
Production expenses						
Production salaries	--	--	1,195,610	--	--	1,195,610
Benefits and payroll taxes	--	--	291,596	--	--	291,596
Costumes	--	--	60,119	--	--	60,119
Scenery	--	--	149,717	--	--	149,717
Properties	37,740	--	--	--	--	37,740
Sound	11,000	--	--	--	--	11,000
Lighting	12,326	--	--	--	--	12,326
Royalties	246,916	--	--	--	--	246,916
General	1,608	--	18,164	--	--	19,772
Total production expenses	309,590	--	1,715,206	--	--	2,024,796
Total artistic personnel and production expenses	1,694,393	--	1,715,206	--	--	3,409,599
General						
Administrative salaries	560,297	--	--	114,020	225,166	899,483
Benefits and payroll taxes	65,014	--	--	183,128	24,492	272,634
Advertising	487,562	--	--	--	--	487,562
Brochures and printing	58,648	--	--	--	3,642	62,290
Telemarketing	30,178	--	--	--	160	30,338
Concessions	11,244	--	1,350	3,775	--	16,369
Other marketing	60,283	--	--	--	2,154	62,437
Rent	76,452	--	--	141,492	--	217,944
Utilities	--	--	2,700	27,972	--	30,672
Maintenance	--	--	21,364	136,347	--	157,711
Travel, equity	26,906	--	--	--	--	26,906
Travel and entertainment	37,316	--	1,261	6,153	945	45,675
Telephone	--	--	2,799	53,587	--	56,386
Legal and accounting	--	--	--	70,730	--	70,730
Insurance	--	--	--	70,168	--	70,168
Dues, subscriptions and literature	3,214	--	--	826	932	4,972
Office supplies and postage	47,275	--	10,460	11,970	9,816	79,521
Miscellaneous	24,027	--	159	44,745	430	69,361
Condo fees	--	--	--	28,452	--	28,452
Contributions	--	--	--	--	2,000,001	2,000,001
Opening and closing night dinners	--	--	--	--	185,541	185,541
Cultivation and stewardship	--	--	--	--	23,438	23,438
Capital campaign	--	--	--	--	10,454	10,454
Interest, operating	--	--	--	46,581	--	46,581
Bank charges	--	--	--	1,553	--	1,553
Consulting	14,730	--	--	--	--	14,730
Personnel recruitment	14,357	--	--	140	234	14,731
Training and education	1,959	309,206	--	--	989	312,154
Total general expenses	1,519,462	309,206	40,093	941,639	2,488,394	5,298,794
Total expenses before depreciation and amortization	3,213,855	309,206	1,755,299	941,639	2,488,394	8,708,393
Depreciation and amortization	167,627	--	--	91,640	--	259,267
Total expenses	\$ 3,381,482	309,206	1,755,299	1,033,279	2,488,394	8,967,660

See accompanying notes.

ASOLO THEATRE, INC.  
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2011	2010
Cash flows from operating activities		
Increase in net assets	\$ 1,886,146	264,161
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	248,670	181,747
Amortization	77,520	77,520
Net unrealized/realized gains on investments	( 380,940)	( 141,488)
Gain on sale of property	( 153,500)	--
Contributions restricted for long-term investments	( 183,135)	( 139,250)
Interest in settlement distributions	9,000	( 50,000)
Changes in operating assets and liabilities		
Accounts receivable	6,225	140,002
Prepaid expenses and other current assets	50,910	( 1,820)
Deposits	18,195	( 237)
Accounts payable and accrued expenses	( 25,671)	19,561
Due to Florida State University Foundation	( 100,000)	2,000,001
Deferred revenue	19,151	40,481
Net cash provided by operating activities	<u>1,472,571</u>	<u>2,390,678</u>
Cash flows from investing activities		
Purchase of property and equipment	( 555,575)	( 1,893,420)
Proceeds from sale of property	500,000	--
Purchase of investments	( 446,777)	( 179,755)
Sale of investments	238,004	80,000
Net cash used in investing activities	<u>( 264,348)</u>	<u>( 1,993,175)</u>
Cash flows from financing activities		
Proceeds from contributions restricted to endowment	183,135	139,250
Payment on line of credit	( 350,000)	--
Payment on mortgage payable	( 942,728)	( 3,937)
Net cash provided (used) by financing activities	<u>( 1,109,593)</u>	<u>135,313</u>
Net increase in cash	98,630	532,816
Cash at beginning of year	<u>938,834</u>	<u>406,018</u>
Cash at end of year	<u>\$ 1,037,464</u>	<u>938,834</u>
Supplemental disclosures of cash flow information and noncash investing and financing activities		
Cash paid for interest	\$ 62,095	54,630

See accompanying notes.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Theatre 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.

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. The allowance for doubtful accounts was \$7,761 and \$2,250 at June 30, 2011 and 2010, respectively.

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, vehicles and equipment; 3 to 10 years for leasehold improvements and 39 years for buildings and improvements. Maintenance and repair costs are expensed as incurred.

Interest in Settlement Distributions: During 2009, the Theatre was part of a settlement agreement between 36 not-for-profit organizations and the Hugh Culverhouse Trust. The settlement was finalized during the Theatre’s 2010 fiscal year. Under the settlement agreement, the Theatre will receive a 1/36<sup>th</sup> distribution of the 80% mandatory distributable amount under the IRS code (5% of principal). The estimated present value of the Theatre’s right to receive distribution was \$41,000 and \$50,000 as of June 30, 2011 and 2010, respectively. The income related to the estimated present value of the Theatre’s right to receive distribution was recorded during 2010 on the statements of activities as settlement revenue which included the \$50,000 estimated present value of the asset in addition to an initial cash distribution received during 2010, in the amount of \$30,950. No similar revenue was recorded in 2011, related to cash distributions from the agreement.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Theatre also has an interest in the remainder of a charitable remainder unitrust that was set up as a part of the settlement agreement. Management feels that due to the uncertainty of the value of the trust at the time it will be dissolved, the value of the beneficial interest in the remainder of the charitable remainder unitrust cannot be determined. Therefore, the Theatre has not recorded a related asset.

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.

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 \$755,000 and \$473,000 for the years ended June 30, 2011 and 2010, respectively.

Professional theatres 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 do not meet the criteria for recognition as contributed services.

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.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising: Advertising expense consists of newspaper and broadcast advertising. Advertising expense was approximately \$798,000 and \$487,000 for the years ended June 30, 2011 and 2010, respectively, and was expensed as incurred. Of this amount, \$332,000 and \$158,000 was donated by cable companies and local cable television channels and \$156,000 and \$108,000 by local newspapers for the years ended June 30, 2011 and 2010, respectively.

Income Taxes: The Theatre is generally 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.

On July 1, 2009 (the effective date), the Theatre adopted the provisions of Accounting Standard Codification 740 related to accounting for uncertainty in income taxes. This provision requires all tax positions that meet a more-likely-than-not recognition threshold at the effective date be recognized (or continue to be recognized) upon adoption.

Management has reviewed their tax positions and concluded no liability or uncertain tax positions, or any interest or penalties related to uncertain tax positions, should be recognized in the Theatre's financial statements. Accordingly, no provision for income taxes has been included in the financial statements.

The Theatre files income tax returns in the U.S. and the State of Florida. With few exceptions, the Theatre's tax returns are subject to income tax examination by tax authorities for tax years ending on or after June 30, 2008.

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.

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

Subsequent Events: The Theatre has evaluated all subsequent events through January 26, 2011, the date the financial statements were available to be issued.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE B: INVESTMENTS

At June 30, investments consisted of the following:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 455,467	611,201
Certificates of deposits	60,000	95,004
Mutual funds		
Strategic currency	171,771	--
Fixed income	1,187,853	1,099,023
U.S. large cap	525,688	532,728
Non-U.S. large cap	310,867	256,071
Global small and mid cap	418,727	349,084
Global opportunities	415,840	138,849
Real return/commodities	270,340	144,880
Total mutual funds	<u>3,301,086</u>	<u>2,520,635</u>
Total investments	<u>\$ 3,816,553</u>	<u>3,226,840</u>

Investment income (loss), including interest from cash and cash equivalent accounts, consisted of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 84,949	53,083
Realized and unrealized gains	380,940	141,488
Fees	<u>( 1,343)</u>	<u>( 1,589)</u>
Total	<u>\$ 464,546</u>	<u>192,982</u>

Generally accepted accounting principles in the United States of America establishes a hierarchy for which assets and liabilities measured at fair value must be grouped, based on significant levels of inputs (assumptions that market participants would use in pricing an asset or liability) as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B: INVESTMENTS (CONTINUED)

The following assets are required to be measured at fair market value on a recurring basis and the classification within the hierarchy as of June 30, 2011 and 2010, as follows, respectively:

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at June 30, 2011
Mutual funds				
Strategic currency	\$ 171,771	--	--	171,771
Fixed income	1,187,853	--	--	1,187,853
U.S. large cap	525,688	--	--	525,688
Non-U.S. large cap	310,867	--	--	310,867
Global small and mid cap	418,727	--	--	418,727
Global opportunities	415,840	--	--	415,840
Real return/commodities	270,340	--	--	270,340
	<u>\$ 3,301,086</u>	<u>--</u>	<u>--</u>	<u>3,301,086</u>

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at June 30, 2010
Mutual funds				
Fixed income	\$ 1,099,023	--	--	1,099,023
U.S. large cap	532,728	--	--	532,728
Non-U.S. large cap	256,071	--	--	256,071
Global small and mid cap	349,084	--	--	349,084
Global opportunities	138,849	--	--	138,849
Real return/commodities	144,880	--	--	144,880
	<u>\$ 2,520,635</u>	<u>--</u>	<u>--</u>	<u>2,520,635</u>

The fair value of the Theatre's Level 1 financial assets is based on quoted market prices of the identical security. As of June 30, 2011 and 2010, the Theatre did not have any Level 2 or Level 3 financial assets. Similarly, as of June 30, 2011 and 2010, the Theatre did not have any financial liabilities measured at fair value.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE C: PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land	\$ 293,797	293,797
Buildings and improvements	3,018,229	2,533,206
Construction in progress	127,371	140,397
Furniture and fixtures	852,206	768,629
Vehicles	174,011	174,011
Leasehold improvements	330,603	330,603
Computer software	<u>203,712</u>	<u>203,712</u>
Total property and equipment	4,999,929	4,444,355
Less accumulated depreciation	<u>( 1,344,841)</u>	<u>( 1,096,172)</u>
Total	<u>\$ 3,655,088</u>	<u>3,348,183</u>

Depreciation expense was \$248,670 and \$181,747 for the years ended June 30, 2011 and 2010, respectively.

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 Theatre's programs.

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, 2011 and 2010 is \$2,396,716 and \$2,474,236, respectively.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE D: RELATIONSHIP WITH FLORIDA STATE UNIVERSITY (CONTINUED)

The Theatre and Florida State University have negotiated an operating agreement whereby Florida State University pays the Theatre up to \$303,402, contingent upon an annual appropriation of the Legislature, for the years ending June 30, 2011 through 2014, for services rendered by the Theatre to the conservatory program. The previous contract, which expired on June 30, 2010, allowed for up to \$430,356 to be paid to the Theatre. The new agreement has a clause that the amount payable to the Theatre can be increased or decreased each year in proportion to increases or reductions in Florida State University's base budget related to the Asolo program. During the years ended June 30, 2011 and 2010, the Theatre was paid \$319,402 and \$304,652 in accordance with this agreement, respectively.

During the years ended June 30, 2011 and 2010, the Theatre paid \$337,829 and \$352,624 to Florida State University for student fellowship for the student conservatory program, respectively.

The Theatre collects box office receipts on behalf of Florida State University. As of June 30, 2011 and 2010, the amounts due to Florida State University for box office receipts totaled \$27,824 and \$30,587, respectively.

The above transactions are not necessarily indicative of the terms and amounts that would have been incurred had a comparable transaction been entered into with another party.

NOTE E: LINES OF CREDIT

During 2010, the Theatre had a line of credit with Fifth Third Bank totaling \$350,000, which was used to finance the purchase of a building in 2009. As of June 30, 2010, the entire amount of the line of credit was outstanding. The line of credit matured on August 22, 2010, and was paid in full during the 2011 fiscal year.

During 2011, the Theatre renewed the line of credit with Fifth Third for \$150,000. The line of credit secured by business assets of the Theatre, has an interest rate of LIBOR (0.73% at June 30, 2011) plus 3.9% and matures on May 4, 2012. There was no amount outstanding on the line of credit as of June 30, 2011.

NOTE F: DUE TO FLORIDA STATE UNIVERSITY FOUNDATION

During 2010, the Theatre entered into a gift agreement with Florida State University Foundation. The gift agreement requires the Theatre to make a gift over a five year period totaling \$2,000,001, creating the Asolo Repertory Theatre Endowment Fund, with an expectation that a portion of the contributions will potentially be matched by the state of Florida. If the funds are not matched, the Theatre has the right to request the return of any contributions three years subsequent to the completion of the gift. The balance of the amount due to Florida State University Foundation was \$1,900,001 and \$2,000,001 as of June 30, 2011 and 2010, respectively.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE G: MORTGAGE PAYABLE

During 2008, the Theatre opened a mortgage line of credit totaling \$1,200,000 secured by the buildings and any related assets. The mortgage matured on October 1, 2009, and was refinanced during the 2010 fiscal year. The new note carried an interest rate of 6.75% and required principal and interest payments to be paid monthly. There was \$942,728 outstanding on the mortgage payable as of June 30, 2010. During fiscal year 2011, the entire mortgage balance was paid in full.

NOTE H: 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:

2012	\$	40,217
2013		<u>10,054</u>
Total	\$	<u><u>50,271</u></u>

Rent expense under this agreement for the years ending June 30, 2011 and 2010, was \$40,217 and is included in maintenance in the statement of functional expenses. Additionally, the Theatre has other short-term leases on a month-to-month basis. Total rent expense for these other short-term leases for the years ending June 30, 2011 and 2010, was \$7,852 and \$217,944, respectively.

NOTE I: BOARD DESIGNATED NET ASSETS

The Board of the Theatre has designated investments as an operating reserve in the amount of \$1,104,218 and \$751,136 as of June 30, 2011 and 2010, respectively.

NOTE J: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Co-producers	\$ 212,890	102,500
Season presenters	70,455	118,750
Scholarships	77,950	65,338
Production center renovations	121,881	221,774
Artistic enhancement	70,000	--
Other	<u>46,610</u>	<u>17,750</u>
Total	<u><u>\$ 599,786</u></u>	<u><u>526,112</u></u>

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE K: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are donations restricted for endowment in which the principal is invested in perpetuity and the income is expendable in accordance with the Trust Indenture.

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 5% of annual gross salary to the plan, exclusive of overtime pay. Employee contribution to the plan is optional. Total expense for the years ended June 30, 2011 and 2010, was approximately \$40,000 and \$31,000, respectively.

NOTE M: CONCENTRATIONS OF CREDIT RISK

The Theatre has significant investments in mutual funds which are subject to concentrations of credit risk. Investments are managed by investment managers engaged by the Theatre utilizing an investment policy as determined by the Board of Trustees. 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.

NOTE N: ENDOWMENT INVESTMENTS

The Theatre holds three investment accounts that are established as endowments. The Board of Trustees of the Theatre has interpreted the Uniform Management of Institutional Funds Act of 1972 (UMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment fund, absent donor stipulations to the contrary. As a result of this interpretation, the Theatre classifies the original value of the gift as permanently restricted. The remaining portion of the donor-restricted endowment fund is classified as unrestricted, board designated net assets. The unrestricted portion of the endowment fund may be used at the Board of Directors' discretion as the Board has concluded to use these funds as an operating reserve for the Theatre.

The Theatre has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that meet the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Theatre expects its endowment funds, over time, to provide a minimum return objective of the inflation rate (CPI) plus 5% over a complete market cycle (three to five years). Actual returns in any given year may vary from this amount.

ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE N: ENDOWMENT INVESTMENTS (CONTINUED)

To satisfy its long-term rate-of-return objectives, the Theatre relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Theatre 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.

The Theatre has a policy of appropriating for distribution each year no more than 25% of its endowment fund's capital gains realized by the trust upon the sale or other disposition of the endowment in the preceding fiscal year.

The endowment net asset composition as of June 30, 2011 and 2010, is made entirely of donor-restricted funds (permanently restricted), of which income earned has been board designated (unrestricted).

The endowment net asset composition as of June 30, is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total at June 30, 2011</u>
Donor-restricted endowment funds	\$ ( 792,500)	3,445,835	2,653,335
Board-designated endowment funds	651,040	--	651,040
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total funds	<u>\$ ( 141,460)</u>	<u>3,445,835</u>	<u>3,304,375</u>
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total at June 30, 2010</u>
Donor-restricted endowment funds	\$ ( 792,500)	3,262,700	2,470,200
Board-designated endowment funds	374,893	--	374,893
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total funds	<u>\$ ( 417,607)</u>	<u>3,262,700</u>	<u>2,845,093</u>

The endowments, in addition to other board designated investments, are managed by Bessemer Trust. The changes in these endowment investment accounts for the years ended June 30, 2011 and 2010, are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Bessemer accounts, July 1, 2009	\$ ( 813,858)	3,303,960	2,490,102
Reclassification	--	( 180,510)	( 180,510)
Deposits	--	139,250	139,250
Appropriations	234,166	--	234,166
Investment return			
Investment income, net of fees	47,227	--	47,227
Net appreciation (realized and unrealized)	114,858	--	114,858
Endowment Bessemer accounts, June 30, 2010	<u>( 417,607)</u>	<u>3,262,700</u>	<u>2,845,093</u>
Total endowments, June 30, 2010	<u>\$ ( 417,607)</u>	<u>3,262,700</u>	<u>2,845,093</u>

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ASOLO THEATRE, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE N: ENDOWMENT INVESTMENTS (CONTINUED)

Endowment Bessemer accounts, July 1, 2010	\$ ( 417,607)	3,262,700	2,845,093
Deposits	--	183,135	183,135
Appropriations	( 143,000)	--	( 143,000)
Investment return			
Investment income, net of fees	76,878	--	76,878
Net appreciation (realized and unrealized)	<u>342,269</u>	<u>--</u>	<u>342,269</u>
Endowment Bessemer accounts, June 30, 2011	<u>\$ ( 141,460)</u>	<u>3,445,835</u>	<u>3,304,375</u>

NOTE O: PRIOR PERIOD ADJUSTMENTS

Certain transactions prior to July 1, 2009, were originally recognized as permanently restricted but were later identified to have been unrestricted net assets based on the nature of the initial transaction. These transactions have been reclassified as a prior period adjustment to the beginning net asset classifications as of July 1, 2009. The adjustment had not affect on the change in net assets or total net assets for the year ended June 30, 2010

Additionally, an adjustment was made to the year ended June 30, 2010, to record contribution expense and an offsetting amount due to Florida State University Foundation in the amount of \$2,000,001.