

Asolo Theatre, Inc.
Financial Statements and
Independent Auditor's Report
June 30, 2017 and 2016

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Kerkering, Barberio & Co.
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Asolo Theatre, Inc.
Sarasota, Florida

Report on the Financial Statements

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, 2017 and 2016, and the related statements of activities, cash flows and functional expenses 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asolo Theatre, Inc. as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sarasota, Florida
January 5, 2018

A handwritten signature in black ink that reads 'Kerkering Barberio & Co.' in a cursive script.

Asolo Theatre, Inc.
Statement of Financial Position
June 30, 2017

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>			
Assets					
Cash and cash equivalents	\$ 1,743,238	\$ 2,364,010	\$ 423,551	\$ 35,000	\$ 4,565,799
Investments	104,163	6,331,635	3,107,358	8,458,732	18,001,888
Due (to) from other fund	(792,500)	-	-	792,500	-
Accounts receivable, net	59,241	-	-	-	59,241
Grants receivable	-	-	63,303	-	63,303
Pledges receivable, net	-	-	722,462	184,115	906,577
Prepaid expenses and other current assets	232,052	-	-	-	232,052
Property and equipment, net	4,720,958	-	-	-	4,720,958
Prepaid lease, net	1,931,596	-	-	-	1,931,596
Other assets	10,045	-	-	-	10,045
Total Assets	<u>\$ 8,008,793</u>	<u>\$ 8,695,645</u>	<u>\$ 4,316,674</u>	<u>\$ 9,470,347</u>	<u>\$ 30,491,459</u>
Liabilities and Net Assets					
Accounts payable and accrued expenses	\$ 463,502	\$ -	\$ -	\$ -	\$ 463,502
Due to Florida State University Foundation	1,900,001	-	-	-	1,900,001
Deferred revenue	1,660,675	-	-	-	1,660,675
Total liabilities	<u>4,024,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,024,178</u>
Net Assets	<u>3,984,615</u>	<u>8,695,645</u>	<u>4,316,674</u>	<u>9,470,347</u>	<u>26,467,281</u>
Total Liabilities and Net Assets	<u>\$ 8,008,793</u>	<u>\$ 8,695,645</u>	<u>\$ 4,316,674</u>	<u>\$ 9,470,347</u>	<u>\$ 30,491,459</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Financial Position
June 30, 2016

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>			
Assets					
Cash and cash equivalents	\$ 2,132,028	\$ 719,471	\$ 520,803	\$ 10,000	\$ 3,382,302
Investments	73,565	6,548,545	854,308	7,737,290	15,213,708
Due (to) from other fund	(792,500)	-	-	792,500	-
Accounts receivable, net	104,038	-	-	-	104,038
Grants receivable	-	-	65,801	-	65,801
Pledges receivable, net	-	-	364,046	493,294	857,340
Prepaid expenses and other current assets	199,814	-	-	-	199,814
Property and equipment, net	4,034,515	-	-	-	4,034,515
Prepaid lease, net	2,009,116	-	-	-	2,009,116
Other assets	12,695	-	-	-	12,695
Total Assets	<u>\$ 7,773,271</u>	<u>\$ 7,268,016</u>	<u>\$ 1,804,958</u>	<u>\$ 9,033,084</u>	<u>\$ 25,879,329</u>
Liabilities and Net Assets					
Accounts payable and accrued expenses	\$ 551,533	\$ -	\$ -	\$ -	\$ 551,533
Due to Florida State University Foundation	1,900,001	-	-	-	1,900,001
Deferred revenue	1,474,855	-	-	-	1,474,855
Total liabilities	<u>3,926,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,926,389</u>
Net Assets	<u>3,846,882</u>	<u>7,268,016</u>	<u>1,804,958</u>	<u>9,033,084</u>	<u>21,952,940</u>
Total Liabilities and Net Assets	<u>\$ 7,773,271</u>	<u>\$ 7,268,016</u>	<u>\$ 1,804,958</u>	<u>\$ 9,033,084</u>	<u>\$ 25,879,329</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Activities
Year Ended June 30, 2017

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Operating revenue:					
Resident season	\$ 4,644,659	\$ -	\$ -	\$ -	\$ 4,644,659
Scene and costume shops	295,053	-	-	-	295,053
Total operating revenue	<u>4,939,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,939,712</u>
Operating expenses:					
Production costs:					
Resident season	5,148,870	-	-	-	5,148,870
FSU/Asolo conservatories	402,689	-	-	-	402,689
Scene and costume shops	2,670,695	-	-	-	2,670,695
Total production costs	<u>8,222,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,222,254</u>
Support services:					
General and administrative	1,277,756	-	-	-	1,277,756
Development	898,030	-	-	-	898,030
Total support services	<u>2,175,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,175,786</u>
Total operating expenses	<u>10,398,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,398,040</u>
Change in net assets from operations	<u>(5,458,328)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,458,328)</u>
Contributions, support and other revenue:					
Contributions	3,263,890	56,036	2,565,684	437,263	6,322,873
State grants	96,187	-	48,810	-	144,997
Other government grants	94,482	-	-	-	94,482
Investment income, net	30,814	1,099,839	1,225,715	-	2,356,368
Other revenue	1,116,342	-	-	-	1,116,342
	<u>4,601,715</u>	<u>1,155,875</u>	<u>3,840,209</u>	<u>437,263</u>	<u>10,035,062</u>
Special event revenue	642,347	-	-	-	642,347
Less costs of direct benefits to donors and fundraising expenses	<u>293,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,385</u>
Net special event revenue	<u>348,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,962</u>
Total contributions, support and other revenue	<u>4,950,677</u>	<u>1,155,875</u>	<u>3,840,209</u>	<u>437,263</u>	<u>10,384,024</u>
Board designation of assets	<u>(372,139)</u>	<u>372,139</u>	<u>-</u>	<u>-</u>	<u>-</u>
Use of board designated assets	<u>100,385</u>	<u>(100,385)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>1,328,493</u>	<u>-</u>	<u>(1,328,493)</u>	<u>-</u>	<u>-</u>
Net change in net assets before depreciation and amortization	549,088	1,427,629	2,511,716	437,263	4,925,696
Depreciation and amortization	<u>411,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,355</u>
Net change in net assets	137,733	1,427,629	2,511,716	437,263	4,514,341
Net assets, beginning of year	3,846,882	7,268,016	1,804,958	9,033,084	21,952,940
Net assets, end of year	<u>\$ 3,984,615</u>	<u>\$ 8,695,645</u>	<u>\$ 4,316,674</u>	<u>\$ 9,470,347</u>	<u>\$ 26,467,281</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Activities
Year Ended June 30, 2016

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Operating revenue:					
Resident season	\$ 6,111,272	\$ -	\$ -	\$ -	\$ 6,111,272
Scene and costume shops	160,080	-	-	-	160,080
Total operating revenue	<u>6,271,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,271,352</u>
Operating expenses:					
Production costs:					
Resident season	5,677,457	-	-	-	5,677,457
FSU/Asolo conservatories	389,912	-	-	-	389,912
Scene and costume shops	2,478,193	-	-	-	2,478,193
Total production costs	<u>8,545,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,545,562</u>
Support services:					
General and administrative	1,133,281	-	-	-	1,133,281
Development	604,469	-	-	-	604,469
Total support services	<u>1,737,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,737,750</u>
Total operating expenses	<u>10,283,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,283,312</u>
Change in net assets from operations	<u>(4,011,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,011,960)</u>
Contributions, support and other revenue:					
Contributions	2,681,931	1,686,975	1,074,818	883,215	6,326,939
State grants	73,581	-	-	-	73,581
Other government grants	98,211	-	-	-	98,211
Investment income (loss), net	5,392	(292,266)	108,001	-	(178,873)
Gain on disposal of equipment	4,249	-	-	-	4,249
Other revenue	614,761	-	-	-	614,761
	<u>3,478,125</u>	<u>1,394,709</u>	<u>1,182,819</u>	<u>883,215</u>	<u>6,938,868</u>
Special event revenue	680,411	-	-	-	680,411
Less costs of direct benefits to donors and fundraising expenses	<u>342,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,615</u>
Net special event revenue	<u>337,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,796</u>
Total contributions, support and other revenue	<u>3,815,921</u>	<u>1,394,709</u>	<u>1,182,819</u>	<u>883,215</u>	<u>7,276,664</u>
Board designation of assets	<u>(308,403)</u>	<u>308,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Use of board designated assets	<u>315,310</u>	<u>(315,310)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>956,930</u>	<u>-</u>	<u>(956,930)</u>	<u>-</u>	<u>-</u>
Net change in net assets before depreciation and amortization	767,798	1,387,802	225,889	883,215	3,264,704
Depreciation and amortization	<u>455,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,192</u>
Net change in net assets	312,606	1,387,802	225,889	883,215	2,809,512
Net assets, beginning of year	3,534,276	5,880,214	1,579,069	8,149,869	19,143,428
Net assets, end of year	<u>\$ 3,846,882</u>	<u>\$ 7,268,016</u>	<u>\$ 1,804,958</u>	<u>\$ 9,033,084</u>	<u>\$ 21,952,940</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			Support Services		Total
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic personnel:						
Equity salaries	\$ 582,365	\$ -	\$ -	\$ -	\$ -	\$ 582,365
Other artistic personnel	1,650,690	-	-	-	-	1,650,690
Benefits and payroll taxes	528,030	-	-	-	-	528,030
Total artistic personnel	<u>2,761,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,761,085</u>
Production:						
Production salaries	750	-	1,652,124	-	-	1,652,874
Benefits and payroll	-	-	417,322	-	-	417,322
Costumes	-	-	156,958	-	-	156,958
Scenery	1,614	-	243,059	-	-	244,673
Properties	1,035	-	44,782	-	-	45,817
Sound	16,270	-	-	-	-	16,270
Lighting	43,691	-	-	-	-	43,691
Royalties	506,454	-	-	-	-	506,454
General	1,565	-	1,729	-	-	3,294
Total production expenses	<u>571,379</u>	<u>-</u>	<u>2,515,974</u>	<u>-</u>	<u>-</u>	<u>3,087,353</u>
Total artistic personnel and production expenses	<u>3,332,464</u>	<u>-</u>	<u>2,515,974</u>	<u>-</u>	<u>-</u>	<u>5,848,438</u>
General:						
Administrative salaries	697,552	-	-	415,262	399,792	1,512,606
Benefits and payroll taxes	91,638	-	-	256,066	50,240	397,944
Advertising and promotion	601,500	-	-	-	-	601,500
Brochures and printing	97,582	-	-	-	12,534	110,116
Concessions	5,954	-	-	-	-	5,954
Other marketing	40,381	-	-	-	225	40,606
Rent	26,012	-	6,877	4,347	-	37,236
Utilities	-	-	54,105	2,212	-	56,317
Maintenance	3,508	-	54,721	173,069	-	231,298
Travel, equity	63,803	-	-	-	-	63,803
Travel and entertainment	74,029	-	3,232	5,426	2,363	85,050
Telephone	-	-	4,009	22,163	-	26,172
Legal and accounting	1,029	-	-	58,799	-	59,828
Insurance	-	-	-	83,829	-	83,829
Dues, subscriptions and literature	20,553	-	-	-	1,631	22,184
Office supplies and postage	47,868	-	28,515	21,680	16,176	114,239
Miscellaneous	20,081	402,689	-	201,362	1,316	625,448
Condo fees	-	-	-	31,239	-	31,239
Opening and closing night dinners	-	-	-	-	340,141	340,141
Cultivation and stewardship	-	-	-	-	41,531	41,531
Capital campaign	-	-	-	-	30,146	30,146
Consulting	19,824	-	-	-	300	20,124
Personnel recruitment	1,624	-	2,712	736	390	5,462
Training and education	3,468	-	550	1,566	1,245	6,829
Total general expenses	<u>1,816,406</u>	<u>402,689</u>	<u>154,721</u>	<u>1,277,756</u>	<u>898,030</u>	<u>4,549,602</u>
Total expenses before depreciation and amortization	<u>5,148,870</u>	<u>402,689</u>	<u>2,670,695</u>	<u>1,277,756</u>	<u>898,030</u>	<u>10,398,040</u>
Depreciation and amortization	<u>283,683</u>	<u>-</u>	<u>-</u>	<u>127,672</u>	<u>-</u>	<u>411,355</u>
Total functional expenses	<u>\$ 5,432,553</u>	<u>\$ 402,689</u>	<u>\$ 2,670,695</u>	<u>\$ 1,405,428</u>	<u>\$ 898,030</u>	<u>\$ 10,809,395</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services			Support Services		Total
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic Personnel:						
Equity salaries	\$ 527,302	\$ -	\$ -	\$ -	\$ -	\$ 527,302
Other artistic personnel	1,766,991	-	-	-	-	1,766,991
Benefits and payroll taxes	500,761	-	-	-	-	500,761
Total Artistic Personnel	<u>2,795,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,795,054</u>
Production:						
Production salaries	-	-	1,577,616	-	-	1,577,616
Benefits and payroll	-	-	385,448	-	-	385,448
Costumes	-	-	123,928	-	-	123,928
Scenery	-	-	197,363	-	-	197,363
Properties	2,331	-	44,788	-	-	47,119
Sound	14,274	-	-	-	-	14,274
Lighting	18,559	-	-	-	-	18,559
Royalties	422,410	-	-	-	-	422,410
General	130,447	-	26,276	-	-	156,723
Total Production Expenses	<u>588,021</u>	<u>-</u>	<u>2,355,419</u>	<u>-</u>	<u>-</u>	<u>2,943,440</u>
Total artistic personnel and production expenses	<u>3,383,075</u>	<u>-</u>	<u>2,355,419</u>	<u>-</u>	<u>-</u>	<u>5,738,494</u>
General:						
Administrative salaries	670,728	-	-	293,030	415,930	1,379,688
Benefits and payroll taxes	83,076	-	-	216,486	51,305	350,867
Advertising and promotion	766,985	-	-	-	-	766,985
Brochures and printing	81,529	-	28	-	12,062	93,619
Concessions	8,404	-	-	-	-	8,404
Other marketing	48,385	-	-	-	-	48,385
Rent	40,301	-	4,173	4,449	-	48,923
Utilities	-	-	52,854	366	-	53,220
Maintenance	411	-	35,938	153,966	-	190,315
Travel, equity	74,303	-	-	-	-	74,303
Travel and entertainment	56,679	-	6,815	2,748	1,763	68,005
Telephone	-	-	3,010	17,960	38	21,008
Legal and accounting	-	-	-	52,852	-	52,852
Insurance	-	-	-	92,803	-	92,803
Dues, subscriptions and literature	34,613	-	-	-	2,742	37,355
Office supplies and postage	44,256	-	19,244	28,915	13,693	106,108
Miscellaneous	19,671	-	682	234,971	902	256,226
Condo fees	-	-	-	33,215	-	33,215
Opening and closing night dinners	294,601	-	-	-	47,285	341,886
Cultivation and stewardship	-	-	-	-	33,981	33,981
Capital campaign	-	-	-	-	24,117	24,117
Consulting	14,915	-	-	-	-	14,915
Personnel recruitment	54,255	-	-	1,520	20	55,795
Training and education	1,270	389,912	30	-	631	391,843
Total general expenses	<u>2,294,382</u>	<u>389,912</u>	<u>122,774</u>	<u>1,133,281</u>	<u>604,469</u>	<u>4,544,818</u>
Total expenses before depreciation and amortization	<u>5,677,457</u>	<u>389,912</u>	<u>2,478,193</u>	<u>1,133,281</u>	<u>604,469</u>	<u>10,283,312</u>
Depreciation and amortization	<u>318,634</u>	<u>-</u>	<u>-</u>	<u>136,558</u>	<u>-</u>	<u>455,192</u>
Total functional expenses	<u>\$ 5,996,091</u>	<u>\$ 389,912</u>	<u>\$ 2,478,193</u>	<u>\$ 1,269,839</u>	<u>\$ 604,469</u>	<u>\$ 10,738,504</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Net change in net assets	\$ 4,514,341	\$ 2,809,512
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	411,355	455,192
Gain on disposal of equipment	-	(4,249)
Net unrealized/realized (gain) loss on investments	(1,902,595)	638,760
Contributions restricted for long-term investments	(437,263)	(883,215)
Change in operating assets and liabilities:		
Accounts receivable	44,797	(21,013)
Grants receivable	2,498	29,982
Pledges receivable	(49,237)	123,900
Prepaid expenses and other current assets	45,282	133,560
Other assets	2,650	7,186
Accounts payable and accrued expenses	(88,031)	288,223
Deferred revenue	185,820	39,139
Net cash provided by operating activities	2,729,617	3,616,977
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,097,798)	(538,430)
Proceeds from sale of equipment	-	4,249
Purchase of investments	(7,736,041)	(3,235,929)
Sales of investments	6,850,456	353,664
Net cash used in investing activities	(1,983,383)	(3,416,446)
Cash Flows from Financing Activities:		
Proceeds from contributions restricted to endowment	437,263	883,215
Net cash provided by financing activities	437,263	883,215
Net change in cash and cash equivalents	1,183,497	1,083,746
Cash and cash equivalents, beginning of year	3,382,302	2,298,556
Cash and cash equivalents, end of year	\$ 4,565,799	\$ 3,382,302

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

I. Organization

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.

2. Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are representations of the Theatre's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 Pledges Receivable

The Theatre records its accounts receivable, grant receivable and pledges 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 \$2,000 at June 30, 2017 and 2016. The allowance for pledges receivable was \$10,000 at June 30, 2017 and 2016. There was no allowance for doubtful accounts for the grant receivable at June 30, 2017 or 2016.

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.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

Interest in Settlement Distributions

During 2009, the Theatre was part of a settlement agreement between 36 not-for-profit organizations and the Hugh Culverhouse Family Foundation (the Foundation). The settlement was finalized during the Theatre's 2010 fiscal year. Under the settlement agreement, the Theatre receives a 1/36th distribution of the 80% mandatory distributable amount under the IRS code (5% of principal) until year 2029. After 2029, the Foundation may distribute remaining funds as the Foundation deems appropriate. Because of the uncertainty of what the 36 not-for-profits will receive, no amounts are recorded until received. The Theatre received \$14,900 and \$15,500 for the years ended June 30, 2017 and 2016, respectively.

The Theatre also had an interest in the remainder of a charitable remainder unitrust that was set up as a part of the settlement agreement with the Hugh Culverhouse Family Foundation. During the year ended June 30, 2017, the Theatre received a final distribution totaling \$84,054.

Deferred Revenue

Revenue from ticket sales is 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 under generally accepted accounting principles.

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 \$637,717 and \$829,400 for the years ended June 30, 2017 and 2016, respectively.

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.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

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.

Advertising

Advertising expense consists of newspaper and broadcast advertising. Advertising expense was approximately \$700,983 and \$767,000 for the years ended June 30, 2017 and 2016, respectively, and was expensed as incurred. Of this amount, \$127,500 and \$196,500 were donated by cable companies and local cable television channels and \$275,183 and \$298,300 by local newspapers for the years ended June 30, 2017 and 2016, respectively.

Income Taxes

The Theatre is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. 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.

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Theatre has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Theatre.

The Theatre files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Theatre is subject include fiscal years ended June 30, 2014 through June 30, 2017.

3. Investments

At June 30, investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Certificates of deposits	\$ 74,196	\$ 73,565
Weiller value fund limited partnership	620,831	546,554
Mutual funds	17,306,861	14,593,589
Total investments	<u>\$ 18,001,888</u>	<u>\$ 15,213,708</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 518,999	\$ 514,138
Realized and unrealized gains (losses)	1,902,595	(638,760)
Fees	(65,226)	(54,251)
Total	<u>\$ 2,356,368</u>	<u>\$ (178,873)</u>

Aolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

3. 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, 2017 and 2016, as follows, respectively:

Description	Fair Value at June 30, 2017	Level 1	Level 2	Level 3
Certificates of deposits	\$ 74,196	\$ 74,196	\$ -	\$ -
Weiller value fund limited partnership	620,831	-	-	620,831
Mutual funds:				
Short government	95,474	95,474	-	-
Intermediate government	258,261	258,261	-	-
Preferred stock	63,064	63,064	-	-
Inflation-protected bond	91,098	91,098	-	-
Diversified emerging markets	1,149,478	1,149,478	-	-
Foreign large value	2,020,445	2,020,445	-	-
Foreign large blend	1,474,995	1,474,995	-	-
Small-cap value	366,595	366,595	-	-
Mid-cap value	150,302	150,302	-	-
Intermediate term bond	3,045,594	3,045,594	-	-
Energy limited partnership	427,977	427,977	-	-
Small blend	379,033	379,033	-	-
Japan stock	769,073	769,073	-	-
Large growth	2,404,335	2,404,335	-	-
Large blend	1,673,641	1,673,641	-	-
Large value	2,937,496	2,937,496	-	-
Total investments	\$ 18,001,888	\$ 17,381,057	\$ -	\$ 620,831

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

3. Investments (Continued)

Description	Fair Value at June 30, 2016	Level 1	Level 2	Level 3
Certificates of deposits	\$ 73,565	\$ 73,565	\$ -	\$ -
Weiller value fund limited partnership	546,554	-	-	546,554
Mutual funds:				
Short government	96,412	96,412	-	-
Intermediate government	266,162	266,162	-	-
Preferred stock	64,223	64,223	-	-
Inflation-protected bond	91,829	91,829	-	-
Diversified emerging markets	1,162,657	1,162,657	-	-
European stocks	330,450	330,450	-	-
Foreign large value	1,152,980	1,152,980	-	-
Foreign large blend	1,355,280	1,355,280	-	-
Small-cap value	147,715	147,715	-	-
Mid-cap value	139,006	139,006	-	-
Intermediate term bond	3,049,983	3,049,983	-	-
Energy limited partnership	445,181	445,181	-	-
Small blend	135,233	135,233	-	-
Japan stock	74,421	74,421	-	-
Large growth	462,814	462,814	-	-
Large blend	1,696,408	1,696,408	-	-
Large value	3,922,835	3,922,835	-	-
Total investments	<u>\$ 15,213,708</u>	<u>\$ 14,667,154</u>	<u>\$ -</u>	<u>\$ 546,554</u>

As of June 30, 2017 and 2016, the Theatre did not have any financial liabilities measured at fair value.

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 partnership assets.

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, 2015	\$ 584,045
Contributions	25,000
Withdrawals	(28,000)
Change in unrealized depreciation	(34,491)
Balance as of June 30, 2016	<u>546,554</u>
Contributions	-
Withdrawals	(30,500)
Change in unrealized appreciation	104,777
Balance as of June 30, 2017	<u>\$ 620,831</u>

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

4. Pledges Receivable, Net

Unconditional promises to give are due to be collected as follows at June 30, 2017:

Pledges receivable, less than 1 year	\$	711,650
Pledges receivable, 1 year to 5 years		194,927
Pledges receivable, net	\$	<u>906,577</u>

5. Property and Equipment

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 293,797	\$ 293,797
Buildings and improvements	3,660,523	3,660,523
Construction in progress	732,240	31,715
Furniture and fixtures	2,146,538	1,847,190
Vehicles	230,892	210,485
Leasehold improvements	453,770	453,770
Computer software	257,798	257,798
Total property and equipment	<u>7,775,558</u>	<u>6,755,278</u>
Less accumulated depreciation	<u>(3,054,600)</u>	<u>(2,720,763)</u>
Total	\$ <u>4,720,958</u>	\$ <u>4,034,515</u>

6. 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 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, 2017 and 2016, is \$1,931,596 and \$2,009,116, respectively.

The Theatre and Florida State University have negotiated an operating agreement whereby Florida State University pays the Theatre up to \$311,402, contingent upon an annual appropriation of the Legislature, 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, 2017 and 2016, the Theatre was paid \$303,402 and \$311,402 in accordance with this agreement, respectively.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

6. Relationship with Florida State University (Continued)

During the years ended June 30, 2017 and 2016, the Theatre paid \$402,689 and \$389,912, 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 \$75,610 and \$80,944 for the years ended June 30, 2017 and 2016, respectively. The total of these two funding sources of \$478,299 and \$470,856 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the amounts due to Florida State University for box office receipts totaled \$64,979 and \$18,686, 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.

7. Line of Credit

The Theatre had a line of credit with Fifth Third Bank for \$150,000. In May 2016, the line of credit matured and was not renewed.

8. 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, 2017 and 2016. Due to the state matching program being suspended since 2011, no payments have been made in the past few years. Management is currently reviewing the agreement with Florida State University Foundation due to the uncertainty of the funds being matched.

9. Lease Commitments

The Theatre leases various office equipment under operating lease agreements which expire in 2021. Future minimum rental payments required under these lease agreements are as follows:

2018	\$	19,167
2019		18,000
2020		18,000
2021		12,000
Total	\$	<u>67,167</u>

Rent expense under this agreement for the years ending June 30, 2017 and 2016 was \$20,334 and \$32,943, 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, 2017 and 2016, was \$37,236 and \$48,923, respectively.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

10. Board Designated Net Assets

The Board of the Theatre has designated investments as an operating reserve in the amount of \$8,695,645 and \$7,268,016 as of June 30, 2017 and 2016, respectively.

11. Temporarily Restricted Net Assets

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

	2017	2016
Co-producers	\$ 329,530	\$ 443,581
Season presenters	280,000	75,000
Individual, corporate and foundation angels	164,881	164,208
Scholarships	103,500	90,000
Koski capital fund	1,784,585	100,001
Access to the Arts	77,900	55,500
Artistic enhancement	83,000	42,881
Endowment earnings	1,322,774	754,307
Other	170,504	79,480
	<u>\$ 4,316,674</u>	<u>\$ 1,804,958</u>

12. 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 Indentures.

13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during fiscal years 2017 and 2016 by incurring expenses satisfying the restricted purpose specified by donors.

14. 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, 2017 and 2016, was approximately \$91,900 and \$80,600, respectively.

15. 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.

16. 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.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

16. Endowment Investments (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets 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.

The Endowment net asset composition as of June 30 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>
Donor-restricted endowment fund	\$ (792,500)	\$ 1,322,775	\$ 9,470,347	\$ 10,000,622
Board-designated endowment funds	6,999,684	-	-	6,999,683
Total funds	<u>\$ 6,207,184</u>	<u>\$ 1,322,775</u>	<u>\$ 9,470,347</u>	<u>\$ 17,000,306</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>
Donor-restricted endowment fund	\$ (792,500)	\$ 754,307	\$ 9,033,084	\$ 8,994,891
Board-designated endowment funds	5,926,504	-	-	5,926,504
Total funds	<u>\$ 5,134,004</u>	<u>\$ 754,307</u>	<u>\$ 9,033,084</u>	<u>\$ 14,921,395</u>

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

16. Endowment Investments (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowments, July 1, 2015	\$ 3,947,079	774,164	8,149,869	12,871,112
Contributions	-	-	883,215	883,215
Appropriations		(127,858)		(127,858)
Net change in board designated	1,186,925	-	-	1,186,925
Investment return:				
Investment income, net of fees	-	108,001	-	108,001
Total endowment June 30, 2016	\$ <u>5,134,004</u>	\$ <u>754,307</u>	\$ <u>9,033,084</u>	\$ <u>14,921,395</u>
Endowments, July 1, 2016	5,134,004	754,307	9,033,084	14,921,395
Contributions	-	-	437,263	437,263
Appropriations		(377,843)	-	(377,843)
Net change in board designated	1,073,180	-	-	1,073,180
Investment return:				
Investment income, net of fees	-	946,311	-	946,311
Total Endowments, June 30, 2017	\$ <u>6,207,184</u>	\$ <u>1,322,775</u>	\$ <u>9,470,347</u>	\$ <u>17,000,306</u>

In past years, the Theatre borrowed \$792,500 from the endowment to be used for operations. The balance has been recorded on the accompanying statement of financial position as a due from other fund. The Theatre intends to pay the endowment funds back in the future.

17. Subsequent Events

The Theatre has evaluated all events subsequent to the statement of financial position date of June 30, 2017, through the date these financial statements were available for issuance, January 5, 2018 and has determined that, except for the following, there are no subsequent events that require disclosure under the FASB Accounting Standard Codification.

The Theatre closed on a planned real estate purchase of approximately \$2,100,000 for the Koski Production Campus II. The purchase occurred on August 29, 2017. As part of the terms of the purchase, a leaseback provision limits the Theatre's ability to take possession of the property until August 2018, or at the lessee's option to extend an additional year, until August 2019.