OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY AND OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND

Combined Audited Financial Statements

For The Years Ended October 31, 2012 and 2011

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McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Oregon Shakespeare Festival Association and
Oregon Shakespeare Festival Endowment Fund
Ashland, Oregon

We have audited the accompanying combined statements of financial position of Oregon Shakespeare Festival Association and subsidiary and Oregon Shakespeare Festival Endowment Fund (the Organizations) (nonprofit corporations) as of October 31, 2012 and 2011 and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organizations' management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting; accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Oregon Shakespeare Festival Association and subsidiary and Oregon Shakespeare Festival Endowment Fund as of October 31, 2012 and 2011, and the combined changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

February 5, 2013

Strength in Numbers
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OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
AND OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND

COMBINED STATEMENTS OF FINANCIAL POSITION
October 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,580,854	$ 490,848
Investments	3,777,249	2,901,060
Accounts receivable	115,644	145,746
Pledges receivable, net	5,600,078	1,868,051
Due from Endowment Fund	1,376,430	1,301,525
Prepaid expenses	1,230,414	1,080,705
Inventory	162,605	171,841
Total current assets	13,843,274	7,959,776
Noncurrent pledges receivable, net	658,485	391,164
Property and equipment, net	22,771,161	21,896,214
Endowment Fund	28,262,390	26,866,254
TOTAL ASSETS	$ 65,535,310	$ 57,113,408
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,516,645	$ 2,286,927
Due to Endowment Fund	307,844	176,401
Deferred revenue, tickets	443,851	421,087
Deferred revenue, program and other revenues	458,731	457,172
Current portion of long-term debt	110,918	105,239
Total current liabilities	3,837,989	3,446,826
Long-term debt, less current portion	1,252,569	1,376,029
Total liabilities	5,090,558	4,822,855
Net assets (deficit):		
Unrestricted:		
Undesignated	255,637	(267,028)
Board designated	12,118,670	11,276,041
Net property and equipment	21,407,674	20,414,946
Total unrestricted	33,781,981	31,423,959
Temporarily restricted	14,960,026	9,200,431
Permanently restricted	11,702,745	11,666,163
Total net assets	60,444,752	52,290,553
TOTAL LIABILITIES AND NET ASSETS	$ 65,535,310	$ 57,113,408

See notes to financial statements.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
AND OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND

COMBINED STATEMENTS OF ACTIVITIES
For the years ended October 31, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:								
Plays	$ 18,309,793	$ -	$ -	$ 18,309,793	$ 16,985,729	$ -	$ -	$ 16,985,729
Other events	178,270	-	-	178,270	504,783	-	-	504,783
Educational programs	256,059	-	-	256,059	268,350	-	-	268,350
Publications	261,022	-	-	261,022	290,910	-	-	290,910
Concessions	333,971	-	-	333,971	313,908	-	-	313,908
Investment income (loss)	109,139	58,754	-	167,893	(10,621)	72,919	-	62,298
Support from Endowment Fund	1,292,213	-	-	1,292,213	1,255,159	-	-	1,255,159
Other	614,671	-	-	614,671	491,426	-	-	491,426
Income related to beam break (Note 17)	3,312,823	-	-	3,312,823	-	-	-	-
Total operating revenue	24,667,961	58,754	-	24,726,715	20,099,644	72,919	-	20,172,563
Support:								
Memberships	3,477,221	352,662	-	3,829,883	3,332,459	398,097	-	3,730,556
Gifts and grants	1,191,032	5,181,860	-	6,372,892	1,520,689	2,009,133	-	3,529,822
Support groups	100,000	-	-	100,000	152,258	-	-	152,258
Net assets released from restrictions:								
Satisfaction of time and purpose restrictions	3,577,462	(3,577,462)	-	-	2,886,423	(2,886,423)	-	-
Total support	8,345,715	1,957,060	-	10,302,775	7,891,829	(479,193)	-	7,412,636
Total operating revenue and support	33,013,676	2,015,814	-	35,029,490	27,991,473	(406,274)	-	27,585,199
Operating expenses:								
Plays and education	22,237,192	-	-	22,237,192	20,814,683	-	-	20,814,683
Marketing and audience services	4,247,822	-	-	4,247,822	4,121,065	-	-	4,121,065
General and administration	2,960,309	-	-	2,960,309	2,977,278	-	-	2,977,278
Membership and fundraising	1,294,290	-	-	1,294,290	1,306,153	-	-	1,306,153
Expenses related to beam break (Note 17)	-	-	-	-	877,591	-	-	877,591
Total operating expenses	30,739,613	-	-	30,739,613	30,096,770	-	-	30,096,770
Income (Loss) from current endeavors	2,274,063	2,015,814	-	4,289,877	(2,105,297)	(406,274)	-	(2,511,571)

Continued

See notes to financial statements.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
AND OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND

COMBINED STATEMENTS OF ACTIVITIES
For the years ended October 31, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income (Loss) from current endeavors Brought forward	2,274,063	2,015,814	-	4,289,877	(2,105,297)	(406,274)	-	(2,511,571)
Executive Director transition expenses	(235,678)	-	-	(235,678)	-	-	-	-
Net loss from OSF Solutions	-	-	-	-	(2,049)	-	-	(2,049)
Costume rental business, net	2,598	-	-	2,598	10,776	-	-	10,776
Other funds, net activity	-	(4,944)	-	(4,944)	-	73,864	-	73,864
Depreciation on assets funded by restricted gifts and grants	(525,590)	-	-	(525,590)	(525,590)	-	-	(525,590)
Capital campaign contributions	-	3,231,800	-	3,231,800	-	-	-	-
Endowment activities:								
Endowment Fund contributions	518,708	-	36,582	555,290	164,776	-	39,128	203,904
Endowment Fund investment income	1,013,200	1,235,656	-	2,248,856	650,941	845,773	-	1,496,714
Contributions of gift annuities	-	-	-	-	-	96,156	-	96,156
Change in value of gift annuities	-	(17,492)	-	(17,492)	-	(50,574)	-	(50,574)
Endowment support to Festival	(590,974)	(701,239)	-	(1,292,213)	(558,172)	(696,987)	-	(1,255,159)
Endowment expenses	(98,305)	-	-	(98,305)	(92,904)	-	-	(92,904)
Change in net assets	2,358,022	5,759,595	36,582	8,154,199	(2,457,519)	(138,042)	39,128	(2,556,433)
Net assets:								
Beginning of year	31,423,959	9,200,431	11,666,163	52,290,553	33,881,478	9,338,473	11,627,035	54,846,986
End of year	$ 33,781,981	$ 14,960,026	$ 11,702,745	$ 60,444,752	$ 31,423,959	$ 9,200,431	$ 11,666,163	$ 52,290,553

Concluded

See notes to financial statements.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
AND OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND

COMBINED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 8,154,199	$ (2,556,433)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,101,786	1,129,860
Loss on disposal of property and equipment	1,035	12,681
Allowance for uncollectible pledges	(5,091)	(82)
Net realized/unrealized (gain) loss on investments	(36,018)	46,729
Contributions restricted for permanent endowment	(36,582)	(140,000)
Net increase in Endowment Fund	(1,325,091)	(381,481)
(Increase) decrease in:		
Accounts and pledges receivable	(3,964,155)	(40,675)
Due to/due from Endowment Fund	56,538	208,585
Other current assets	(140,473)	(232,261)
Increase (decrease) in:		
Accounts payable and accrued expenses	229,718	506,631
Deferred revenue	24,323	(139,708)
Net cash provided by (used in) operating activities	4,060,189	(1,586,154)
Cash flows from investing activities:		
Proceeds from sale of investments	6,257,133	4,586,215
Purchase of investments	(7,097,304)	(1,939,015)
Additions to property and equipment	(1,977,768)	(1,308,894)
Net cash provided by (used in) investing activities	(2,817,939)	1,338,306
Cash flows from financing activities:		
Payments on long-term debt	(117,781)	(88,900)
Contributions restricted for investment in permanent endowment	36,582	140,000
Transfers to Endowment Fund	(71,045)	(18,306)
Net cash provided by (used in) financing activities	(152,244)	32,794
Net increase (decrease) in cash and cash equivalents	1,090,006	(215,054)
Cash and cash equivalents:		
Beginning of year	490,848	705,902
End of year	$ 1,580,854	$ 490,848
Supplemental cash flow information:		
Cash paid during the year for interest	$ 79,427	$ 65,603

See notes to financial statements.

1. THE ORGANIZATIONS

The Oregon Shakespeare Festival Association (Festival) is an Oregon nonprofit corporation. The Festival is the nation's oldest and largest theater in rotating repertory. Its purpose is to provide for promotion of the arts, theatre and music, and to effectuate training, education and performances in the arts.

The Festival presents an eight-month season (from February to October) of eleven plays, a mixture of Shakespeare and classic and contemporary playwrights. The plays are performed at the Festival's three theaters: the Elizabethan Stage, the Angus Bowmer Theater and the Thomas Theater.

The Festival has a contract with the Actors' Equity Association, which provides the employment rules of conduct between the two organizations. The current contract expires in July 2013. The contract provides that there may be no strike, boycott, interruption of work, temporary walk-out or lock-out for any reason during the term of this agreement.

The Oregon Shakespeare Festival Endowment Fund (Endowment Fund) is also an Oregon nonprofit corporation. The Endowment Fund exists to invest certain assets for the benefit of the Festival. A trust agreement between the Festival and the Endowment Fund requires the Endowment Fund to pay the Festival an amount not to exceed 7% of the average Endowment Fund assets as annual support. The amounts due under this agreement at October 31, 2012 and 2011 were $1,292,213 and $1,255,159, respectively, which represents 4.9% and 5%, respectively, of a three year average of Endowment Fund investments.

OSF Solutions, LLC (Solutions) is a single member limited liability company wholly owned by the Festival. The company was established to develop and market arts-oriented software. There is currently no activity in this entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the accounts of the Festival and the Endowment Fund. Intercompany transactions and balances between the Festival and the Endowment Fund as of October 31, 2012 and 2011 have not been eliminated. Because the transactions represent contractual obligations between the two entities, management believes it is appropriate not to eliminate the transactions in the combined statements. Solutions has been consolidated with the Festival and all intercompany transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organizations as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of the Organizations' net assets and transactions into three classes of net assets – unrestricted, temporarily restricted and permanently restricted, as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.

- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organizations and/or the passage of time.

- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organizations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organizations consider all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents held in investment accounts are considered investments.

Investments

Festival investments consist of money market accounts, certificates of deposit, government and commercial bonds, and mutual funds. Festival investments are carried at fair value. Interest income is included as an increase in unrestricted net assets in the accompanying statements of activities since its use is unrestricted, except for earnings on donor restricted funds for which interest is restricted.

Endowment Fund investments in marketable securities and mutual funds are carried at fair value. Investments in limited partnership interests have been estimated by management (in the absence of readily determinable fair values) based on information provided by fund managers or the general partners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be insignificant.

Promises to Give (Pledges)

Unconditional promises to give (pledges) are recognized as revenue in the period the commitment is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Prepaid Expenses

Prepaid expenses primarily represent costs incurred in advance related to the following season's productions. These costs are recognized as expenses in the season when the productions are presented.

Inventory

Inventory, consisting of production, plant and office supplies, is stated at the lower of cost, determined by the first-in, first-out method, or market.

Property and Equipment

Acquisitions of property and equipment in excess of $1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Depreciation expense is segregated between depreciation on assets funded from working capital and depreciation on assets funded by restricted gifts and grants.

Ticket Sales and Deferred Revenue

Ticket sales are recognized as revenue in the period earned as the related productions are presented. Deferred revenue represents monies collected in advance for ticket sales and other programs applicable to the following performance season.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor-restricted support is 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 statements of activities as net assets released from restrictions.

Contributions of Long-Lived Assets

Contributions of land, buildings and equipment, without donor stipulations concerning the use of such long-lived assets, are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition, a number of volunteers have made significant contributions of their time in the furtherance of the Festival's programs. The value of this contributed time is not reflected in the accompanying statements of activities since the criteria for recording donated services has not been met.

Advertising

The Festival expenses advertising production and communication costs in the year the advertising first takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct-response advertising consists primarily of direct mail brochures that include order forms for the Festival’s tickets and memberships and telemarketing efforts. The capitalized costs of the advertising are amortized over the following season to which the tickets relate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Advertising, Continued

Advertising costs approximating $64,000 and $77,000 are reported as prepaid expenses at October 31, 2012 and 2011, respectively. Total advertising expense approximated $298,000 and $343,000 and are included in total publication, advertising and promotional expenses for the years ended October 31, 2012 and 2011, respectively.

Income Taxes

The Festival and the Endowment Fund are exempt from federal and state taxes on income derived from operations related to the purpose for which they are organized under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Organizations, at times, have unrelated business income from advertising, Solutions, rental property and certain income from investments. Income taxes are not material to the financial statements and accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Organizations are not private foundations.

The Organization's information and income tax returns for years ended October 31, 2008 and prior are generally no longer subject to examination by tax authorities in its major taxing jurisdictions.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income (Loss) from Current Endeavors

To facilitate comparisons of annual operating results with the Festival's general operating budget for the year, Festival management has chosen to group like accounts on the statements of activities as "Current Endeavors". Summary totals in the unrestricted column for operating revenue, operating expenses, and support can thus be readily compared with the adopted budget totals and the "income (loss) from current endeavors" figure can be compared and contrasted with the budgeted net gain or loss for the year. Depreciation on assets funded by restricted gifts and grants primarily reflects the depreciation expense on leasehold improvements which were financed through restricted donations. Festival management has chosen not to fund this expense in its annual operating budget but through a reduction in its net assets and to exclude the cost from the total for current endeavors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through February 5, 2013, the date the financial statements were available to be issued.

3. INVESTMENTS

Investments of the Festival are recorded at fair value and consist of the following at October 31, 2012 and 2011:

	2012	2011
Money market accounts	$ 330,296	$ 54,659
Corporate bonds	182,438	263,451
Government bonds	-	87,615
Mutual funds - fixed income	2,787,561	2,059,695
Corporate stocks	145,216	127,320
Certificates of deposit	331,738	308,320
Total investments	$ 3,777,249	$ 2,901,060
Investment income consists of:		
Interest and dividends	$ 131,875	$ 109,027
Net realized/unrealized gain (loss)	36,018	(46,729)
Total investment income	$ 167,893	$ 62,298

Certificates of deposit include funds restricted under a security agreement with the Actors' Equity Association. The agreement requires the Festival to maintain funds equal to two weeks' salary for each union actor employed. The funds are invested in a certificate of deposit and are carried at fair value. Interest on the security deposit is recognized by the Festival as earned. The certificates of deposit secure an irrevocable letter of credit that Actors' Equity could draw on to meet the actors' payroll if needed.

4. PLEDGES RECEIVABLE

Pledges receivable at October 31, 2012 and 2011 consist of the following:

Pledges receivable:	2012	2011
Within one year	$ 5,621,170	$ 1,894,234
Within two to five years	667,985	400,664
Total pledges receivable	6,289,155	2,294,898
Less discount for long-term pledges	9,500	9,500
Less allowance for uncollectible accounts	21,092	26,183
Pledges receivable, net	6,258,563	2,259,215
Less current portion	5,600,078	1,868,051
Noncurrent portion	$ 658,485	$ 391,164

Noncurrent pledges are discounted to present value using a rate of 2.5% for years ending October 31, 2012 and 2011.

At October 31, 2012, approximately 44% of net pledges receivable are due from two donors.

5. PROPERTY AND EQUIPMENT

Property and equipment at October 31, 2012 and 2011 are summarized by major classes as follows:

	2012	2011
Land	$ 2,522,374	$ 1,972,895
Buildings, partially pledged	17,190,335	17,108,716
Leasehold improvements	8,779,076	8,779,076
Accumulated depreciation	(7,789,886)	(7,144,009)
Land and buildings, net	20,701,899	20,716,678
Equipment	8,662,069	7,316,546
Accumulated depreciation	(6,592,807)	(6,137,010)
Equipment, net	2,069,262	1,179,536
Property and equipment, net	$ 22,771,161	$ 21,896,214

As described in Note 11, all other real property used by the Festival is owned by the City of Ashland. Improvements to this property are capitalized by the Festival and depreciated over an estimated useful life of 40 years using the straight-line method.

6. ENDOWMENT FUND

The Endowment Fund exists to invest certain assets for the benefit of the Festival. The financial information for the Endowment Fund is as follows:

	2012	2011
ASSETS:		
Investments	$ 29,848,733	$ 28,572,694
Due from Festival	307,844	176,401
Property held for sale	11,000	11,000
Gifts of future interests	155,000	155,000
Total assets	$ 30,322,577	$ 28,915,095
LIABILITIES:		
Accounts payable	$ 8,000	$ 10,080
Due to Festival	1,376,431	1,301,525
Obligations under gift annuities	675,756	737,236
Total liabilities	$ 2,060,187	$ 2,048,841
NET ASSETS:		
Unrestricted	$ 12,118,670	$ 11,276,041
Temporarily restricted	4,440,975	3,924,050
Permanently restricted	11,702,745	11,666,163
Total net assets	$ 28,262,390	$ 26,866,254

6. ENDOWMENT FUND, Continued

Endowment Fund Investments

Investments included in the Endowment Fund consist of the following at October 31, 2012 and 2011:

	2012	2011
Cash and equivalents	$ 2,816	$ 256,236
Domestic and international equities	17,668,363	13,199,070
Limited partnership interests and other equity securities:		
Investment with minimal liquidation restrictions	6,911,724	9,632,052
Investment with liquidation restrictions	5,265,830	5,485,336
Total investments	$ 29,848,733	$ 28,572,694
Investment income consists of:		
Interest and dividends	$ 384,081	$ 441,412
Net realized/unrealized gain	1,864,775	1,055,302
Total investment income	$ 2,248,856	$ 1,496,714

Investments in limited partnerships and other equity securities represent 43% of the Endowment's net assets and 20% of combined net assets at October 31, 2012 (56% of the Endowment's net assets and 29% of combined net assets at October 31, 2011) and have been estimated by management (in the absence of readily determinable fair values) based on information provided by fund managers or the general partners.

As disclosed in the audited financial statements of the limited partnerships:

> The investments in limited partnerships are accounted for at estimated fair value, calculated at the Partnership's percentage interest in the total fair value of the limited partnerships. These partnerships may hold investments in publicly traded securities that may be subject to selling restrictions and limitations or held in escrow. These securities were valued by the general partners of the partnerships and may be discounted from market prices. The partnerships also hold securities which are not currently traded in a public market and are subject to restrictions on resale. These investments are carried by the partnerships at estimated fair value as determined by the general partners of the partnerships after giving consideration to operating results, financial conditions, recent sales prices of issuers' securities and other pertinent information.

6. ENDOWMENT FUND, Continued

Endowment Fund Investments, Continued
Because of the uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. The limited partnerships may also have risk associated with their concentration in certain geographic regions and in certain industries.

Commitments for limited partnership investments not yet funded approximate $1,242,000 at October 31, 2012.

Endowment Fund Gift Annuities
The Endowment Fund has received several gift annuities and has been named as a beneficiary to a charitable remainder unitrust. Under the terms of the annuity agreements, the Endowment Fund will pay out specified amounts periodically over the lives of the annuitants. When terminated, the balance in the annuity account is available to be placed in the Endowment Fund's permanently restricted net assets. The portion of the gift annuity attributable to the present value of the future benefits to be received by the Endowment Fund is recorded in the statement of activities as a temporarily restricted contribution in the period the annuity is established. There were no such contributions for the year ended October 31, 2012. Contributions totaled $96,156 for the year ended October 31, 2011. Funds held in separate accounts are included in the Endowment Fund's investments, are reported at fair market value and totaled $1,269,612 and $1,292,230 at October 31, 2012 and 2011, respectively.

On an annual basis, the Endowment Fund re-determines its obligation for payments to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments of $675,756 and $737,236 at October 31, 2012 and 2011, respectively, is calculated using a discount rate of 2.0% and applicable mortality tables. Based on the annuities having similar characteristics, management has used a single discount rate at the end of the fiscal year to determine the obligation for all annuities.

7. LINE OF CREDIT

The Festival has a $1,000,000 stand-alone revolving line of credit with US Bank. Interest on the line is payable monthly at the bank's prime rate (3.25% at October 31, 2012 and 2011). The line matures on June 1, 2013 and is secured by assets of the Festival. There were no outstanding advances on the line at October 31, 2012 and 2011.

8. LONG-TERM DEBT

The Festival is obligated on mortgages payable which are secured by real property as follows at October 31, 2012 and 2011:

	2012	2011
Mortgage payable to US Bank in monthly installments of $7,402 including interest at 3.625% through March 2019; secured by real property.	$ 506,998	$ 575,752
Note payable to City of Ashland in annual installments of $29,302 including interest at 5.58% through November 2026; unsecured. The loan was paid in full on November 15, 2012.	280,397	305,540
Note payable to an individual in monthly installments of $5,427 including interest at 7.0% through August 2026; secured by real property.	576,092	599,976
	1,363,487	1,481,268
Less current portion	110,918	105,239
Long-term portion	$ 1,252,569	$ 1,376,029

Future maturities of long-term debt are as follows:

Year ending December 31, 2013	$ 110,918
2014	116,173
2015	121,701
2016	127,518
2017	133,642
Thereafter	753,535
	$ 1,363,487

Interest expense totaled $79,427 for 2012 and $82,652 for 2011.

9. RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Board Designated Net Assets

At October 31, 2012 and 2011, the Organizations' Boards of Directors and Trustees have designated unrestricted net assets to be included in the Endowment to be used for future operations. (See Note 15, Endowment.)

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2012	2011
Funding of future season operations	$ 3,413,373	$ 3,143,643
Artistic Opportunities Fund	3,520,569	1,774,485
Gifts of future interests (Note 15)	588,873	572,951
Earnings on permanently restricted funds (Note 15)	3,852,102	3,351,099
Other purpose restricted	3,585,109	358,253
Total temporarily restricted net assets	$ 14,960,026	$ 9,200,431

Permanently Restricted Net Assets

Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organizations. (See Note 15, Endowment.)

10. SELF-FUNDED HEALTH INSURANCE AND REINSURANCE

The Festival's employee health insurance is self-funded. Premiums are calculated annually based on prior year's claims and increasing insurance costs. The Festival is reinsured when claims reach a specific amount. The individual stop loss is $125,000 and the aggregate stop loss is $1,300,000 subject to a maximum aggregate benefit limit of $1,000,000.

11. LEASE COMMITMENTS

All real property used by the Festival, other than that indicated in Note 5, is owned by the City of Ashland. The Festival transferred this property and various leasehold improvements to the City of Ashland. The Festival leases this property rent-free from the City of Ashland. The lease term extends through 2075. At the end of the lease term, title to the Thomas Theater will be transferred to the City of Ashland.

11. LEASE COMMITMENTS, Continued

The Festival leased space for use by the gift shop under a lease agreement through June 30, 2012. Monthly rent was $6,078 through September 2011 and increased to $6,260 through June 2012. The lease was renewed through June 30, 2017 with initial monthly rent of $6,510 and annual increases based on the Consumer Price Index. The Festival is reimbursed by the gift shop operators on a monthly basis.

The Festival leases other facilities for costume storage and rental operations, classroom space, and the paint shop under agreements with monthly payments ranging from $1,115 to $6,749 per month and expire from October 2013 to June 2015.

The Festival also leases office equipment under operating leases expiring in 2015. Monthly payments total $3,697.

Rent expense, net of amount reimbursed by the gift shop, approximated $257,700 during 2012 and $186,800 during 2011.

Future minimum lease payments are as follows:

	Lease Expense	Sublease income
Year ending October 31, 2013	$ 278,000	$ 79,100
2014	197,200	83,100
2015	143,500	87,200
2016	91,600	91,600
2017	71,200	71,200
Total	$ 781,500	$ 412,200

12. EMPLOYEES' SAVING AND PROFIT SHARING PLAN

The Oregon Shakespeare Festival Association's retirement plan and deferred compensation plan were established in 1989. Both the Festival and eligible employees contribute to the plans. The Festival's contributions are voluntary and at the discretion of management. The Festival's contributions for the years ended October 31, 2012 and 2011 were approximately $206,000 and $202,000, respectively.

13. RELATED PARTY DISCLOSURE

Certain board members are business owners in the community. At times, the Festival enters into transactions with companies where board members are key employees or owners. These transactions occur in the normal course of business, were insignificant to the financial statements and disclosed as part of the Festival's conflict of interest policy.

14. FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 (unlimited insurance for certain non-interest bearing accounts through December 31, 2012). The balances, at times, may exceed the federally insured limit. Cash balances in excess of insured limits totaled approximately $327,000 and $17,000 at October 31, 2012 and 2011, respectively. To limit credit risk, the Organizations place cash equivalents and other short-term investments with high credit quality financial institutions.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Concentrations of credit risk with respect to pledges receivable are limited due to the large number of contributors comprising the Organizations' contributor base and their dispersion across different industries and geographic areas.

15. ENDOWMENT

The Oregon Shakespeare Festival Endowment Fund’s endowment consists of funds established for educational programs and operations support. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America (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.

15. ENDOWMENT, Continued

Interpretation of Relevant Law

The Board of Trustees of the Oregon Shakespeare Festival Endowment Fund has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) 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 Endowment Fund classifies as permanently restricted net assets (a) the original value of gifts, including subsequent gifts, donated to the permanent endowment and (b) 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 Endowment Fund in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Endowment Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the Endowment Fund
(2) The purposes of the Endowment Fund 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 Endowment Fund
(7) The investment policies of the Endowment Fund

15. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of October 31, 2012 and 2011 is as follows:

	Board Designated	Other Temporarily Restricted	Temporarily Restricted Earnings	Permanently Restricted	Total
October 31, 2012					
Donor-restricted	$ -	$ 588,873	$ 3,852,102	$ 11,702,745	$ 16,143,720
Board-designated	12,118,670	-	-	-	12,118,670
Total Funds	$ 12,118,670	$ 588,873	$ 3,852,102	$ 11,702,745	$ 28,262,390
October 31, 2011					
Donor-restricted	$ -	$ 572,951	$ 3,351,099	$ 11,666,163	$ 15,590,213
Board-designated	11,276,041	-	-	-	11,276,041
	$ 11,276,041	$ 572,951	$ 3,351,099	$ 11,666,163	$ 26,866,254

Changes in endowment net assets for the years ended October 31, 2012 and 2011 are as follows:

	Board Designated	Other Temporarily Restricted	Temporarily Restricted Earnings	Permanently Restricted	Total
Endowment net assets - October 31, 2010	$ 11,109,750	$ 494,424	$ 3,235,258	$ 11,627,035	$ 26,466,467
Investment return:					
Investment income, net of fees	181,647	32,945	226,820	-	441,412
Net appreciation	469,294	-	586,008	-	1,055,302
Contributions	166,426	96,156	-	39,128	301,710
Appropriation of endowment assets for expenditure	(651,076)	-	(696,987)	-	(1,348,063)
Other changes	-	(50,574)	-	-	(50,574)
Total changes	166,291	78,527	115,841	39,128	399,787
Endowment net assets - October 31, 2011	11,276,041	572,951	3,351,099	11,666,163	26,866,254
Investment return:					
Investment income, net of fees	160,415	33,414	190,344	-	384,173
Net appreciation	852,785	-	1,011,898	-	1,864,683
Contributions	518,708	-	-	36,582	555,290
Appropriation of endowment assets for expenditure	(689,279)	-	(701,239)	-	(1,390,518)
Other changes	-	(17,492)	-	-	(17,492)
Total changes	842,629	15,922	501,003	36,582	1,396,136
Endowment net assets - October 31, 2012	$ 12,118,670	$ 588,873	$ 3,852,102	$ 11,702,745	$ 28,262,390

15. ENDOWMENT, Continued

Return Objectives and Risk Parameters

Oregon Shakespeare Festival Endowment Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Endowment Fund must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Endowment Fund 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 Endowment Fund 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Oregon Shakespeare Festival Endowment Fund has a policy of appropriating for distribution each year between 4% and 7%, set by agreement between the Endowment Fund and the Festival. The current distribution rate is set at 4.9% (5% in 2011) of its Endowment Fund's average fair value over the prior 37 months through the fiscal year-end proceeding the fiscal year in which the distribution is planned. Beginning in 2012, the Endowment Fund's Board has approved a policy change whereby the distribution rate will be reduced by 0.1% each year through 2016. In establishing this policy, the Endowment Fund considered the long-term expected return on its endowment. Accordingly, over the long term, the Endowment Fund expects the current spending policy to allow its endowment to grow at a rate consistent with the market, less distributions, annually. This is consistent with the Endowment Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

16. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the combined statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

16. FAIR VALUE MEASUREMENTS, Continued

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets of the Festival measured on recurring basis at October 31, 2012 and 2011 are as follows:

	Total	Level 1	Level 2	Level 3
October 31, 2012				
Investments recorded at fair value:				
Mutual funds-Fixed income	$ 2,787,561	$ 2,787,561	$ -	$ -
Corporate stocks	145,216	145,216	-	-
Corporate bonds	182,438	182,438	-	-
Total fair value investments	3,115,215	$ 3,115,215	$ -	$ -
Other investments:				
Money market accounts	330,296			
Certificates of deposit	331,738			
Total other investments	662,034			
Total invested assets	$ 3,777,249			
October 31, 2011				
Investments recorded at fair value:				
Mutual funds-Fixed income	$ 2,059,695	$ 2,059,695	$ -	$ -
Corporate stocks	127,320	127,320	-	-
Government bonds	87,615	87,615	-	-
Corporate bonds	263,451	263,451	-	-
Total fair value investments	2,538,081	$ 2,538,081	$ -	$ -
Other investments:				
Money market accounts	54,659			
Certificates of deposit	308,320			
Total other investments	362,979			
Total invested assets	$ 2,901,060			

16. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets and liabilities of the Endowment Funds measured on recurring basis at October 31, 2012 and 2011 are as follows:

	Total	Level 1	Level 2	Level 3
October 31, 2012				
Assets:				
Investments recorded at fair value:				
Mutual funds-Equity securities	$ 8,657,008	$ 8,657,008	$ -	$ -
Mutual funds-Fixed income	5,670,376	5,670,376	-	-
Mutual funds-International	1,964,841	1,964,841	-	-
Mutual funds-Real estate	1,376,138	1,376,138	-	-
Limited partnership interests	12,177,554	-	-	12,177,554
Total fair value investments	29,845,917	$ 17,668,363	$ -	$ 12,177,554
Other investments:				
Cash and cash equivalents	2,816			
Total invested assets	$ 29,848,733			
Liabilities:				
Obligation under gift annuities	$ (675,756)	$ -	$ -	$ (675,756)
October 31, 2011				
Assets:				
Investments recorded at fair value:				
Mutual funds-Equity securities	$ 7,735,498	$ 7,735,498	$ -	$ -
Mutual funds-Fixed income	2,610,246	2,610,246	-	-
Mutual funds-International	1,852,451	1,852,451	-	-
Mutual funds-Real estate	1,000,875	1,000,875	-	-
Limited partnership interests	15,117,388	-	-	15,117,388
Total fair value investments	28,316,458	$ 13,199,070	$ -	$ 15,117,388
Other investments:				
Cash and cash equivalents	256,236			
Total invested assets	$ 28,572,694			
Liabilities:				
Obligation under gift annuities	$ (737,236)	$ -	$ -	$ (737,236)

- Fair values for debt and equity securities, including government bonds, are determined by reference to quoted market prices and other relevant information generated by market transactions.

16. FAIR VALUE MEASUREMENTS, Continued

- Fair values for limited partnership interests are calculated at the partnership's percentage interest in the total fair value of the limited partnerships using a market approach.

- Fair values of the obligation under gift annuity agreements are determined using an income approach by calculating the present value of the future distributions to be made using published life expectancy tables and applicable discount rates.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Investments - Limited partnership interests:

	2012	2011
Balance at beginning of year	$ 15,117,388	$ 13,924,790
Net investment in (sales of) limited partnerships	(3,215,519)	(27,741)
Change in value of limited partnerships	275,685	1,220,339
Balance at end of year	$ 12,177,554	$ 15,117,388

Changes in value of limited partnerships is reported in the statements of activities as follows:

	2012	2011
Unrestricted	$ 126,071	$ 542,685
Temporarily restricted	149,614	677,654
Change in value of limited partnerships	$ 275,685	$ 1,220,339

Obligation under charitable gift annuities:

	2012	2011
Balance at beginning of year	$ 737,236	$ 764,941
New charitable gift annuities received	-	56,560
Deceased annuitant	(28,281)	(52,716)
Change in value of split-interest agreements	45,773	50,574
Payments to beneficiaries	(78,972)	(82,123)
Balance at end of year	$ 675,756	$ 737,236

Change in value of split-interest agreements is reported as temporarily restricted investment income from the Endowment Fund.

17. BUILDING DAMAGE AND INSURANCE RECOVERY

During the year ended October 31, 2011, the main support beam of Angus Bowmer Theater partially collapsed. As a result, certain plays were cancelled or moved to other venues. Tickets were exchanged or refunded based on patron preference. The theater was restored and placed back into service prior to year end. Insurance proceeds received are recorded in the year in which payment has been accepted and received, all of which is the year ended October 31, 2012. Total losses and insurance recovery are as follows:

	Structural Repair and Improvements to Angus Bowmer Theater	Maintenance and Relocation of Performances	Total
Operating expenses:			
Salaries	$ 26,132	$ 115,835	$ 141,967
Other expenses	-	735,624	735,624
Subtotal operations	26,132	851,459	877,591
Capitalized expenses	302,162	-	302,162
Total expenses	$ 328,294	$ 851,459	$ 1,179,753
Estimated lost income:			
Ticket revenue			2,252,347
Concessions			29,137
Interest earnings			52,300
Total estimated lost income			2,333,784
Total estimated loss incurred through October 31, 2011			3,513,537
Insurance proceeds received during the year ended October 31, 2012:			
Repair and improvements to theater			328,294
Costs for relocation of performance and lost revenue			2,984,529
Total insurance proceeds received through October 31, 2012			3,312,823
Net estimated unreimbursed costs			$ 200,714

Costs incurred include holding the plays in other venues for the duration of reconstruction. Based on management's assessment of the work completed, $302,162 of repair costs incurred has been capitalized to property and equipment.

18. PENDING LITIGATION

The Company has been named in a lawsuit claiming that certain areas of the facilities are not in compliance with the Americans with Disabilities Act. The ultimate outcome of this litigation presently cannot be determined. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.

SUPPLEMENTAL INFORMATION

McDONALD JACOBS

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
Oregon Shakespeare Festival Association and
Oregon Shakespeare Festival Endowment Fund
Ashland, Oregon

We have audited the financial statements of Oregon Shakespeare Festival Association and Oregon Shakespeare Festival Endowment Fund for the years ended October 31, 2012 and 2011, and have issued our report thereon dated February 5, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental information contained in Schedules I through VIII is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McDonald Jacobs, P.C.

February 5, 2013

Strength in Numbers
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OREGON SHAKESPEARE FESTIVAL ASSOCIATION
AND OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND

SUPPLEMENTAL INFORMATION - SCHEDULE I
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended October 31, 2012
(With comparative totals for 2011)

	Plays and Education	Marketing and Audience Services	General and Administration	Membership and Fundraising	2012 Total	2011 Total
Salaries	$ 12,669,904	$ 2,199,897	$ 2,227,212	$ 521,447	$ 17,618,460	$ 17,142,056
Payroll taxes and benefits	3,335,145	555,845	532,720	106,910	4,530,620	4,120,054
Total salaries and related expenses	16,005,049	2,755,742	2,759,932	628,357	22,149,080	21,262,110
Fees for service:						
Legal	-	-	64,329	-	64,329	29,079
Accounting and audit fees	-	-	64,575	-	64,575	56,258
Professional fundraising	-	8,272	-	84,259	92,531	38,961
Other fees - play commissions	186,651	-	-	-	186,651	162,450
Other fees - miscellaneous	45,138	208,827	81,032	71,793	406,790	347,319
Publications, advertising and promotion	539	546,286	-	131,791	678,616	342,901
Office expenses :						
Supplies	39,174	111,966	54,558	52,927	258,625	267,135
Telephone	19,348	9,154	83,509	2,025	114,036	114,434
Postage and mailing	7,697	70,825	12,162	80,839	171,523	192,123
Photocopying	35,051	1,871	5,188	2,544	44,654	37,046
Training	1,525	11,450	158,033	4,878	175,886	100,337
Sundry equipment	36,918	4,492	131,081	-	172,491	190,891
Credit card fees	-	421,582	-	68,630	490,212	463,990
In-kind expense	12,491	37,444	22,946	14,016	86,897	229,392
Information technology	-	-	124,796	-	124,796	122,341
Royalties	648,934	-	-	-	648,934	461,866
Travel and cultivation	458,376	9,273	29,438	111,516	608,603	655,130
Interest	-	-	18,119	-	18,119	17,505
Other expenses :						
Costumes	292,917	-	-	-	292,917	286,535
Scenery	319,049	-	-	-	319,049	301,087
Properties	108,536	-	-	-	108,536	109,996
Lighting	108,442	-	-	-	108,442	94,490
Sound	20,047	-	-	-	20,047	34,960
Music	14,138	-	-	-	14,138	20,295
Other production materials	11,870	-	-	-	11,870	9,179
Other operating costs related to beam break (Note 17)	-	-	-	-	-	735,624
Miscellaneous	537,668	22,566	170,041	4,819	735,094	617,135
Housing	798,363	-	-	-	798,363	680,540
	19,707,921	4,219,750	3,779,739	1,258,394	28,965,804	28,396,029
Occupancy:						
Depreciation	508,383	6,909	42,191	8,835	566,318	594,392
Insurance	461,273	6,269	38,281	8,016	513,839	437,857
Rental of space	186,408	-	21,687	-	208,095	180,548
Repairs and maintenance	-	-	100,610	-	100,610	109,592
Utilities	277,250	-	107,697	-	384,947	378,352
Allocation of plant and other costs	1,095,957	14,894	(1,129,896)	19,045	-	-
Total occupancy	2,529,271	28,072	(819,430)	35,896	1,773,809	1,700,741
Total operating expenses	22,237,192	4,247,822	2,960,309	1,294,290	30,739,613	30,096,770
Less expenses related to Bowmer beam break (Note 17)	-	-	-	-	-	877,591
	22,237,192	4,247,822	2,960,309	1,294,290	30,739,613	29,219,179
Depreciation - restricted	490,763	-	15,260	19,567	525,590	525,590
Total expenses	$ 22,727,955	$ 4,247,822	$ 2,975,569	$ 1,313,857	$ 31,265,203	$ 29,744,769

See independent auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
AND OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND

SUPPLEMENTAL INFORMATION - SCHEDULE II
COMBINING STATEMENTS OF NET ASSETS
October 31, 2012 and 2011

	2012			2011		
	Festival Association	Endowment Fund	Total	Festival Association	Endowment Fund	Total
Net assets:						
Unrestricted:						
Undesignated	$ 21,663,311	$ -	$ 21,663,311	$ 20,147,918	$ -	$ 20,147,918
Board designated	-	12,118,670	12,118,670	-	11,276,041	11,276,041
Total unrestricted	21,663,311	12,118,670	33,781,981	20,147,918	11,276,041	31,423,959
Temporarily restricted	10,519,051	4,440,975	14,960,026	5,276,381	3,924,050	9,200,431
Permanently restricted	-	11,702,745	11,702,745	-	11,666,163	11,666,163
Total net assets	$ 32,182,362	$ 28,262,390	$ 60,444,752	$ 25,424,299	$ 26,866,254	$ 52,290,553

See independent auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE III
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
October 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,580,854	$ 490,848
Investments	3,777,249	2,901,060
Accounts receivable	115,644	145,746
Pledges receivable, net	5,600,078	1,868,051
Due from Endowment Fund	1,376,430	1,301,525
Prepaid expenses	1,230,414	1,080,705
Inventory	162,605	171,841
Total current assets	13,843,274	7,959,776
Noncurrent pledges receivable, net	658,485	391,164
Property and equipment, net	22,771,161	21,896,214
TOTAL ASSETS	$ 37,272,920	$ 30,247,154
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,516,645	$ 2,286,927
Due to Endowment Fund	307,844	176,401
Deferred revenue, tickets	443,851	421,087
Deferred revenue, program and other revenues	458,731	457,172
Current portion of long-term debt	110,918	105,239
Total current liabilities	3,837,989	3,446,826
Long-term debt, less current portion	1,252,569	1,376,029
Total liabilities	5,090,558	4,822,855
Net assets (deficit):		
Unrestricted:		
Undesignated	255,637	(267,028)
Net property and equipment	21,407,674	20,414,946
Total unrestricted	21,663,311	20,147,918
Temporarily restricted	10,519,051	5,276,381
Total net assets	32,182,362	25,424,299
TOTAL LIABILITIES AND NET ASSETS	$ 37,272,920	$ 30,247,154

See independent auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE IV
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended October 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenue:						
Plays	$ 18,309,793	$ -	$ 18,309,793	$ 16,985,729	$ -	$ 16,985,729
Other events	178,270	-	178,270	504,783	-	504,783
Educational programs	256,059	-	256,059	268,350	-	268,350
Publications	261,022	-	261,022	290,910	-	290,910
Concessions	333,971	-	333,971	313,908	-	313,908
Investment income	109,139	58,754	167,893	(10,621)	72,919	62,298
Support from Endowment Fund	1,292,213	-	1,292,213	1,255,159	-	1,255,159
Other	614,671	-	614,671	491,426	-	491,426
Income related to beam break (Note 17)	3,312,823	-	3,312,823	-	-	-
Total operating revenue	24,667,961	58,754	24,726,715	20,099,644	72,919	20,172,563
Support:						
Memberships	3,477,221	352,662	3,829,883	3,330,809	398,097	3,728,906
Gifts and grants	1,191,032	5,181,860	6,372,892	1,520,689	2,009,133	3,529,822
Support groups	100,000	-	100,000	152,258	-	152,258
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	3,577,462	(3,577,462)	-	2,886,423	(2,886,423)	-
Total support	8,345,715	1,957,060	10,302,775	7,890,179	(479,193)	7,410,986
Total operating revenue and support	33,013,676	2,015,814	35,029,490	27,989,823	(406,274)	27,583,549
Operating expenses:						
Plays and education	22,237,192	-	22,237,192	20,814,683	-	20,814,683
Marketing and audience services	4,247,822	-	4,247,822	4,121,065	-	4,121,065
General and administration	2,960,309	-	2,960,309	2,977,278	-	2,977,278
Membership and fundraising	1,294,290	-	1,294,290	1,306,153	-	1,306,153
Expenses related to beam break (Note 17)	-	-	-	877,591	-	877,591
Total operating expenses	30,739,613	-	30,739,613	30,096,770	-	30,096,770
Income (loss) from current endeavors	2,274,063	2,015,814	4,289,877	(2,106,947)	(406,274)	(2,513,221)

Continued

See independent auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE IV
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended October 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Income (loss) from current endeavors Brought forward	2,274,063	2,015,814	4,289,877	(2,106,947)	(406,274)	(2,513,221)
Executive Director transition expenses	(235,678)		(235,678)			
Net loss from OSF Solutions	-	-	-	(2,049)	-	(2,049)
Costume rental business, net	2,598	-	2,598	10,776	-	10,776
Other funds, net activity	-	(4,944)	(4,944)	-	73,864	73,864
Depreciation on assets funded by restricted gifts and grants	(525,590)	-	(525,590)	(525,590)	-	(525,590)
Capital campaign contributions	-	3,231,800	3,231,800	-	-	-
Change in net assets	1,515,393	5,242,670	6,758,063	(2,623,810)	(332,410)	(2,956,220)
Net assets:						
Beginning of year	20,147,918	5,276,381	25,424,299	22,771,728	5,608,791	28,380,519
End of year	$ 21,663,311	$ 10,519,051	$ 32,182,362	$ 20,147,918	$ 5,276,381	$ 25,424,299

Concluded

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OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE V
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 6,758,063	$ (2,956,220)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,101,786	1,129,860
Loss on disposal of property and equipment	1,035	12,681
Allowance for uncollectible pledges	(5,091)	(82)
Net realized/unrealized gain on investments	(36,018)	46,729
(Increase) decrease in:		
Accounts and pledges receivable	(3,964,155)	(40,675)
Due to/due from Endowment Fund	56,538	208,585
Other current assets	(140,473)	(232,261)
Increase (decrease) in:		
Accounts payable and accrued expenses	229,718	506,631
Deferred revenue	24,323	(139,708)
Net cash provided by (used in) operating activities	4,025,726	(1,464,460)
Cash flows from investing activities:		
Proceeds from sale of investments	6,257,133	4,586,215
Purchase of investments	(7,097,304)	(1,939,015)
Additions to property and equipment	(1,977,768)	(1,308,894)
Net cash provided by (used in) investing activities	(2,817,939)	1,338,306
Cash flows from financing activities:		
Payments on long-term debt	(117,781)	(88,900)
Net cash used in financing activities	(117,781)	(88,900)
Net increase (decrease) in cash and cash equivalents	1,090,006	(215,054)
Cash and cash equivalents:		
Beginning of year	490,848	705,902
End of year	$ 1,580,854	$ 490,848
Supplemental cash flow information:		
Cash paid during the year for interest	$ 79,427	$ 65,603

See independent auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND
SUPPLEMENTAL INFORMATION - SCHEDULE VI
STATEMENTS OF FINANCIAL POSITION
October 31, 2012 and 2011

	2012	2011
ASSETS		
Investments	$ 29,848,733	$ 28,572,694
Due from Festival	307,844	176,401
Property held for sale	11,000	11,000
Gift of future interests	155,000	155,000
TOTAL ASSETS	$ 30,322,577	$ 28,915,095
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 8,000	$ 10,080
Due to Festival	1,376,431	1,301,525
Obligations under gift annuities	675,756	737,236
Total liabilities	2,060,187	2,048,841
Net assets:		
Unrestricted	12,118,670	11,276,041
Temporarily restricted	4,440,975	3,924,050
Permanently restricted	11,702,745	11,666,163
Total net assets	28,262,390	26,866,254
TOTAL LIABILITIES AND NET ASSETS	$ 30,322,577	$ 28,915,095

See independent auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND
SUPPLEMENTAL INFORMATION - SCHEDULE VII
STATEMENTS OF ACTIVITIES
For the years ended October 31, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions	$ 518,708	$ -	$ 36,582	$ 555,290	$ 166,426	$ -	$ 39,128	$ 205,554
Interest and dividends	160,415	223,758	-	384,173	181,647	259,765	-	441,412
Net realized/unrealized gain on investments	852,785	1,011,898	-	1,864,683	469,294	586,008	-	1,055,302
Contributions of gift annuity	-	-	-	-	-	96,156	-	96,156
Change in value of gift annuities	-	(17,492)	-	(17,492)	-	(50,574)	-	(50,574)
Release of restrictions:								
Appropriated for expenditure	701,239	(701,239)	-	-	696,987	(696,987)	-	-
Total support and revenue	2,233,147	516,925	36,582	2,786,654	1,514,354	194,368	39,128	1,747,850
Expenses:								
Support to Festival	1,292,213	-	-	1,292,213	1,255,159	-	-	1,255,159
General and administrative	98,305	-	-	98,305	92,904	-	-	92,904
Total expenses	1,390,518	-	-	1,390,518	1,348,063	-	-	1,348,063
Change in net assets	842,629	516,925	36,582	1,396,136	166,291	194,368	39,128	399,787
Net assets:								
Beginning of year	11,276,041	3,924,050	11,666,163	26,866,254	11,109,750	3,729,682	11,627,035	26,466,467
End of year	$ 12,118,670	$ 4,440,975	$ 11,702,745	$ 28,262,390	$ 11,276,041	$ 3,924,050	$ 11,666,163	$ 26,866,254

See independent auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND
SUPPLEMENTAL INFORMATION - SCHEDULE VIII
STATEMENTS OF CASH FLOWS
For the years ended October 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Interest and dividends received	$ 384,173	$ 441,412
Support to Festival	(1,217,307)	(1,298,190)
Annuity payments	(78,972)	(82,123)
Endowment expenses	(100,385)	(90,664)
Net cash used in operating activities	(1,012,491)	(1,029,565)
Cash flows from investing activities:		
Proceeds from sale of investments	2,734,131	1,030,478
Purchase of investments	(2,145,487)	(151,543)
Proceeds from note receivable	-	10,000
Net cash provided by investing activities	588,644	888,935
Cash flows from financing activities:		
Contributions restricted or designated for permanent endowment	423,847	140,000
Net cash provided by financing activities	423,847	140,000
Net decrease in cash and cash equivalents	-	(630)
Cash and cash equivalents:		
Beginning of year	-	630
End of year	$ -	$ -
Reconciliation of the change in net assets to net cash used in operating activities:		
Change in net assets	$ 1,396,136	$ 399,787
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized/unrealized gain on investments	(1,864,683)	(1,055,302)
Contributions restricted for permanent endowment	(423,847)	(140,000)
Increase (decrease) in:		
Due to/due from Festival	(56,537)	(208,585)
Accounts payable	(2,080)	2,240
Obligations and deferred support - gift annuities	(61,480)	(27,705)
Net cash used in operating activities	$ (1,012,491)	$ (1,029,565)

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