

Asolo Theatre, Inc.
Financial Statements and
Independent Auditor's Report
June 30, 2020 and 2019

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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 not-for-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

Kerkering Barberio & Co.

Sarasota, Florida
November 2, 2020

Asolo Theatre, Inc.
Statement of Financial Position
June 30, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Designated		
Assets				
Cash and cash equivalents	\$ 1,251,947	\$ 4,596,561	\$ 3,606,396	\$ 9,454,904
Investments	1,150,609	5,006,456	11,693,305	17,850,370
Due (to) from other fund	(792,500)	-	792,500	-
Accounts receivable, net	10,488	-	-	10,488
Pledges receivable, net	-	-	771,104	771,104
Prepaid expenses and other current assets	665,261	-	-	665,261
Property and equipment, net	8,527,728	-	-	8,527,728
Prepaid lease, net	1,699,036	-	-	1,699,036
Other assets	86,853	-	-	86,853
Total Assets	<u>\$ 12,599,422</u>	<u>\$ 9,603,017</u>	<u>\$ 16,863,305</u>	<u>\$ 39,065,744</u>
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$ 450,753	\$ -	\$ -	\$ 450,753
Due to Florida State University Foundation	1,900,001	-	-	1,900,001
Deferred revenue	3,243,351	-	-	3,243,351
Long term debt	1,109,000	-	-	1,109,000
Total liabilities	<u>6,703,105</u>	<u>-</u>	<u>-</u>	<u>6,703,105</u>
Net Assets:				
Without donor restrictions:				
Undesignated	5,896,317	-	-	5,896,317
Board designated	-	9,603,017	-	9,603,017
Total net assets without donor restrictions	<u>5,896,317</u>	<u>9,603,017</u>	<u>-</u>	<u>15,499,334</u>
With donor restrictions:				
Purpose restrictions	-	-	6,304,874	6,304,874
Perpetual in nature	-	-	10,558,431	10,558,431
Total net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>16,863,305</u>	<u>16,863,305</u>
Total Net Assets	<u>5,896,317</u>	<u>9,603,017</u>	<u>16,863,305</u>	<u>32,362,639</u>
Total Liabilities and Net Assets	<u>\$ 12,599,422</u>	<u>\$ 9,603,017</u>	<u>\$ 16,863,305</u>	<u>\$ 39,065,744</u>

See accompanying notes to financial statements.

A solo Theatre, Inc.
Statement of Financial Position
June 30, 2019

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>		
Assets				
Cash and cash equivalents	\$ 1,191,877	\$ 1,556,075	\$ 2,607,584	\$ 5,355,536
Investments	1,081,693	8,254,634	12,045,074	21,381,401
Due (to) from other fund	(792,500)	-	792,500	-
Accounts receivable, net	51,769	-	-	51,769
Grants receivable	-	-	92,701	92,701
Pledges receivable, net	-	-	730,011	730,011
Prepaid expenses and other current assets	290,251	-	-	290,251
Property and equipment, net	8,305,830	-	-	8,305,830
Prepaid lease, net	1,776,556	-	-	1,776,556
Other assets	54,314	-	-	54,314
Total Assets	<u>\$ 11,959,790</u>	<u>\$ 9,810,709</u>	<u>\$ 16,267,870</u>	<u>\$ 38,038,369</u>
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$ 648,620	\$ -	\$ -	\$ 648,620
Due to Florida State University Foundation	1,900,001	-	-	1,900,001
Deferred revenue	<u>2,981,275</u>	<u>-</u>	<u>-</u>	<u>2,981,275</u>
Total liabilities	<u>5,529,896</u>	<u>-</u>	<u>-</u>	<u>5,529,896</u>
Net Assets:				
Without donor restrictions:				
Undesignated	6,429,894	-	-	6,429,894
Board designated	-	9,810,709	-	9,810,709
Total net assets without donor restrictions	<u>6,429,894</u>	<u>9,810,709</u>	<u>-</u>	<u>16,240,603</u>
With donor restrictions:				
Purpose restrictions	-	-	5,776,439	5,776,439
Perpetual in nature	-	-	10,491,431	10,491,431
Total net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>16,267,870</u>	<u>16,267,870</u>
Total Net Assets	<u>6,429,894</u>	<u>9,810,709</u>	<u>16,267,870</u>	<u>32,508,473</u>
Total Liabilities and Net Assets	<u>\$ 11,959,790</u>	<u>\$ 9,810,709</u>	<u>\$ 16,267,870</u>	<u>\$ 38,038,369</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.

Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Designated		
Operating revenue:				
Resident season	\$ 3,588,805	\$ -	\$ -	\$ 3,588,805
Scene and costume shops	312,588	-	-	312,588
Total operating revenue	<u>3,901,393</u>	<u>-</u>	<u>-</u>	<u>3,901,393</u>
Operating expenses:				
Production costs:				
Resident season	4,908,359	-	-	4,908,359
FSU/Asolo conservatories	412,037	-	-	412,037
Scene and costume shops	2,813,491	-	-	2,813,491
Total production costs	<u>8,133,887</u>	<u>-</u>	<u>-</u>	<u>8,133,887</u>
Support services:				
General and administrative	1,210,030	-	-	1,210,030
Development	713,069	-	-	713,069
Total support services	<u>1,923,099</u>	<u>-</u>	<u>-</u>	<u>1,923,099</u>
Total operating expenses	<u>10,056,986</u>	<u>-</u>	<u>-</u>	<u>10,056,986</u>
Change in net assets from operations	<u>(6,155,593)</u>	<u>-</u>	<u>-</u>	<u>(6,155,593)</u>
Contributions, support and other revenue:				
Contributions	3,081,405	-	1,950,645	5,032,050
State grants	46,430	-	-	46,430
Government grants	90,832	-	-	90,832
Investment income, net	46,158	(7,942)	147,903	186,119
Other revenue	932,300	-	-	932,300
	<u>4,197,125</u>	<u>(7,942)</u>	<u>2,098,548</u>	<u>6,287,731</u>
Special event revenue	581,474	-	-	581,474
Less costs of direct benefits to donors and fundraising expenses	285,541	-	-	285,541
Net special event revenue	<u>295,933</u>	<u>-</u>	<u>-</u>	<u>295,933</u>
Total contributions, support and other revenue	<u>4,493,058</u>	<u>(7,942)</u>	<u>2,098,548</u>	<u>6,583,664</u>
Board designation of net assets	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Use of board designated net assets	<u>224,750</u>	<u>(224,750)</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>1,503,113</u>	<u>-</u>	<u>(1,503,113)</u>	<u>-</u>
Net change in net assets before depreciation and amortization	40,328	(207,692)	595,435	428,071
Depreciation and amortization	<u>573,905</u>	<u>-</u>	<u>-</u>	<u>573,905</u>
Net change in net assets	<u>(533,577)</u>	<u>(207,692)</u>	<u>595,435</u>	<u>(145,834)</u>
Net assets, beginning of year	6,429,894	9,810,709	16,267,870	32,508,473
Net assets, end of year	<u>\$ 5,896,317</u>	<u>\$ 9,603,017</u>	<u>\$ 16,863,305</u>	<u>\$ 32,362,639</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.

Statement of Activities

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>		<u>With Donor</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>	<u>Restrictions</u>	
Operating revenue:				
Resident season	\$ 5,009,916	\$ -	\$ -	\$ 5,009,916
Scene and costume shops	493,608	-	-	493,608
Total operating revenue	<u>5,503,524</u>	<u>-</u>	<u>-</u>	<u>5,503,524</u>
Operating expenses:				
Production costs:				
Resident season	5,548,946	-	-	5,548,946
FSU/Asolo conservatories	378,898	-	-	378,898
Scene and costume shops	3,120,671	-	-	3,120,671
Total production costs	<u>9,048,515</u>	<u>-</u>	<u>-</u>	<u>9,048,515</u>
Support services:				
General and administrative	1,232,985	-	-	1,232,985
Development	943,099	-	-	943,099
Total support services	<u>2,176,084</u>	<u>-</u>	<u>-</u>	<u>2,176,084</u>
Total operating expenses	<u>11,224,599</u>	<u>-</u>	<u>-</u>	<u>11,224,599</u>
Change in net assets from operations	<u>(5,721,075)</u>	<u>-</u>	<u>-</u>	<u>(5,721,075)</u>
Contributions, support and other revenue:				
Contributions	2,525,253	-	3,533,121	6,058,374
State grants	10,271	-	-	10,271
Government grants	92,701	-	-	92,701
Investment income, net	6,584	404,139	595,852	1,006,575
Other revenue	811,145	-	-	811,145
	<u>3,445,954</u>	<u>404,139</u>	<u>4,128,973</u>	<u>7,979,066</u>
Special event revenue	979,956	-	-	979,956
Less costs of direct benefits to donors and fundraising expenses	<u>599,315</u>	<u>-</u>	<u>-</u>	<u>599,315</u>
Net special event revenue	<u>380,641</u>	<u>-</u>	<u>-</u>	<u>380,641</u>
Total contributions, support and other revenue	<u>3,826,595</u>	<u>404,139</u>	<u>4,128,973</u>	<u>8,359,707</u>
Board designation of net assets	<u>(51,475)</u>	<u>51,475</u>	<u>-</u>	<u>-</u>
Use of board designated net assets	<u>28,018</u>	<u>(28,018)</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions	<u>2,146,122</u>	<u>-</u>	<u>(2,146,122)</u>	<u>-</u>
Net change in net assets before depreciation and amortization	228,185	427,596	1,982,851	2,638,632
Depreciation and amortization	<u>564,204</u>	<u>-</u>	<u>-</u>	<u>564,204</u>
Net change in net assets	<u>(336,019)</u>	<u>427,596</u>	<u>1,982,851</u>	<u>2,074,428</u>
Net assets, beginning of year	6,765,913	9,383,113	14,285,019	30,434,045
Net assets, end of year	<u>\$ 6,429,894</u>	<u>\$ 9,810,709</u>	<u>\$ 16,267,870</u>	<u>\$ 32,508,473</u>

See accompanying notes to financial statements.

Aolo Theatre, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Support Services		Total
	Resident Season	FSU/Aolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic personnel:						
Equity salaries	\$ 494,796	\$ -	\$ -	\$ -	\$ -	\$ 494,796
Other artistic personnel	1,725,805	-	-	-	-	1,725,805
Benefits and payroll taxes	618,273	-	-	-	-	618,273
Total artistic personnel	<u>2,838,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,838,874</u>
Production:						
Production salaries	-	-	1,822,692	-	-	1,822,692
Benefits and payroll	-	-	490,609	-	-	490,609
Costumes	-	-	89,074	-	-	89,074
Scenery	1,393	-	196,516	-	-	197,909
Properties	59	-	36,694	-	-	36,753
Sound	20,074	-	-	-	-	20,074
Lighting	23,370	-	-	-	-	23,370
Royalties	349,127	-	-	-	-	349,127
General	34,819	-	1,371	-	-	36,190
Total production expenses	<u>428,842</u>	<u>-</u>	<u>2,636,956</u>	<u>-</u>	<u>-</u>	<u>3,065,798</u>
Total artistic personnel and production expenses	<u>3,267,716</u>	<u>-</u>	<u>2,636,956</u>	<u>-</u>	<u>-</u>	<u>5,904,672</u>
General:						
Administrative salaries	768,617	-	-	217,468	348,907	1,334,992
Benefits and payroll taxes	87,730	-	-	274,434	42,091	404,255
Advertising and promotion	428,874	-	-	-	-	428,874
Brochures and printing	79,277	-	-	-	12,270	91,547
Concessions	3,994	-	-	-	-	3,994
Other marketing	25,341	-	-	-	800	26,141
Rent	19,840	-	8,227	3,250	-	31,317
Utilities	11,973	-	52,931	7,667	-	72,571
Maintenance	4,010	-	98,295	103,771	-	206,076
Travel, equity	62,787	-	-	-	-	62,787
Travel and entertainment	66,032	-	2,277	884	5,721	74,914
Telephone	-	-	1,675	26,997	-	28,672
Legal and accounting	-	-	-	72,810	-	72,810
Insurance	-	-	-	100,125	-	100,125
Dues, subscriptions and literature	24,364	-	-	-	4,442	28,806
Office supplies and postage	35,750	-	12,987	16,452	17,797	82,986
Miscellaneous	13,269	412,037	-	319,506	-	744,812
Condo fees	-	-	-	34,152	-	34,152
Opening and closing night dinners	-	-	-	-	188,646	188,646
Cultivation and stewardship	-	-	-	-	26,682	26,682
Capital campaign	-	-	-	-	42,739	42,739
Consulting	3,344	-	-	3,888	17,952	25,184
Personnel recruitment	2,476	-	122	27,042	4,309	33,949
Training and education	2,965	-	21	144	713	3,843
Bank charges	-	-	-	1,440	-	1,440
Total general expenses	<u>1,640,643</u>	<u>412,037</u>	<u>176,535</u>	<u>1,210,030</u>	<u>713,069</u>	<u>4,152,314</u>
Total expenses before depreciation and amortization	<u>4,908,359</u>	<u>412,037</u>	<u>2,813,491</u>	<u>1,210,030</u>	<u>713,069</u>	<u>10,056,986</u>
Depreciation and amortization	<u>348,339</u>	<u>-</u>	<u>125,124</u>	<u>100,442</u>	<u>-</u>	<u>573,905</u>
Total functional expenses	<u>\$ 5,256,698</u>	<u>\$ 412,037</u>	<u>\$ 2,938,615</u>	<u>\$ 1,310,472</u>	<u>\$ 713,069</u>	<u>\$ 10,630,891</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Support Services		Total
	Resident Season	FSU/Asolo Conservatories	Scene and Costume Shops	General and Administrative	Development	
Artistic Personnel:						
Equity salaries	\$ 582,170	\$ -	\$ -	\$ -	\$ -	\$ 582,170
Other artistic personnel	1,875,187	-	-	-	-	1,875,187
Benefits and payroll taxes	618,441	-	-	-	-	618,441
Total Artistic Personnel	<u>3,075,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,075,798</u>
Production:						
Production salaries	-	-	1,976,930	-	-	1,976,930
Benefits and payroll	-	-	502,713	-	-	502,713
Costumes	-	-	136,726	-	-	136,726
Scenery	5,254	-	287,609	-	-	292,863
Properties	1,599	-	43,698	-	-	45,297
Sound	27,145	-	673	-	-	27,818
Lighting	31,616	-	-	-	-	31,616
Royalties	430,087	-	-	-	-	430,087
General	118,813	-	1,170	-	-	119,983
Total Production Expenses	<u>614,514</u>	<u>-</u>	<u>2,949,519</u>	<u>-</u>	<u>-</u>	<u>3,564,033</u>
Total artistic personnel and production expenses	<u>3,690,312</u>	<u>-</u>	<u>2,949,519</u>	<u>-</u>	<u>-</u>	<u>6,639,831</u>
General:						
Administrative salaries	703,222	-	-	337,495	421,537	1,462,254
Benefits and payroll taxes	84,290	-	-	258,828	51,054	394,172
Advertising and promotion	633,976	-	-	-	-	633,976
Brochures and printing	99,037	-	-	-	16,565	115,602
Concessions	6,374	-	-	-	-	6,374
Other marketing	35,323	-	-	-	-	35,323
Rent	15,610	-	8,721	2,096	-	26,427
Utilities	5,409	-	51,815	9,675	-	66,899
Maintenance	12,858	-	83,442	110,017	-	206,317
Travel, equity	82,059	-	-	-	-	82,059
Travel and entertainment	65,939	-	2,967	3,147	4,828	76,881
Telephone	3,397	-	2,220	24,918	-	30,535
Legal and accounting	250	-	-	54,140	-	54,390
Insurance	-	-	-	59,067	-	59,067
Dues, subscriptions and literature	20,747	-	-	-	1,321	22,068
Office supplies and postage	52,705	-	17,502	21,774	19,006	110,987
Miscellaneous	3,387	378,898	-	309,788	357	692,430
Condo fees	-	-	-	36,310	-	36,310
Opening and closing night dinners	-	-	-	-	325,546	325,546
Cultivation and stewardship	-	-	-	-	56,570	56,570
Capital campaign	-	-	-	-	41,648	41,648
Consulting	21,967	-	-	-	-	21,967
Personnel recruitment	10,102	-	295	5,683	3,643	19,723
Training and education	1,982	-	4,190	47	1,024	7,243
Total general expenses	<u>1,858,634</u>	<u>378,898</u>	<u>171,152</u>	<u>1,232,985</u>	<u>943,099</u>	<u>4,584,768</u>
Total expenses before depreciation and amortization	<u>5,548,946</u>	<u>378,898</u>	<u>3,120,671</u>	<u>1,232,985</u>	<u>943,099</u>	<u>11,224,599</u>
Depreciation and amortization	<u>389,301</u>	<u>-</u>	<u>-</u>	<u>174,903</u>	<u>-</u>	<u>564,204</u>
Total functional expenses	<u>\$ 5,938,247</u>	<u>\$ 378,898</u>	<u>\$ 3,120,671</u>	<u>\$ 1,407,888</u>	<u>\$ 943,099</u>	<u>\$ 11,788,803</u>

See accompanying notes to financial statements.

Asolo Theatre, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Net change in net assets	\$ (145,834)	\$ 2,074,428
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation and amortization	573,905	564,204
Net unrealized/realized (gain) loss on investments	424,374	(351,048)
Contributions for investments with restrictions perpetual in nature	(67,000)	(519,316)
Change in operating assets and liabilities:		
Accounts receivable	41,281	(19,056)
Grants receivable	92,701	(10,867)
Pledges receivable	(41,093)	(43,241)
Prepaid expenses and other current assets	(375,010)	64,431
Other assets	(32,539)	(46,405)
Accounts payable and accrued expenses	(197,867)	183,823
Deferred revenue	262,076	(253,144)
Net cash provided by operating activities	534,994	1,643,809
Cash Flows from Investing Activities:		
Purchase of property and equipment	(718,283)	(1,210,946)
Purchase of investments	(19,003,495)	(4,975,532)
Sales of investments	22,110,152	3,585,559
Net cash provided by (used in) investing activities	2,388,374	(2,600,919)
Cash Flows from Financing Activities:		
Proceeds from issuance of new debt	1,109,000	-
Proceeds from contributions restricted to endowment	67,000	519,316
Net cash provided by financing activities	1,176,000	519,316
Net change in cash and cash equivalents	4,099,368	(437,794)
Cash and cash equivalents, beginning of year	5,355,536	5,793,330
Cash and cash equivalents, end of year	\$ 9,454,904	\$ 5,355,536

See accompanying notes to financial statements.

Asolo Theatre, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019. The allowance for pledges receivable was \$10,000 at June 30, 2020 and 2019. There was no allowance for doubtful accounts for the grant receivable at June 30, 2020 or 2019.

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.

Aolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

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 \$24,500 for the years ended June 30, 2020 and 2019, respectively.

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 with or without donor restriction depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 \$361,500 and \$597,003 for the years ended June 30, 2020 and 2019, 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.

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. The expenses that are allocated include depreciation, salaries and wages, benefits, payroll taxes, and other expenses for services which are allocated on the basis of estimated time and effort.

Aolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Advertising and Promotion

Advertising and promotion expense consists of newspaper and broadcast advertising. Advertising and promotion expense was \$428,874 and \$633,976 for the years ended June 30, 2020 and 2019, respectively, and was expensed as incurred. Of this amount, \$72,500 and \$107,350 were donated by cable companies and local cable television channels and \$110,250 and \$205,231 by local newspapers for the years ended June 30, 2020 and 2019, 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, 2017 through June 30, 2020.

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.

Accounting Pronouncements Adopted

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which was adopted by the Theatre for the year ended June 30, 2020. The ASU clarifies how entities determine whether to account for a transfer of assets as an exchange transaction or a contribution. The guidance also clarifies how entities determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional.

Aolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,454,904	\$ 5,355,536
Investments	17,850,370	21,381,401
Accounts receivable, net	10,488	51,769
Grants receivable	-	92,701
Pledges receivable, current portion	478,566	404,532
Total financial assets available	<u>27,794,328</u>	<u>27,285,939</u>
Less: Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(6,304,874)	(5,776,439)
Restrictions perpetual in nature	<u>(10,558,431)</u>	<u>(10,491,431)</u>
Total amounts unavailable for general expenditures within one year	<u>(16,863,305)</u>	<u>(16,267,870)</u>
Less: Amounts unavailable to management without Board approval:	<u>(9,603,017)</u>	<u>(9,810,709)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,328,006</u>	<u>\$ 1,207,360</u>

The Theatre manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Monthly reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

The Theatre's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Theatre's board-designated funds of \$9,603,017 and \$9,810,709 for the years ended June 30, 2019 and 2020 respectively, may be distributed to fund the operating budget. Although the Theatre does not intend to spend from these board-designated funds (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the liquidity management plan, the Theatre invests cash in excess of daily requirements in short-term investments, certificates of deposit and money market funds.

4. Investments

At June 30, investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 74,092	\$ 1,076,031
Weiller Value Fund L.P.	744,408	759,862
Mutual funds	17,031,870	19,545,508
Total investments	<u>\$ 17,850,370</u>	<u>\$ 21,381,401</u>

Aolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

4. Investments (Continued)

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

	2020	2019
Interest and dividend income	\$ 690,197	\$ 733,337
Realized and unrealized gains, net	(424,374)	351,048
Fees	(79,704)	(77,810)
Total	\$ 186,119	\$ 1,006,575

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, 2020 and 2019 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.

Description	Fair Value at June 30, 2020	Level 1	Level 2	Level 3
Certificates of deposits	\$ 74,092	\$ 74,092	\$ -	\$ -
Weiller Value Fund L.P. *	744,408	-	-	-
Mutual funds:				
Short government	1,461,215	1,461,215	-	-
Foreign large growth	1,461,849	1,461,849	-	-
Intermediate term bond	2,956,216	2,956,216	-	-
Large growth	4,312,007	4,312,007	-	-
Large blend	4,715,872	4,715,872	-	-
Large value	2,124,711	2,124,711	-	-
Total investments	\$ 17,850,370	\$ 17,105,962	\$ -	\$ -

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

4. Investments (Continued)

Description	Fair Value at June 30, 2019	Level 1	Level 2	Level 3
Certificates of deposits	\$ 1,076,031	\$ 1,076,031	\$ -	\$ -
Weiller Value Fund L.P. *	759,862	-	-	-
Mutual funds:				
Short government	85,458	85,458	-	-
Intermediate government	237,812	237,812	-	-
Preferred stock	53,654	53,654	-	-
Inflation-protected bond	84,753	84,753	-	-
Diversified emerging markets	1,376,169	1,376,169	-	-
Foreign large value	1,404,506	1,404,506	-	-
Foreign large blend	1,429,837	1,429,837	-	-
Small-cap value	482,603	482,603	-	-
Mid-cap value	3,734,184	3,734,184	-	-
Intermediate term bond	4,646,206	4,646,206	-	-
Small blend	533,042	533,042	-	-
Japan stock	606,548	606,548	-	-
Large growth	2,712,222	2,712,222	-	-
Large blend	308,371	308,371	-	-
Large value	1,850,143	1,850,143	-	-
Total investments	<u>\$ 21,381,401</u>	<u>\$ 20,621,539</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)	\$ 744,408	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, 2020 and 2019

5. Pledges Receivable, Net

Pledges receivable as of June 30 are due as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 787,766	\$ 769,532
Less: discount to net present value at a rate of 0.6% and 2.80%	(6,662)	(29,521)
Less: allowance for pledges receivable	<u>(10,000)</u>	<u>(10,000)</u>
Pledges receivable, net	771,104	730,011
Less: current portion	<u>(478,566)</u>	<u>(404,532)</u>
Amount collectible in 1-5 years	\$ <u>292,538</u>	\$ <u>325,479</u>

6. Property and Equipment

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,320,850	\$ 1,320,850
Buildings and improvements	6,457,677	6,457,677
Construction in progress	921,789	484,446
Furniture and fixtures	3,051,371	2,835,023
Vehicles	263,989	230,892
Leasehold improvements	732,735	701,241
Computer software	<u>260,051</u>	<u>260,051</u>
Total property and equipment	13,008,462	12,290,180
Less accumulated depreciation	<u>(4,480,734)</u>	<u>(3,984,350)</u>
Total	\$ <u>8,527,728</u>	\$ <u>8,305,830</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$498,261 and \$486,684, respectively.

7. 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, 2020 and 2019, is \$1,699,036 and \$1,776,556, respectively. Amortization expense for both years ended June 30, 2020 and 2019 totaled \$77,520.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

7. 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 both years ended June 30, 2020 and 2019, the Theatre was paid \$311,402 in accordance with this agreement.

During the years ended June 30, 2020 and 2019, the Theatre paid \$412,036 and \$378,908, 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 \$57,070 and \$56,136 for the years ended June 30, 2020 and 2019, respectively. The total of these two funding sources of \$469,106 and \$435,044 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the amounts due to Florida State University for box office receipts totaled \$11,481 and \$69,509, 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.

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, 2020 and 2019. Due to the state matching program being suspended since 2011, no payments have been made in the past several years. Management is currently reviewing the agreement with Florida State University Foundation due to the uncertainty of the funds being matched.

9. Payroll Protection Program Forgivable Loan

On April 17, 2020, the Theatre qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act for an aggregate principal amount of \$1,109,000 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon The Theatre's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Theatre. The Theatre intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Theatre will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in December 2020, principal and interest payments will be required through the maturity date in April 2022.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

9. Payroll Protection Program Forgivable Loan (Continued)

The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Theatre has recorded the PPP Loan in accordance with ASC 470, *Debt*. The PPP Loan is included in notes payable on the Statement of Financial Position. Interest is accrued at the stated rate. The proceeds will remain as debt until either: 1) the loan has been forgiven and the Theatre has been legally released of the obligation, in whole or part; or 2) the Theatre pays off the loan. If the PPP Loan is forgiven, the Theatre will reduce the liability and record revenue on the Statement of Activities. The balance of the PPP Loan at June 30, 2020 is \$1,109,000.

Future Maturities of Long-Term Debt

Future maturities of notes payable at June 30, 2020, are as follows:

Year ending June 30:	
2021	\$ -
2022	1,109,000
Total	<u>\$ 1,109,000</u>

10. 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:

2021	\$ 16,151
2022	3,459
Total	<u>\$ 19,610</u>

Rent expense under these agreements for the years ending June 30, 2020 and 2019 was \$22,151, 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, 2020 and 2019, was \$31,317 and \$26,427, respectively.

11. Board Designated Net Assets

Board designated net assets consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Artistic Initiatives	\$ 846,809	\$ 860,841
Critical Situations	795,703	808,887
Artistic - Quasi-Endowment	7,872,225	8,046,208
Capital Reserves	63,280	94,773
Capital Campaign	25,000	-
Total board designated net assets	<u>\$ 9,603,017</u>	<u>\$ 9,810,709</u>

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

12. Net Assets With Donor Restrictions

Net assets with donor restrictions as shown on the statements of financial position consisted of the following at June 30:

Subject to expenditure for specified purpose:	<u>2020</u>	<u>2019</u>
Co-producers	\$ 237,225	\$ 245,000
Season presenters	287,500	335,000
Individual, corporate and foundation angels	189,603	79,400
Scholarships	77,350	102,850
Koski capital fund	1,047,494	1,036,401
Capital campaign	3,167,344	2,355,540
Access to the Arts	55,500	46,421
Artistic enhancement	73,119	72,500
Endowment earnings	997,239	1,360,102
Other	172,500	143,225
Total purpose restrictions	<u>6,304,874</u>	<u>5,776,439</u>
Endowments perpetual in nature:	<u>10,558,431</u>	<u>10,491,431</u>
Total net assets with donor restrictions	<u>\$ 16,863,305</u>	<u>\$ 16,267,870</u>

13. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by other events specified by donors. Purposes for which restrictions were accomplished during the years ended June 30 include the following:

Satisfaction of purpose restrictions:	<u>2020</u>	<u>2019</u>
Co-producers	\$ 245,000	367,549
Season presenters	335,000	355,000
Individual, corporate and foundation angels	79,400	184,143
Scholarships	102,850	114,237
Capital campaign	-	38,128
Access to the Arts	46,421	117,122
Artistic enhancement	72,500	105,102
Endowment earnings	499,673	715,841
Other	122,269	149,000
Total satisfaction of purpose restrictions	<u>\$ 1,503,113</u>	<u>\$ 2,146,122</u>

14. Endowments

The Theatre's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

14. Endowments (Continued)
Interpretation of Relevant Law

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 endowments perpetual in nature: (a) the original value of the gift donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 as perpetual in nature is classified as net assets with donor restrictions 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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations or continued appropriations in excess of investment earnings. As of June 30, 2020 and 2019, there were no deficiencies of this nature.

Asolo Theatre, Inc.
Notes to Financial Statements (Continued)
June 30, 2020 and 2019

14. Endowments (Continued)

Endowment Net Asset Composition

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>
Donor-restricted endowment funds	\$ (792,500)	\$ 11,555,670	\$ 10,763,170
Board-designated endowment funds	7,872,224	-	7,872,224
Total funds	<u>\$ 7,079,724</u>	<u>\$ 11,555,670</u>	<u>\$ 18,635,394</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>
Donor-restricted endowment funds	\$ (792,500)	\$ 11,851,533	\$ 11,059,033
Board-designated endowment funds	8,046,208	-	8,046,208
Total funds	<u>\$ 7,253,708</u>	<u>\$ 11,851,533</u>	<u>\$ 19,105,241</u>

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowments, July 1, 2018	\$ 6,928,640	11,471,477	18,400,117
Contributions	-	517,526	517,526
Appropriations	-	(715,841)	(715,841)
Net change in board designated	325,068	-	325,068
Investment return:			
Investment income, net of fees	-	578,371	578,371
Total endowment June 30, 2019	<u>\$ 7,253,708</u>	<u>\$ 11,851,533</u>	<u>\$ 19,105,241</u>
Endowments, July 1, 2019	7,253,708	11,851,533	19,105,241
Contributions	-	67,000	67,000
Appropriations	-	(499,673)	(499,673)
Net change in board designated	(173,984)	-	(173,984)
Investment return:			
Investment income, net of fees	-	136,810	136,810
Total Endowments, June 30, 2020	<u>\$ 7,079,724</u>	<u>\$ 11,555,670</u>	<u>\$ 18,635,394</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.

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15. Employee Benefits

Defined-Contribution Plan

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, 2020 and 2019 was \$136,648 and \$134,971, respectively.

Deferred Compensation Plan

Effective December 1, 2018, the Theatre adopted a deferred compensation plan (the Plan) which was made available to two key employees under Internal Revenue Code 457(b). The Plan is funded by voluntary employee salary deferrals and contributions from the Theatre. Participants are 100% vested in any employer contributions to the Plan at enrollment. During the years ended June 30, 2020 and 2019, the Theatre contributed \$37,000 to the Plan. As of June 30, 2020 and 2019, the assets and liability related to the Plan was \$74,546 and \$37,269, respectively, and is included as other assets and accrued expenses in the accompanying statements of financial position. The assets of the plan were invested in money market funds as of June 30, 2020.

16. Risks and Uncertainties

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.

COVID-19 Pandemic

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic is uncertain for many. Like so many organizations, the COVID-19 situation will continue to be monitored for potential effects on the operations and financial performance of the Theatre.

17. Subsequent Events

The Theatre has evaluated all events subsequent to the statement of financial position date of June 30, 2020, through the date these financial statements were available for issuance, November 2, 2020 and has determined that, except for the events discussed below, there were no subsequent events that require disclosure under the FASB Accounting Standard Codification.

As discussed in Note 16, the Theatre continues to face operational uncertainties in the face of the global pandemic. Currently, the Theatre has cancelled or rescheduled a significant portion of the shows for the 2020 - 2021 season.