

Asolo Theatre, Inc.
Financial Statements and
Independent Auditor's Report
June 30, 2018 and 2017

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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 not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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
December 7, 2018



Asolo Theatre, Inc.
Statement of Financial Position
June 30, 2018

	<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	\$ 3,247,214	\$ 1,475,110	\$ 1,058,006	\$ 13,000	\$ 5,793,330
Investments	79,468	7,908,003	2,516,494	9,136,415	19,640,380
Due (to) from other fund	(792,500)	-	-	792,500	-
Accounts receivable, net	32,713	-	-	-	32,713
Grants receivable	-	-	81,834	-	81,834
Pledges receivable, net	-	-	654,780	31,990	686,770
Prepaid expenses and other current assets	354,682	-	-	-	354,682
Property and equipment, net	7,581,568	-	-	-	7,581,568
Prepaid lease, net	1,854,076	-	-	-	1,854,076
Other assets	7,909	-	-	-	7,909
Total Assets	\$ <u>12,365,130</u>	\$ <u>9,383,113</u>	\$ <u>4,311,114</u>	\$ <u>9,973,905</u>	\$ <u>36,033,262</u>
Liabilities and Net Assets					
Accounts payable and accrued expenses	\$ 464,797	\$ -	\$ -	\$ -	\$ 464,797
Due to Florida State University Foundation	1,900,001	-	-	-	1,900,001
Deferred revenue	3,234,419	-	-	-	3,234,419
Total liabilities	<u>5,599,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,599,217</u>
Net Assets	<u>6,765,913</u>	<u>9,383,113</u>	<u>4,311,114</u>	<u>9,973,905</u>	<u>30,434,045</u>
Total Liabilities and Net Assets	\$ <u>12,365,130</u>	\$ <u>9,383,113</u>	\$ <u>4,311,114</u>	\$ <u>9,973,905</u>	\$ <u>36,033,262</u>

See accompanying notes to financial statements.

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

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Designated			
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	\$ 8,008,793	\$ 8,695,645	\$ 4,316,674	\$ 9,470,347	\$ 30,491,459
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	4,024,178	-	-	-	4,024,178
Net Assets	3,984,615	8,695,645	4,316,674	9,470,347	26,467,281
Total Liabilities and Net Assets	\$ 8,008,793	\$ 8,695,645	\$ 4,316,674	\$ 9,470,347	\$ 30,491,459

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Activities
Year Ended June 30, 2018

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board Designated			
Operating revenue:					
Resident season	\$ 5,151,112	\$ -	\$ -	\$ -	\$ 5,151,112
Scene and costume shops	249,561	-	-	-	249,561
Total operating revenue	<u>5,400,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,400,673</u>
Operating expenses:					
Production costs:					
Resident season	5,467,674	-	-	-	5,467,674
FSU/Asolo conservatories	422,294	-	-	-	422,294
Scene and costume shops	2,854,638	-	-	-	2,854,638
Total production costs	<u>8,744,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,744,606</u>
Support services:					
General and administrative	1,162,042	-	-	-	1,162,042
Development	941,734	-	-	-	941,734
Total support services	<u>2,103,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,103,776</u>
Total operating expenses	<u>10,848,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,848,382</u>
Change in net assets from operations	<u>(5,447,709)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,447,709)</u>
Contributions, support and other revenue:					
Contributions	3,825,522	-	2,814,947	503,558	7,144,027
Government grants	92,842	-	-	-	92,842
Investment income, net	374	854,897	789,749	-	1,645,020
Other revenue	723,546	-	-	-	723,546
	<u>4,642,284</u>	<u>854,897</u>	<u>3,604,696</u>	<u>503,558</u>	<u>9,605,435</u>
Special event revenue	682,544	-	-	-	682,544
Less costs of direct benefits to donors and fundraising expenses	<u>352,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,920</u>
Net special event revenue	<u>329,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,624</u>
Total contributions, support and other revenue	<u>4,971,908</u>	<u>854,897</u>	<u>3,604,696</u>	<u>503,558</u>	<u>9,935,059</u>
Board designation of net assets	<u>(52,688)</u>	<u>52,688</u>	<u>-</u>	<u>-</u>	<u>-</u>
Use of board designated net assets	<u>220,117</u>	<u>(220,117)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>3,610,256</u>	<u>-</u>	<u>(3,610,256)</u>	<u>-</u>	<u>-</u>
Net change in net assets before depreciation and amortization	3,301,884	687,468	(5,560)	503,558	4,487,350
Depreciation and amortization	<u>520,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,586</u>
Net change in net assets	2,781,298	687,468	(5,560)	503,558	3,966,764
Net assets, beginning of year	3,984,615	8,695,645	4,316,674	9,470,347	26,467,281
Net assets, end of year	<u>\$ 6,765,913</u>	<u>\$ 9,383,113</u>	<u>\$ 4,311,114</u>	<u>\$ 9,973,905</u>	<u>\$ 30,434,045</u>

See accompanying notes to financial statements.

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

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>			
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	293,385	-	-	-	293,385
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 net assets	<u>(372,139)</u>	<u>372,139</u>	<u>-</u>	<u>-</u>	<u>-</u>
Use of board designated net 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.

Aolo Theatre, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services			Support Services		Total
	Resident Season	FSU/Aolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic personnel:						
Equity salaries	\$ 571,426	\$ -	\$ -	\$ -	\$ -	\$ 571,426
Other artistic personnel	1,780,565	-	-	-	-	1,780,565
Benefits and payroll taxes	577,342	-	-	-	-	577,342
Total artistic personnel	<u>2,929,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,929,333</u>
Production:						
Production salaries	-	-	1,838,552	-	-	1,838,552
Benefits and payroll	-	-	454,645	-	-	454,645
Costumes	-	-	141,395	-	-	141,395
Scenery	854	-	222,942	-	-	223,796
Properties	1,252	-	49,460	-	-	50,712
Sound	24,908	-	-	-	-	24,908
Lighting	33,853	-	-	-	-	33,853
Royalties	413,016	-	-	-	-	413,016
General	183,836	-	5,783	-	-	189,619
Total production expenses	<u>657,719</u>	<u>-</u>	<u>2,712,777</u>	<u>-</u>	<u>-</u>	<u>3,370,496</u>
Total artistic personnel and production expenses	<u>3,587,052</u>	<u>-</u>	<u>2,712,777</u>	<u>-</u>	<u>-</u>	<u>6,299,829</u>
General:						
Administrative salaries	806,011	-	19,070	229,445	428,514	1,483,040
Benefits and payroll taxes	92,716	-	-	314,034	53,173	459,923
Advertising and promotion	603,207	-	-	-	-	603,207
Brochures and printing	96,383	-	-	-	12,585	108,968
Concessions	5,663	-	-	-	-	5,663
Other marketing	46,452	-	-	-	-	46,452
Rent	16,211	-	6,166	5,315	-	27,692
Utilities	-	-	49,656	5,247	-	54,903
Maintenance	2,730	-	44,650	124,626	-	172,006
Travel, equity	54,338	-	-	-	-	54,338
Travel and entertainment	66,754	-	2,934	2,655	8,695	81,038
Telephone	-	-	3,844	24,037	-	27,881
Legal and accounting	-	-	-	59,008	-	59,008
Insurance	-	-	-	81,497	-	81,497
Dues, subscriptions and literature	9,170	-	-	-	1,437	10,607
Office supplies and postage	47,366	-	13,134	25,379	17,895	103,774
Miscellaneous	4,742	422,294	-	252,387	2,279	681,702
Condo fees	-	-	-	35,383	-	35,383
Opening and closing night dinners	-	-	-	-	334,688	334,688
Cultivation and stewardship	-	-	-	-	50,499	50,499
Capital campaign	-	-	-	-	26,411	26,411
Consulting	20,197	-	-	-	300	20,497
Personnel recruitment	7,087	-	1,085	1,020	1,573	10,765
Training and education	1,595	-	1,322	2,009	3,685	8,611
Total general expenses	<u>1,880,622</u>	<u>422,294</u>	<u>141,861</u>	<u>1,162,042</u>	<u>941,734</u>	<u>4,548,553</u>
Total expenses before depreciation and amortization	<u>5,467,674</u>	<u>422,294</u>	<u>2,854,638</u>	<u>1,162,042</u>	<u>941,734</u>	<u>10,848,382</u>
Depreciation and amortization	<u>359,205</u>	<u>-</u>	<u>-</u>	<u>161,381</u>	<u>-</u>	<u>520,586</u>
Total functional expenses	<u>\$ 5,826,879</u>	<u>\$ 422,294</u>	<u>\$ 2,854,638</u>	<u>\$ 1,323,423</u>	<u>\$ 941,734</u>	<u>\$ 11,368,968</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.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Net change in net assets	\$ 3,966,764	\$ 4,514,341
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	520,586	411,355
Net unrealized/realized gain on investments	(1,093,601)	(1,902,595)
Contributions restricted for long-term investments	(503,558)	(437,263)
Change in operating assets and liabilities:		
Accounts receivable	26,528	44,797
Grants receivable	(18,531)	2,498
Pledges receivable	219,807	(49,237)
Prepaid expenses and other current assets	(122,630)	45,282
Other assets	2,136	2,650
Accounts payable and accrued expenses	1,295	(88,031)
Deferred revenue	1,573,744	185,820
Net cash provided by operating activities	4,572,540	2,729,617
Cash Flows from Investing Activities:		
Purchase of property and equipment	(3,303,676)	(1,097,798)
Purchase of investments	(10,536,403)	(7,736,041)
Sales of investments	9,991,512	6,850,456
Net cash used in investing activities	(3,848,567)	(1,983,383)
Cash Flows from Financing Activities:		
Proceeds from contributions restricted to endowment	503,558	437,263
Net cash provided by financing activities	503,558	437,263
Net change in cash and cash equivalents	1,227,531	1,183,497
Cash and cash equivalents, beginning of year	4,565,799	3,382,302
Cash and cash equivalents, end of year	\$ 5,793,330	\$ 4,565,799

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017. The allowance for pledges receivable was \$10,000 at June 30, 2018 and 2017. There was no allowance for doubtful accounts for the grant receivable at June 30, 2018 or 2017.

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, 2018 and 2017

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 \$24,250 and \$14,900 for the years ended June 30, 2018 and 2017, 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 \$639,801 and \$637,717 for the years ended June 30, 2018 and 2017, 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 under accounting principles generally accepted in the United States of America.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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 and Promotion

Advertising and promotion expense consists of newspaper and broadcast advertising. Advertising and promotion expense was \$603,207 and \$601,500 for the years ended June 30, 2018 and 2017, respectively, and was expensed as incurred. Of this amount, \$117,240 and \$128,500 were donated by cable companies and local cable television channels and \$218,303 and \$275,183 by local newspapers for the years ended June 30, 2018 and 2017, 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, 2015 through June 30, 2018.

Financial Instruments Not Measured at Fair Value

Certain of the Theatre's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include cash and cash equivalents, accounts, grants and pledges receivable, prepaid expenses and other current assets, accounts payable and accrued expenses, and deferred revenue.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, for reporting entities that measure the fair value of an investment using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy and make certain disclosure for all investments for which fair value is measured using the NAV per share practical expedient. The Theatre elected to adopt ASU 2015-07 for its fiscal year ended June 30, 2018, and has applied the amendments retrospectively to the fiscal year ended June 30, 2017.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

3. Investments

At June 30, investments consisted of the following:

	2018	2017
Certificates of deposits	\$ 79,468	\$ 74,196
Weiller Value Fund L.P.	759,484	620,831
Mutual funds	18,801,428	17,306,861
Total investments	<u>\$ 19,640,380</u>	<u>\$ 18,001,888</u>

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

	2018	2017
Interest and dividend income	\$ 627,122	\$ 518,999
Realized and unrealized gains, net	1,093,601	1,902,595
Fees	(75,703)	(65,226)
Total	<u>\$ 1,645,020</u>	<u>\$ 2,356,368</u>

The Theatre values certain assets in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. The *Fair Value Measurements and Disclosures* Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents the classes of assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017, and indicates the fair value hierarchy of the valuation techniques used to determine fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Theatre's assumptions based on the best information available in the circumstance.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

3. Investments (Continued)

Description	Fair Value at June 30, 2018	Level 1	Level 2	Level 3
Certificates of deposits	\$ 79,468	\$ 79,468	\$ -	\$ -
Weiller Value Fund L.P. *	759,484	-	-	-
Mutual funds:				
Short government	94,208	94,208	-	-
Intermediate government	250,800	250,800	-	-
Preferred stock	60,713	60,713	-	-
Inflation-protected bond	92,818	92,818	-	-
Diversified emerging markets	1,222,188	1,222,188	-	-
Foreign large value	1,649,658	1,649,658	-	-
Foreign large blend	1,602,823	1,602,823	-	-
Small-cap value	423,859	423,859	-	-
Mid-cap value	641,081	641,081	-	-
Intermediate term bond	2,949,104	2,949,104	-	-
Foreign blend	1,009,226	1,009,226	-	-
Small blend	464,501	464,501	-	-
Japan stock	855,273	855,273	-	-
Large growth	2,368,006	2,368,006	-	-
Large blend	3,258,029	3,258,029	-	-
Large value	1,859,141	1,859,141	-	-
Total investments	<u>\$ 19,640,380</u>	<u>\$ 18,880,896</u>	<u>\$ -</u>	<u>\$ -</u>

(*) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

3. Investments (Continued)

Description	Fair Value at June 30, 2017	Level 1	Level 2	Level 3
Certificates of deposits	\$ 74,196	\$ 74,196	\$ -	\$ -
Weiller Value Fund L.P. *	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	<u>\$ 18,001,888</u>	<u>\$ 17,381,057</u>	<u>\$ -</u>	<u>\$ -</u>

(*) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The fair value of the hedge fund listed below has been estimated based on net asset value per share as a practical expedient as reported by the investee. While the Theatre does receive distributions from these funds, it cannot determine or estimate the period of time over which the underlying investment may be liquidated by the investees.

	Net Asset Value	Redemption Frequency	Redemption Notice Period
Hedge Fund:			
Weiller Value Fund L.P. (a)	\$ 759,484	n/a	n/a

- (a) The fund is a Delaware limited partnership formed to invest in limited partnerships, managed accounts, and securities as defined in the partnership agreement. The Fund invests primarily in Limited Partnerships with redemptions ranging from monthly to annually. Investments in investee funds may be restricted from redemptions or subject to fees for redemption as part of contractual obligations agreed to by the General Partner on behalf of the Partnership. Investee funds generally require the General Partner to provide advanced notice of its intent to redeem partnership interest. The fund also invests in common stocks, primarily of U.S. companies.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

4. Pledges Receivable, Net

Unconditional promises to give are due to be collected as follows at June 30, 2018:

Pledges receivable, less than 1 year	\$	516,770
Pledges receivable, 1 year to 5 years		170,000
Pledges receivable, net	\$	<u>686,770</u>

5. Property and Equipment

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 733,617	\$ 293,797
Buildings and improvements	5,540,488	3,660,523
Construction in progress	1,351,313	732,240
Furniture and fixtures	2,511,356	2,146,538
Vehicles	230,892	230,892
Leasehold improvements	453,770	453,770
Computer software	257,798	257,798
Total property and equipment	<u>11,079,234</u>	<u>7,775,558</u>
Less accumulated depreciation	<u>(3,497,666)</u>	<u>(3,054,600)</u>
Total	\$ <u>7,581,568</u>	\$ <u>4,720,958</u>

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$443,066 and \$333,835, respectively.

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, 2018 and 2017, is \$1,854,076 and \$1,931,596, respectively. Amortization expense for both years ended June 30, 2018 and 2017 totaled \$77,520.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

6. 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 \$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, 2018 and 2017, the Theatre was paid \$311,402 and \$303,402 in accordance with this agreement, respectively.

During the years ended June 30, 2018 and 2017, the Theatre paid \$422,294 and \$402,689, 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 \$61,292 and \$75,610 for the years ended June 30, 2018 and 2017, respectively. The total of these two funding sources of \$483,586 and \$478,299 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, the amounts due to Florida State University for box office receipts totaled \$82,371 and \$64,979, 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. 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, 2018 and 2017. 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.

8. Lease Commitments

The Theatre leases various office equipment under operating lease agreements which expire in 2022. Future minimum rental payments required under these lease agreements are as follows:

2019	\$	22,151
2020		22,151
2021		16,151
2022		3,459
Total	\$	<u>63,912</u>

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

8. Lease Commitments (Continued)

Rent expense under this agreement for the years ending June 30, 2018 and 2017 was \$20,896 and \$20,334, 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, 2018 and 2017, was \$27,692 and \$37,236, respectively.

9. Board Designated Net Assets

The Board of the Theatre has designated investments as an operating reserve in the amount of \$9,383,113 and \$8,695,645 as of June 30, 2018 and 2017, respectively.

10. Temporarily Restricted Net Assets

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

	2018	2017
Co-producers	\$ 367,549	\$ 329,530
Season presenters	355,000	280,000
Individual, corporate and foundation angels	184,143	164,881
Scholarships	120,237	103,500
Koski capital fund	1,018,920	1,784,585
Access to the Arts	117,122	77,900
Artistic enhancement	105,102	83,000
Endowment earnings	1,497,572	1,322,774
Other	545,469	170,504
	<u>\$ 4,311,114</u>	<u>\$ 4,316,674</u>

11. 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.

12. Net Assets Released From Restrictions

Net assets were released from donor restrictions during fiscal years 2018 and 2017 by incurring expenses satisfying the restricted purpose specified by donors.

13. 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, 2018 and 2017, was approximately \$101,000 and \$91,900, respectively.

14. 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.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

15. Endowment Investments
Interpretation of Relevant Law

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 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.

Endowment Net Asset Composition

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 2018</u>
Donor-restricted endowment fund	\$ (792,500)	\$ 1,497,572	\$ 9,973,905	\$ 10,678,977
Board-designated endowment funds	7,721,140	-	-	7,721,140
Total funds	<u>\$ 6,928,640</u>	<u>\$ 1,497,572</u>	<u>\$ 9,973,905</u>	<u>\$ 18,400,117</u>

Aolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

15. Endowment Investments (Continued)
Endowment Net Asset Composition (Continued)

	<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	-	-	6,999,684
Total funds	<u>\$ 6,207,184</u>	<u>\$ 1,322,775</u>	<u>\$ 9,470,347</u>	<u>\$ 17,000,306</u>

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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 endowment June 30, 2017	<u>\$ 6,207,184</u>	<u>\$ 1,322,775</u>	<u>\$ 9,470,347</u>	<u>\$ 17,000,306</u>
Endowments, July 1, 2017	6,207,184	1,322,775	9,470,347	17,000,306
Contributions	-	-	503,558	503,558
Appropriations	-	(615,345)	-	(615,345)
Net change in board designated	721,456	-	-	721,456
Investment return:				
Investment income, net of fees	-	790,142	-	790,142
Total Endowments, June 30, 2018	<u>\$ 6,928,640</u>	<u>\$ 1,497,572</u>	<u>\$ 9,973,905</u>	<u>\$ 18,400,117</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.

16. Subsequent Events

The Theatre has evaluated all events subsequent to the statement of financial position date of June 30, 2018, through the date these financial statements were available for issuance, December 7, 2018 and has determined that there are no subsequent events that require disclosure under the FASB Accounting Standard Codification.