

ASOLO THEATRE, INC.
FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Asolo Theatre, Inc.
Sarasota, Florida

We have audited the accompanying financial statements of Asolo Theatre, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asolo Theatre, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 20, 2015

ASOLO THEATRE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
ASSETS					
Cash and cash equivalents	\$ 1,155,435	-	541,438	(24,998)	1,671,875
Investments	61,931	4,723,639	1,123,811	5,415,524	11,324,905
Accounts receivable, net	160,330	-	-	-	160,330
Due from other fund	(792,500)	-	-	792,500	-
Grants receivable	-	-	28,880	-	28,880
Pledge receivable, net	-	-	-	199,890	199,890
Prepaid expenses and other current assets	148,063	-	-	-	148,063
Property and equipment, net	3,925,115	-	-	-	3,925,115
Prepaid lease, net	2,164,156	-	-	-	2,164,156
Interest in settlement distributions	21,611	-	-	-	21,611
Deposits	7,365	-	-	-	7,365
TOTAL ASSETS	\$ 6,851,506	4,723,639	1,694,129	6,382,916	19,652,190
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 296,880	-	-	-	296,880
Due to Florida State University Foundation	1,900,001	-	-	-	1,900,001
Deferred revenue	1,104,106	-	-	-	1,104,106
Total liabilities	3,300,987	-	-	-	3,300,987
Net assets	3,593,069	4,681,089	1,694,129	6,382,916	16,351,203
TOTAL LIABILITIES AND NET ASSETS	\$ 6,894,056	4,681,089	1,694,129	6,382,916	19,652,190

ASOLO THEATRE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
ASSETS					
Cash and cash equivalents	\$ 688,644	-	566,388	5,418	1,260,450
Investments	81,756	3,837,555	664,184	3,277,876	7,861,371
Accounts receivable, net	210,931	-	-	-	210,931
Due from other fund	(792,500)	-	-	792,500	-
Grants receivable	-	-	88,752	-	88,752
Pledge receivable, net	-	-	-	299,372	299,372
Prepaid expenses and other current assets	72,246	-	-	-	72,246
Property and equipment, net	3,781,935	-	-	-	3,781,935
Prepaid lease, net	2,241,676	-	-	-	2,241,676
Interest in settlement distributions	31,500	-	-	-	31,500
Deposits	12,841	-	-	-	12,841
TOTAL ASSETS	\$ 6,329,029	3,837,555	1,319,324	4,375,166	15,861,074
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 189,463	-	-	-	189,463
Due to Florida State University Foundation	1,900,001	-	-	-	1,900,001
Deferred revenue	988,600	-	-	-	988,600
Total liabilities	3,078,064	-	-	-	3,078,064
Net assets	3,250,965	3,837,555	1,319,324	4,375,166	12,783,010
TOTAL LIABILITIES AND NET ASSETS	\$ 6,329,029	3,837,555	1,319,324	4,375,166	15,861,074

See accompanying notes.

ASOLO THEATRE, INC.
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2014

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Operating revenue					
Resident season	\$ 4,367,616	-	-	-	4,367,616
Scene and costume shops	323,975	-	-	-	323,975
Total operating revenue	<u>4,691,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,691,591</u>
Operating expenses					
Production costs					
Resident season	4,200,955	-	-	-	4,200,955
FSU/Asolo conservatories	304,921	-	-	-	304,921
Scene and costume shops	2,103,379	-	-	-	2,103,379
Total production costs	<u>6,609,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,609,255</u>
Support services					
General and administrative	994,674	-	-	-	994,674
Development	768,363	-	-	-	768,363
Total support services	<u>1,763,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,763,037</u>
Total operating expenses	<u>8,372,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,372,292</u>
Decrease in net assets from operations	(3,680,701)	-	-	-	(3,680,701)
Contributions, support and other revenue					
Contributions	2,856,298	96,000	488,700	2,007,750	5,448,748
State grants	36,474	-	-	-	36,474
Other government grants	88,397	-	-	-	88,397
Investment income	5,134	674,034	705,124	-	1,384,292
Other revenue	359,329	-	-	-	359,329
Total contributions, support and other revenue	<u>3,345,632</u>	<u>770,034</u>	<u>1,193,824</u>	<u>2,007,750</u>	<u>7,317,240</u>
Special event revenue	515,019	-	-	-	515,019
Less costs of direct benefits to donors and fundraising expenses	<u>233,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,422</u>
Net special event revenue	<u>281,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,597</u>
Total contributions, support and other revenue	3,627,229	770,034	1,193,824	2,007,750	7,598,837
Board designation of assets	(98,500)	98,500	-	-	-
Use of board designated assets	25,000	(25,000)	-	-	-
Net assets released from restrictions	<u>819,019</u>	<u>-</u>	<u>(819,019)</u>	<u>-</u>	<u>-</u>
Net increase in net assets, before depreciation and amortization	692,047	843,534	374,805	2,007,750	3,918,136
Depreciation and amortization	<u>349,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,942</u>
Net increase in net assets	342,105	843,534	374,805	2,007,750	3,568,194
Net assets, beginning of the year	<u>3,250,964</u>	<u>3,837,555</u>	<u>1,319,324</u>	<u>4,375,166</u>	<u>12,783,009</u>
Net assets, end of the year	<u>\$ 3,593,069</u>	<u>4,681,089</u>	<u>1,694,129</u>	<u>6,382,916</u>	<u>16,351,203</u>

ASOLO THEATRE, INC.
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2013

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Operating revenue					
Resident season	\$ 3,756,360	-	-	-	3,756,360
Scene and costume shops	406,339	-	-	-	406,339
Total operating revenue	<u>4,162,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,162,699</u>
Operating expenses					
Production costs					
Resident season	3,980,488	-	-	-	3,980,488
FSU/Asolo conservatories	327,045	-	-	-	327,045
Scene and costume shops	2,111,136	-	-	-	2,111,136
Total production costs	<u>6,418,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,418,669</u>
Support services					
General and administrative	780,001	-	-	-	780,001
Development	705,476	-	-	-	705,476
Total support services	<u>1,485,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,485,477</u>
Total operating expenses	<u>7,904,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,904,146</u>
Decrease in net assets from operations	(3,741,447)	-	-	-	(3,741,447)
Contributions, support and other revenue					
Contributions	2,932,901	3,217,155	613,423	176,803	6,940,282
State grants	40,436	-	-	-	40,436
Other government grants	80,222	-	-	-	80,222
Investment income (loss)	6,050	77,790	241,585	-	325,425
Gain on sale of equipment	1,000	-	-	-	1,000
Other revenue	323,310	-	-	-	323,310
	<u>3,383,919</u>	<u>3,294,945</u>	<u>855,008</u>	<u>176,803</u>	<u>7,710,675</u>
Special event revenue	475,294	-	-	-	475,294
Less costs of direct benefits to donors and fundraising expenses	<u>156,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,870</u>
Net special event revenue	<u>318,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,424</u>
Total contributions, support and other revenue	3,702,343	3,294,945	855,008	176,803	8,029,099
Board designation of assets	(50,000)	50,000			
Use of board designated assets	32,153	(32,153)	-	-	-
Net assets released from restrictions	<u>420,047</u>	<u>-</u>	<u>(420,047)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in net assets, depreciation and amortization	363,096	3,312,792	434,961	176,803	4,287,652
Depreciation and amortization	<u>289,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,526</u>
Net increase (decrease) in net assets	73,570	3,312,792	434,961	176,803	3,998,126
Net assets, beginning of the year	3,177,395	949,362	459,764	4,198,363	8,784,884
Reclassification of net asset restrictions	<u>-</u>	<u>(424,599)</u>	<u>424,599</u>	<u>-</u>	<u>-</u>
Net assets, end of the year	<u>\$ 3,250,965</u>	<u>3,837,555</u>	<u>1,319,324</u>	<u>4,375,166</u>	<u>12,783,010</u>

See accompanying notes.

ASOLO THEATRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services			Support Services		Total
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic personnel						
Equity salaries	\$ 432,445	-	-	-	-	432,445
Other artistic personnel	1,183,142	-	-	-	-	1,183,142
Benefits and payroll taxes	327,380	-	-	-	-	327,380
Total artistic personnel	1,942,967	-	-	-	-	1,942,967
Production expenses						
Production salaries	-	-	1,312,975	-	-	1,312,975
Benefits and payroll taxes	-	-	338,882	-	-	338,882
Costumes	-	-	89,246	-	-	89,246
Scenery	-	-	171,999	-	-	171,999
Properties	3,405	-	59,332	-	-	62,737
Sound	8,904	-	-	-	-	8,904
Lighting	14,248	-	-	-	-	14,248
Royalties	334,625	-	-	-	-	334,625
General	104,981	-	21,010	-	-	125,991
Total production expenses	466,163	-	1,993,444	-	-	2,459,607
Total artistic personnel and production expenses	2,409,130	-	1,993,444	-	-	4,402,574
General						
Administrative salaries	565,886	-	-	270,023	338,987	1,174,896
Benefits and payroll taxes	127,987	-	-	258,089	39,250	425,326
Advertising	681,220	-	-	-	-	681,220
Brochures and printing	57,627	-	-	27	7,657	65,311
Telemarketing	-	-	-	-	-	-
Concessions	6,450	-	-	-	-	6,450
Other marketing	87,121	-	30	-	7,785	94,936
Rent	32,721	-	560	2,356	-	35,637
Utilities	-	-	51,942	104	-	52,046
Maintenance	5,581	-	37,717	97,435	-	140,733
Travel, equity	60,818	-	-	-	-	60,818
Travel and entertainment	64,096	-	1,629	3,678	1,432	70,835
Telephone	-	-	4,399	17,367	-	21,766
Legal and accounting	-	-	-	57,598	-	57,598
Insurance	-	-	-	64,071	-	64,071
Dues, subscriptions and literature	4,198	-	-	-	1,378	5,576
Office supplies and postage	35,642	-	12,664	17,091	13,287	78,684
Miscellaneous	23,629	-	929	181,379	30	205,967
Condo fees	-	-	-	24,998	-	24,998
Opening and closing night dinners	-	-	-	-	306,224	306,224
Cultivation and stewardship	-	-	-	-	20,966	20,966
Capital campaign	-	-	-	-	26,720	26,720
Consulting	7,020	-	-	-	4,163	11,183
Personnel recruitment	30,914	-	65	458	145	31,582
Training and education	915	304,921	-	-	339	306,175
Total general expenses	1,791,825	304,921	109,935	994,674	768,363	3,969,718
Total expenses before depreciation and amortization	4,200,955	304,921	2,103,379	994,674	768,363	8,372,292
Depreciation and amortization	244,969	-	-	104,973	-	349,942
Total expenses	\$ 4,445,924	304,921	2,103,379	1,099,647	768,363	8,722,234

ASOLO THEATRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program Services			Support Services		Total
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic personnel						
Equity salaries	\$ 411,960	-	-	-	-	411,960
Other artistic personnel	1,116,872	-	-	-	-	1,116,872
Benefits and payroll taxes	320,357	-	-	-	-	320,357
Total artistic personnel	1,849,189	-	-	-	-	1,849,189
Production expenses						
Production salaries	-	-	1,374,071	-	-	1,374,071
Benefits and payroll taxes	-	-	323,841	-	-	323,841
Costumes	-	-	79,531	-	-	79,531
Scenery	-	-	176,636	-	-	176,636
Properties	5,940	-	38,141	-	-	44,081
Sound	8,448	-	-	-	-	8,448
Lighting	10,153	-	-	-	-	10,153
Royalties	313,546	-	-	-	-	313,546
General	1,285	-	17,288	-	-	18,573
Total production expenses	339,372	-	2,009,508	-	-	2,348,880
Total artistic personnel and production expenses	2,188,561	-	2,009,508	-	-	4,198,069
General						
Administrative salaries	524,600	-	-	142,678	291,570	958,848
Benefits and payroll taxes	65,260	-	-	246,776	33,865	345,901
Advertising	736,269	-	-	-	-	736,269
Brochures and printing	80,738	-	-	-	7,240	87,978
Telemarketing	1,841	-	-	-	18,693	20,534
Concessions	5,825	-	1,416	6,159	-	13,400
Other marketing	83,832	-	-	-	9,421	93,253
Rent	48,672	-	-	1,208	-	49,880
Utilities	-	-	43,954	1,051	-	45,005
Maintenance	1,316	-	34,123	123,726	-	159,165
Travel, equity	30,039	-	-	-	-	30,039
Travel and entertainment	70,231	-	3,094	3,619	1,627	78,571
Telephone	-	-	6,636	21,743	-	28,379
Legal and accounting	-	-	-	46,498	-	46,498
Insurance	-	-	-	50,492	-	50,492
Dues, subscriptions and literature	7,269	-	-	9,641	1,774	18,684
Office supplies and postage	42,542	-	10,425	11,668	14,993	79,628
Miscellaneous	52,630	-	1,890	73,506	848	128,874
Condo fees	-	-	-	23,247	-	23,247
Opening and closing night dinners	-	-	-	-	278,591	278,591
Cultivation and stewardship	-	-	-	-	9,603	9,603
Capital campaign	-	-	-	-	31,288	31,288
Consulting	12,888	-	-	-	4,000	16,888
Personnel recruitment	27,466	-	-	462	1,040	28,968
Training and education	509	327,045	90	17,527	923	346,094
Total general expenses	1,791,927	327,045	101,628	780,001	705,476	3,706,077
Total expenses before depreciation and amortization	3,980,488	327,045	2,111,136	780,001	705,476	7,904,146
Depreciation and amortization	207,195	-	-	82,331	-	289,526
Total expenses	\$ 4,187,683	327,045	2,111,136	862,332	705,476	8,193,672

See accompanying notes.

ASOLO THEATRE, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2014	2013
Cash flows from operating activities		
Increase in net assets	\$ 3,568,194	3,998,126
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Bad debt	-	8,670
Depreciation	272,424	212,006
Amortization	77,518	77,520
Net unrealized/realized gains on investments	(1,174,912)	(237,256)
Contributions restricted for long-term investments	(2,007,750)	(176,803)
Interest in settlement distributions	9,889	-
Changes in operating assets and liabilities		
Accounts receivable	50,601	(39,671)
Grants receivable	59,872	(88,752)
Pledge receivable	99,482	99,681
Prepaid expenses and other current assets	(75,815)	34,628
Deposits	5,476	97
Accounts payable and accrued expenses	107,417	(73,860)
Deferred revenue	115,505	47,506
Net cash provided by operating activities	<u>1,107,901</u>	<u>3,861,892</u>
Cash flows from investing activities		
Purchase of property and equipment	(415,604)	(186,522)
Proceeds from sale of equipment	-	1,000
Purchase of investments	(15,935,832)	(3,975,438)
Sale of investments	13,647,210	365,500
Net cash used in investing activities	<u>(2,704,226)</u>	<u>(3,795,460)</u>
Cash flows from financing activities		
Proceeds from contributions restricted to endowment	<u>2,007,750</u>	<u>176,803</u>
Net cash provided by financing activities	<u>2,007,750</u>	<u>176,803</u>
Net increase in cash	411,425	243,235
Cash at beginning of year	<u>1,260,450</u>	<u>1,017,215</u>
Cash at end of year	<u>\$ 1,671,875</u>	<u>1,260,450</u>

See accompanying notes.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Theatre and Nature of Activities: 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, Grant Receivable and Pledge Receivable: The Theatre records its accounts receivable, grant receivable and pledge receivable 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 for accounts receivable was \$5,000 at June 30, 2014 and 2013. There was no allowance for doubtful accounts for the grant receivable at June 30, 2014, or the pledge receivable at June 30, 2014 and 2013.

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 1/36th 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 \$21,611 and \$31,500 as of June 30, 2014 and 2013, respectively.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

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 ratable 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 \$745,000 and \$820,000 for the years ended June 30, 2014 and 2013, 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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising: Advertising expense consists of newspaper and broadcast advertising. Advertising expense was approximately \$681,000 and \$736,000 for the years ended June 30, 2014 and 2013, respectively, and was expensed as incurred. Of this amount, \$178,000 and \$268,000 were donated by cable companies and local cable television channels and \$237,000 and \$210,000 by local newspapers for the years ended June 30, 2014 and 2013, 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, 2011.

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 20, 2015, the date the financial statements were available to be issued.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B: INVESTMENTS

At June 30, investments consisted of the following:

	2014	2013
Cash and cash equivalents	\$ 615,717	1,630,466
Certificates of deposits	61,931	61,358
Weiller value fund limited partnership	488,012	220,862
Mutual funds		
Fixed income	-	1,158,762
U.S. large cap	-	531,156
Non-U.S. large cap	-	541,342
Global small and mid cap	-	427,967
Global opportunities	-	574,940
Real return/commodities	-	133,577
Diversified emerging markets	661,392	319,350
European stocks	537,250	217,746
Inflation-protected bonds	417,866	371,274
Foreign large blend	1,822,581	509,066
U.S. large blend	-	1,163,505
Mid-cap value	695,206	-
Bank loan	873,467	-
Intermediate term bond	291,897	-
World bond	423,238	-
Energy limited partnership	367,550	-
Mid-cap blend	284,317	-
Small blend	279,916	-
Real estate	221,699	-
Foreign small/mid value	220,723	-
Japan stock	49,625	-
Large growth	258,343	-
Large blend	2,754,175	-
Total mutual funds	<u>10,159,245</u>	<u>5,948,685</u>
Total investments	<u>\$ 11,324,905</u>	<u>7,861,371</u>

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

	2014	2013
Interest and dividend income	\$ 218,126	92,817
Realized and unrealized gains	1,174,912	237,256
Fees	<u>(8,746)</u>	<u>(4,648)</u>
Total	<u>\$ 1,384,292</u>	<u>325,425</u>

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B: INVESTMENTS (CONTINUED)

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.

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, 2014 and 2013, 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, 2014
Cash and cash equivalents	\$ 615,717	-	-	615,717
Certificates of deposits	61,931	-	-	61,931
Weiller value fund limited partnership	50,989	281,524	155,499	488,012
Mutual funds				
Diversified emerging markets	661,392	-	-	661,392
European stocks	537,250	-	-	537,250
Inflation-protected bonds	417,866	-	-	417,866
Foreign large blend	1,822,581	-	-	1,822,581
Mid-cap value	695,206	-	-	695,206
Bank loan	873,467	-	-	873,467
Intermediate term bond	291,897	-	-	291,897
World bond	423,238	-	-	423,238
Energy limited partnership	367,550	-	-	367,550
Mid-cap blend	284,317	-	-	284,317
Small blend	279,916	-	-	279,916
Real estate	221,699	-	-	221,699
Foreign small/mid value	220,723	-	-	220,723
Japan stock	49,625	-	-	49,625
Large growth	258,343	-	-	258,343
Large blend	2,754,175	-	-	2,754,175
	<u>2,754,175</u>	<u>-</u>	<u>-</u>	<u>2,754,175</u>
Total investments	<u>\$ 10,887,882</u>	<u>281,524</u>	<u>155,499</u>	<u>11,324,905</u>

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B: INVESTMENTS (CONTINUED)

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at June 30, 2013
Cash and cash equivalents	\$ 1,630,466	-	-	1,630,466
Certificates of deposits	61,358	-	-	61,358
Weiller value fund limited partnership	27,483	125,107	68,272	220,862
Mutual funds				
Fixed income	1,158,762	-	-	1,158,762
U.S. large cap	531,156	-	-	531,156
Non-U.S. large cap	541,342	-	-	541,342
Global small and mid cap	427,967	-	-	427,967
Global opportunities	574,940	-	-	574,940
Real return/commodities	133,577	-	-	133,577
Diversified emerging markets	319,350	-	-	319,350
European stocks	217,746	-	-	217,746
Inflation-protected bonds	371,274	-	-	371,274
Foreign large blend	509,066	-	-	509,066
U.S. large blend	1,163,505	-	-	1,163,505
Total investments	<u>\$ 7,667,992</u>	<u>125,107</u>	<u>68,272</u>	<u>7,861,371</u>

As of June 30, 2014 and 2013, the Theatre did not have any financial liabilities measured at fair value.

Level 2 and Level 3 assets are valued using the market approach where fair value is measured considering the perspective of the market participant rather than an entity-specific measure. These assets are measured using prices and inputs that are current and the best available as of the measurement date which are based on assumptions made by management of each investment within the limited partnerships assets.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B: INVESTMENTS (CONTINUED)

The following is a reconciliation of the Theatre's Level 3 assets for which significant unobservable inputs were used to determine fair value:

Balance as of June 30, 2012	\$ 3,087
Contributions	30,912
Interest and dividends	4,761
Change in unrealized appreciation	<u>29,512</u>
Balance as of June 30, 2013	<u>\$ 68,272</u>
Contributions	\$ 31,864
Interest and dividends	13,430
Change in unrealized appreciation	<u>41,933</u>
Balance as of June 30, 2014	<u>\$ 155,499</u>

Changes in unrealized appreciation in Level 3 assets are reported as investment income in the statement of activities.

NOTE C: PROMISES TO GIVE

Unconditional promises to give are due to be collected as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Pledges receivable, less than 1 year	\$ 100,000	100,000
Pledges receivable, 1 to 5 years	100,000	200,000
Discount on pledges receivable	<u>(110)</u>	<u>(628)</u>
Pledges receivable, net	<u>\$ 199,890</u>	<u>299,372</u>

The discount on the pledge is calculated using an interest rate equivalent to the current risk free rate at the time the promise is made which is .21%.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 293,797	293,797
Buildings and improvements	3,411,943	3,408,221
Construction in progress	38,820	53,207
Furniture and fixtures	1,443,593	1,066,592
Vehicles	183,985	183,985
Leasehold improvements	365,165	357,270
Computer software	248,564	207,192
Total property and equipment	<u>5,985,867</u>	<u>5,570,264</u>
Less accumulated depreciation	<u>(2,060,752)</u>	<u>(1,788,329)</u>
Total	<u>\$ 3,925,115</u>	<u>3,781,935</u>

Depreciation expense was \$272,424 and \$212,006 for the years ended June 30, 2014 and 2013, respectively.

NOTE E: 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, 2014 and 2013, is \$2,164,156 and \$2,241,676, respectively.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E: 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 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, 2014 and 2013, the Theatre was paid \$319,402 in accordance with this agreement.

During the years ended June 30, 2014 and 2013, the Theatre paid \$304,921 and \$327,045, respectively, to Florida State University for student fellowship for the student conservatory program. The Florida State University Foundation holds and manages six named funds that are restricted for the benefit of the Theatre and Florida State University student fellowship program. These funds are not controlled by the Theatre. Distributions from the funds to benefit the student fellowship program totaled \$76,656 and \$71,539 for the years ended June 30, 2014 and 2013, respectively. The total of these two funding sources \$381,577 and \$398,584 for the years ended June 30, 2014 and 2013, respectively, represent the Theatre's total obligation to support the Florida State University student conservatory program. An agreement between the Florida State University Foundation and the Theatre requires distributions to reduce the amount owed by the Theatre for the fellowship support.

The Theatre collects box office receipts on behalf of Florida State University. As of June 30, 2014 and 2013, the amounts due to Florida State University for box office receipts totaled \$28,108 and \$21,813, 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 F: LINE OF CREDIT

The Theatre has a line of credit with Fifth Third Bank for \$150,000. The line of credit, secured by business assets of the Theatre, has an interest rate at prime (3.25% at June 30, 2014) plus 2.5% and matures on May 4, 2015. There was no amount outstanding on the line of credit as of June 30, 2014 and 2013.

NOTE G: 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 as of June 30, 2014 and 2013.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H: LEASE COMMITMENTS

The Theatre leases office equipment under an operating lease agreement, which expires in 2017. Future minimum rental payments required under this lease agreement are as follows:

	2015	\$	46,241
	2016		46,241
	2017		<u>26,974</u>
	Total	\$	<u><u>119,456</u></u>

Rent expense under this agreement for the years ending June 30, 2014 and 2013, was \$40,217 and \$45,846, respectively, 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, 2014 and 2013, was \$35,637 and \$49,880, respectively.

NOTE I: BOARD DESIGNATED NET ASSETS

The Board of the Theatre has designated investments as an operating reserve in the amount of \$4,723,639 and \$3,837,555 as of June 30, 2014 and 2013, respectively.

NOTE J: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Co-producers	\$ 217,937	257,500
Season presenters	25,000	25,000
Individual, corporate and foundation angels	26,725	32,588
Scholarships	68,750	83,704
Production center renovations	102,288	41,717
Access to the Arts	23,000	16,800
Artistic enhancement	25,000	5,000
Endowment earnings	1,169,308	664,184
Software	81,618	184,515
Other	<u>-</u>	<u>8,316</u>
	<u><u>\$ 1,739,626</u></u>	<u><u>1,319,324</u></u>

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

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: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during fiscal years 2014 and 2013 by incurring expenses satisfying the restricted purpose specified by donees.

NOTE M: 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, 2014 and 2013, was approximately \$62,000 and \$68,000, respectively.

NOTE N: 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.

The Theatre has concentrated their credit risk for cash by maintaining deposits which may at times exceed amounts covered by insurance by the U.S. Federal Deposit Insurance Corporation ("FDIC"). Amounts in excess of FDIC limits at June 30, 2014, totaled approximately \$1,584,000.

NOTE O: RECLASSIFICATION OF NET ASSET RESTRICTIONS

Effective July 1, 2012, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The adoption of FUPMIFA required the reclassification of net assets from unrestricted, board designated to temporarily restricted in the year of adoption, which for the Theatre was the year ending June 30, 2013. The amount reclassified from unrestricted to temporarily restricted assets in regards to the adoption of FUPMIFA was \$424,599.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE P: ENDOWMENT INVESTMENTS

The Theatre holds three investment accounts that are established as endowments. The Board of Trustees of the Theatre has interpreted FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Theatre classifies as permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net asset is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Theatre in a manner consistent with the standard of prudence prescribed by FUPMIFA. Additionally, the appropriation of the endowment fund may be used solely at the Board of Directors' discretion as the Board has concluded to use these funds as an operating reserve for the Theatre.

In accordance with FUPMIFA, the Theatre considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Theatre and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Theatre;
7. The investment policies of the Theatre.

The Theatre has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns, and protect the Theatre against long-term inflation trends. 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.

ASOLO THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE P: ENDOWMENT INVESTMENTS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total at June 30, 2014
Donor-restricted endowment funds	\$ (792,500)	1,123,809	6,382,916	6,714,225
Board-designated endowment funds	-	-	-	-
Total funds	\$ (792,500)	1,123,809	6,382,916	6,714,225
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total at June 30, 2013
Donor-restricted endowment funds	\$ (792,500)	664,184	4,375,166	4,246,850
Board-designated endowment funds	-	-	-	-
Total funds	\$ (792,500)	664,184	4,375,166	4,246,850

The changes in the endowment for the years ended June 30, 2014 and 2013, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, July 1, 2012	\$ (367,901)	-	4,198,363	3,830,462
Reclassification due to adoption of FUPMIFA	(424,599)	424,599	-	-
Contributions	-	-	176,803	176,803
Appropriations	-	(2,000)	-	(2,000)
Investment return				
Investment income, net of fees	-	47,804	-	47,804
Net appreciation (realized and unrealized)	-	193,781	-	193,781
Total endowments, June 30, 2013	\$ (792,500)	664,184	4,375,166	4,246,850
Endowments, July 1, 2013	\$ (792,500)	664,184	4,375,166	4,246,850
Contributions	-	-	2,007,750	2,007,750
Appropriations	-	(245,499)	-	(245,499)
Investment return				
Investment income, net of fees	-	104,698	-	104,698
Net appreciation (realized and unrealized)	-	600,426	-	600,426
Total Endowments, June 30, 2014	\$ (792,500)	1,123,809	6,382,916	6,714,225