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

Combined Audited Financial Statements

For The Years Ended October 31, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

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, 2011 and 2010 and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Oregon Shakespeare Festival Association and Oregon Shakespeare Festival Endowment Fund 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 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, 2011 and 2010, and the 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 7, 2012

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, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 490,848	$ 705,902
Investments	2,901,060	5,594,989
Accounts receivable	145,746	166,712
Pledges receivable, net	1,868,051	1,985,992
Due from Endowment Fund	1,301,525	1,344,556
Prepaid expenses	1,080,705	858,387
Inventory	171,841	161,898
Total current assets	7,959,776	10,818,436
Noncurrent pledges receivable, net	391,164	211,500
Property and equipment, net	21,896,214	21,729,861
Endowment Fund	26,866,254	26,466,467
TOTAL ASSETS	$ 57,113,408	$ 59,226,264
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,286,927	$ 1,780,296
Due to Endowment Fund	176,401	10,847
Deferred revenue, tickets	421,087	456,110
Deferred revenue, program and other revenues	457,172	561,857
Current portion of long-term debt	105,239	101,172
Total current liabilities	3,446,826	2,910,282
Long-term debt, less current portion	1,376,029	1,468,996
Total liabilities	4,822,855	4,379,278
Net assets (deficit):		
Unrestricted:		
Undesignated	(267,028)	2,612,035
Board designated	11,276,041	11,109,750
Net property and equipment	20,414,946	20,159,693
Total unrestricted	31,423,959	33,881,478
Temporarily restricted	9,200,431	9,338,473
Permanently restricted	11,666,163	11,627,035
Total net assets	52,290,553	54,846,986
TOTAL LIABILITIES AND NET ASSETS	$ 57,113,408	$ 59,226,264

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, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:								
Plays	$ 16,985,729	$ -	$ -	$ 16,985,729	$ 18,473,563	$ -	$ -	$ 18,473,563
Other events	504,783	-	-	504,783	207,976	-	-	207,976
Educational programs	268,350	-	-	268,350	228,957	-	-	228,957
Publications	290,910	-	-	290,910	235,071	-	-	235,071
Concessions	313,908	-	-	313,908	317,963	-	-	317,963
Investment income (loss)	(10,621)	72,919	-	62,298	147,185	64,011	-	211,196
Support from Endowment Fund	1,255,159	-	-	1,255,159	1,344,151	-	-	1,344,151
Other	491,426	-	-	491,426	333,742	-	-	333,742
Total operating revenue	20,099,644	72,919	-	20,172,563	21,288,608	64,011	-	21,352,619
Support:								
Memberships	3,332,459	398,097	-	3,730,556	3,364,767	391,732	-	3,756,499
Gifts and grants	1,520,689	2,009,133	-	3,529,822	992,120	2,186,532	-	3,178,652
Support groups	152,258	-	-	152,258	110,884	-	-	110,884
Net assets released from restrictions:								
Satisfaction of time and purpose restrictions	2,886,423	(2,886,423)	-	-	2,424,154	(2,424,154)	-	-
Total support	7,891,829	(479,193)	-	7,412,636	6,891,925	154,110	-	7,046,035
Total operating revenue and support	27,991,473	(406,274)	-	27,585,199	28,180,533	218,121	-	28,398,654
Operating expenses:								
Plays and education	20,814,683	-	-	20,814,683	19,464,290	-	-	19,464,290
Marketing and audience services	4,121,065	-	-	4,121,065	3,992,354	-	-	3,992,354
General and administration	2,977,278	-	-	2,977,278	2,731,341	-	-	2,731,341
Membership and fundraising	1,306,153	-	-	1,306,153	1,198,743	-	-	1,198,743
Expenses related to beam break (Note 17)	877,591	-	-	877,591	-	-	-	-
Total operating expenses	30,096,770	-	-	30,096,770	27,386,728	-	-	27,386,728
Income (Loss) from current endeavors	(2,105,297)	(406,274)	-	(2,511,571)	793,805	218,121	-	1,011,926

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, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income (Loss) from current endeavors Brought forward	(2,105,297)	(406,274)	-	(2,511,571)	793,805	218,121	-	1,011,926
Net loss from OSF Solutions	(2,049)	-	-	(2,049)	(3,071)	-	-	(3,071)
Contributions for capitalized expenditures and (release of restrictions)	-	-	-	-	30,000	(30,000)	-	-
Costume rental business, net	10,776	-	-	10,776	(1,507)	-	-	(1,507)
Other funds, net activity	-	73,864	-	73,864	-	(6,993)	-	(6,993)
Depreciation on assets funded by restricted gifts and grants	(525,590)	-	-	(525,590)	(555,590)	-	-	(555,590)
Endowment activities:								
Endowment Fund contributions	164,776	-	39,128	203,904	705,788	-	94,281	800,069
Endowment Fund investment income	650,941	845,773	-	1,496,714	1,434,609	1,832,054	-	3,266,663
Contributions of gift annuities	-	96,156	-	96,156	-	119,916	-	119,916
Change in value of gift annuities	-	(50,574)	-	(50,574)	-	(162,674)	-	(162,674)
Endowment support to Festival	(558,172)	(696,987)	-	(1,255,159)	(592,388)	(751,763)	-	(1,344,151)
Endowment expenses	(92,904)	-	-	(92,904)	(96,110)	-	-	(96,110)
Change in net assets	(2,457,519)	(138,042)	39,128	(2,556,433)	1,715,536	1,218,661	94,281	3,028,478
Net assets:								
Beginning of year	33,881,478	9,338,473	11,627,035	54,846,986	32,165,942	8,119,812	11,532,754	51,818,508
End 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

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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ (2,556,433)	$ 3,028,478
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,129,860	1,133,384
Loss on disposal of property and equipment	12,681	-
Allowance for uncollectible pledges	(82)	(1,899)
Net realized/unrealized gain on investments	46,729	(55,906)
Contributions restricted for permanent endowment	(140,000)	(954,989)
Net (increase) decrease in Endowment Fund	(381,481)	(1,803,658)
(Increase) decrease in:		
Accounts and pledges receivable	(40,675)	137,906
Due to/due from Endowment Fund	208,585	136,718
Other current assets	(232,261)	78,540
Increase (decrease) in:		
Accounts payable and accrued expenses	506,631	(428,696)
Deferred revenue	(139,708)	292,738
Net cash provided by (used in) operating activities	(1,586,154)	1,562,616
Cash flows from investing activities:		
Proceeds from sale of investments	4,586,215	455,260
Purchase of investments	(1,939,015)	(2,019,274)
Additions to property and equipment	(1,308,894)	(409,528)
Net cash provided by (used in) investing activities	1,338,306	(1,973,542)
Cash flows from financing activities:		
Payments on long-term debt	(88,900)	(96,439)
Contributions restricted for investment in permanent endowment	140,000	954,989
Transfers to Endowment Fund	(18,306)	(781,405)
Net cash provided by financing activities	32,794	77,145
Net decrease in cash and cash equivalents	(215,054)	(333,781)
Cash and cash equivalents:		
Beginning of year	705,902	1,039,683
End of year	$ 490,848	$ 705,902
Supplemental cash flow information:		
Cash paid during the year for interest	$ 65,603	$ 86,808

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 New 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 October 2012. 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, 2011 and 2010 were $1,255,159 and $1,344,151, respectively, which represents 5% of the average 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.

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, 2011 and 2010 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 are carried at fair value. Investments in limited partnership interests and mutual funds 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 $77,000 and $84,000 are reported as prepaid expenses at October 31, 2011 and 2010, respectively. Total advertising expense approximated $732,000 and $676,000 for the years ended October 31, 2011 and 2010, 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, 2007 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 7, 2012, 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, 2011 and 2010:

	2011	2010
Money market accounts	$ 54,659	$ 108,413
Corporate bonds	263,451	3,397,141
Government bonds	87,615	364,885
Mutual funds - fixed income	2,059,695	1,377,291
Corporate stocks	127,320	40,350
Certificates of deposit	308,320	306,909
Total investments	$ 2,901,060	$ 5,594,989
Investment income consists of:		
Interest and dividends	$ 109,027	$ 155,290
Net realized/unrealized gain (loss)	(46,729)	55,906
Total investment income	$ 62,298	$ 211,196

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, 2011 and 2010 consist of the following:

	2011	2010
Pledges receivable, due within one year	$ 1,894,234	$ 2,012,093
Pledges receivable, due in two to five years	400,664	221,000
Total pledges receivable	2,294,898	2,233,093
Less discount on long-term pledges	9,500	9,500
Less allowance for uncollectible pledges	26,183	26,101
Net pledges receivable	2,259,215	2,197,492
Less current portion	1,868,051	1,985,992
Noncurrent portion	$ 391,164	$ 211,500

Noncurrent pledges are discounted to present value using a rate of 2.5% for years ending October 31, 2011 and 2010.

5. PROPERTY AND EQUIPMENT

Property and equipment at October 31, 2011 and 2010 are summarized by major classes as follows:

	2011	2010
Land	$ 1,972,895	$ 1,972,895
Buildings, partially pledged	17,108,716	16,996,287
Leasehold improvements	8,779,076	8,476,913
Accumulated depreciation	(7,144,009)	(8,171,675)
Land and buildings, net	20,716,678	19,274,420
Equipment	7,316,546	8,105,248
Accumulated depreciation	(6,137,010)	(5,649,807)
Equipment, net	1,179,536	2,455,441
Property and equipment, net	$ 21,896,214	$ 21,729,861

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:

	2011	2010
ASSETS:		
Cash and equivalents	$ -	$ 630
Investments	28,572,694	28,396,327
Due from Festival	176,401	10,847
Property held for sale	11,000	11,000
Note and accounts receivable	-	10,000
Gifts of future interests	155,000	155,000
Total assets	$ 28,915,095	$ 28,583,804
LIABILITIES:		
Accounts payable	$ 10,080	$ 7,840
Due to Festival	1,301,525	1,344,556
Obligations under gift annuities	737,236	764,941
Total liabilities	$ 2,048,841	$ 2,117,337
NET ASSETS:		
Unrestricted	$ 11,276,041	$ 11,109,750
Temporarily restricted	3,924,050	3,729,682
Permanently restricted	11,666,163	11,627,035
Total net assets	$ 26,866,254	$ 26,466,467

6. ENDOWMENT FUND, Continued

Endowment Fund Investments

Investments included in the Endowment Fund consist of the following at October 31, 2011 and 2010:

	2011	2010
Cash and cash equivalents	$ 256,236	$ 338,367
Domestic and international equities	13,199,070	14,133,170
Limited partnership interests and other equity securities:		
Investment with minimal liquidation restrictions	9,632,052	10,237,342
Investments with liquidation restrictions	5,485,336	3,687,448
Total investments	$ 28,572,694	$ 28,396,327
Investment income consists of:		
Interest and dividends	$ 441,412	$ 374,666
Net realized/unrealized gain	1,055,302	2,891,997
Total investment income	$ 1,496,714	$ 3,266,663

Investments in limited partnerships and other equity securities represent 56% of the Endowment's net assets and 29% of combined net assets at October 31, 2011 (53% of the Endowment's net assets and 25% of combined net assets at October 31, 2010) 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 $1,313,000 at October 31, 2011.

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. Such contributions totaled $96,156 for the year ended October 31, 2011 and $119,916 for the year ended October 31, 2010. Funds held in separate accounts are included in the Endowment Fund's investments, are reported at fair market value and totaled $1,292,230 and $1,221,706 at October 31, 2011 and 2010, 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 $737,236 and $764,941 at October 31, 2011 and 2010, 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 higher of the bank's prime rate or 4.5% (4.5% at October 31, 2011 and 2010). The line matures on June 1, 2012 and is secured by assets of the Festival. There were no outstanding advances on the line at October 31, 2011 and 2010.

8. LONG-TERM DEBT

The Festival is obligated on mortgages payable which are secured by real property as follows at October 31, 2011 and 2010:

	2011	2010
Mortgage payable to US Bank in monthly installments of $7,402 including interest at 3.625% through March 2019; secured by real property.	$ 575,752	$ 642,084
Note payable to City of Ashland in annual installments of $29,302 including interest at 5.58% through November 2026; unsecured. Payment due November 1, 2010 was made in October 2010. Payment due November 1, 2011 was made after October 31, 2011	305,540	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.	599,976	622,544
	1,481,268	1,570,168
Less current portion	105,239	101,172
Long-term portion	$ 1,376,029	$ 1,468,996

Future maturities of long-term debt are as follows:

Year ending October 31,	
2012	$ 105,239
2013	110,196
2014	115,410
2015	120,896
2016	126,668
Thereafter	902,859
	$ 1,481,268

Interest expense totaled $82,652 for 2011 and $86,808 for 2010.

9. RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Board Designated Net Assets

At October 31, 2011 and 2010, 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:

	2011	2010
Funding of future season operations	$ 3,143,643	$ 3,030,253
Artistic Opportunity Fund	1,774,485	2,294,149
Gifts of future interests	572,951	494,424
Earnings on permanently restricted funds	3,351,099	3,235,258
Other purpose restricted	358,253	284,389
Total temporarily restricted net assets	$ 9,200,431	$ 9,338,473

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 $100,000 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 New Theatre will be transferred to the City of Ashland.

11. LEASE COMMITMENTS, Continued

The Festival leases 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. The Festival is reimbursed by the gift shop operators on a monthly basis.

The Festival leases facilities for costume storage and rental operations under an agreement through March 31, 2014. Monthly rent is $6,749.

The Festival leases classroom space for educational programs under an agreement through October 31, 2012 at monthly rent of $2,400 through October 31, 2010 and $2,760 through October 31, 2012.

Beginning October 2010, the Festival leases space for use by the paint shop under an agreement through October 31, 2015. Monthly rent is $2,195 and increases to $2,261 on November 1, 2014.

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

Total rent expense approximated $257,700 during 2011 and $186,800 during 2010.

Future minimum lease payments are as follows:

October 31, 2012	$	234,900
2013		151,700
2014		100,700
2015		47,400
Total	$	534,700

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, 2011 and 2010 were approximately $208,000 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. The balances, at times, may exceed the federally insured limit. Cash balances in excess of insured limits totaled approximately $17,000 and $60,000 at October 31, 2011 and 2010, 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 Oregon Shakespeare Festival 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, 2011 and 2010 is as follows:

	Board Designated	Other Temporarily Restricted	Temporarily Restricted Earnings	Permanently Restricted	Total
October 31, 2011:					
Donor-restricted endowment funds	$ -	$ 572,951	$ 3,351,099	$ 11,666,163	$ 15,590,213
Board-designated endowment funds	11,276,041	-	-	-	11,276,041
Total funds	$ 11,276,041	$ 572,951	$ 3,351,099	$ 11,666,163	$ 26,866,254
October 31, 2010:					
Donor-restricted endowment funds	$ -	$ 494,424	$ 3,235,258	$ 11,627,035	$ 15,356,717
Board-designated endowment funds	11,109,750	-	-	-	11,109,750
Total funds	$ 11,109,750	$ 494,424	$ 3,235,258	$ 11,627,035	$ 26,466,467

Changes in endowment net assets for the years ended October 31, 2011 and 2010 are as follows:

	Board Designated	Other Temporarily Restricted	Temporarily Restricted Earnings	Permanently Restricted	Total
Endowment net assets – October 31, 2009	$ 9,656,501	$ 525,698	$ 2,166,451	$ 11,532,754	$ 23,881,404
Investment return:					
Investment income, net of fees	160,062	11,484	203,120	-	374,666
Net appreciation	1,274,547	-	1,617,450	-	2,891,997
Contributions	707,138	119,916	-	94,281	921,335
Appropriation of endowment assets for expenditure	(688,498)	-	(751,763)	-	(1,440,261)
Other changes	-	(162,674)	-	-	(162,674)
Total changes	1,453,249	(31,274)	1,068,807	94,281	2,585,063
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

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 5% 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.

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, 2011 and 2010 are as follows:

	Total	Level 1	Level 2	Level 3
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			
October 31, 2010:				
Investments recorded at fair value:				
Mutual funds-Fixed income	$ 1,377,291	$ 1,377,291	$ -	$ -
Corporate stocks	40,350	40,350	-	-
Government bonds	364,885	364,885	-	-
Corporate bonds	3,397,141	3,397,141	-	-
Total fair value investments	5,179,667	5,179,667	-	-
Other investments:				
Money market accounts	188,722			
Certificates of deposit	226,600			
Total other investments	415,322			
Total invested assets	5,594,989			

16. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets and liabilities of the Endowment Funds measured on recurring basis at October 31, 2011 and 2010 are as follows:

	Total	Level 1	Level 2	Level 3
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)
October 31, 2010:				
Assets:				
Investments recorded at fair value:				
Mutual funds-Equity securities	$ 8,745,605	$ 8,745,605	$ -	$ -
Mutual funds-Fixed income	2,968,747	2,968,747	-	-
Mutual funds-International	2,111,994	2,111,994	-	-
Mutual funds-Real estate	306,824	306,824	-	-
Limited partnership interests	13,924,790	-	-	13,924,790
Total fair value investments	28,057,960	14,133,170	-	13,924,790
Other investments:				
Cash and cash equivalents	338,367			
Total invested assets	28,396,327			
Liabilities:				
Obligation under gift annuities	(764,941)	-	-	(764,941)

- 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.

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

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

16. FAIR VALUE MEASUREMENTS, Continued

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

Investments - Limited partnership interests:

	2011	2010
Balance at beginning of year	$ 13,924,790	$ 12,574,207
Net investment in(sales of) limited partnerships	(27,741)	(391,754)
Change in value of limited partnerships	1,220,339	1,742,337
Balance at end of year	$ 15,117,388	$ 13,924,790

Gains and losses from investments are included in unrestricted and temporarily restricted investment income from the Endowment Fund.

Obligation under charitable gift annuities:

	2011	2010
Balance at beginning of year	$ 764,941	$ 659,963
New charitable gift annuities received	56,560	127,038
Deceased annuitant	(52,716)	-
Change in value of split-interest agreements	50,574	70,970
Payments to beneficiaries	(82,123)	(93,030)
Balance at end of year	$ 737,236	$ 764,941

17. BUILDING DAMAGE AND SUBSEQUENT EVENTS

During the year ended October 31, 2011, the main support beam of Angus Bowmer Theatre partially collapsed. As a result, certain plays were cancelled or moved to other venues. Tickets were exchanged or refunded based on patron preference. The theatre was restored and placed back into service prior to year end. Management estimates that the Organization incurred direct costs of approximately $1,180,000 and lost revenues of approximately $2,334,000 for a total estimated loss of $3,514,000 for the season. The estimated losses are further detailed as follows:

	Structural Repair and Improvements to Angus Bowmer Theatre	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
Income:			
Ticket revenue			$ 2,252,347
Concessions			29,137
Interest earnings			52,300
Total income			2,333,784
Total estimated loss			$ 3,513,537

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 fixed assets.

The Organization is working with its insurance provider for claims on actual costs and lost revenue. On January 13, 2012 the Organization's attorney was notified by the insurer that reimbursement for the repair costs in the amount of $328,294 had been conditionally approved. Other amounts of insurance recovery for the lost revenues and additional expenses cannot yet be determined. Insurance proceeds will be recorded in the year in which payment has been accepted and received.

SUPPLEMENTAL INFORMATION

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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, 2011 and 2010, and have issued our report thereon dated February 7, 2012, 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 7, 2012

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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, 2011
(With comparative totals for 2010)

	Plays and Education	Marketing and Audience Services	General and Administration	Membership and Fundraising	2011 Total	2010 Total
Salaries	$ 12,216,943	$ 2,136,342	$ 2,236,621	$ 552,150	$ 17,142,056	$ 15,752,840
Payroll taxes and benefits	3,000,898	515,755	494,210	109,191	4,120,054	4,176,133
Total salaries and related expenses	15,217,841	2,652,097	2,730,831	661,341	21,262,110	19,928,973
Fees for service:						
Legal	-	-	29,079	-	29,079	22,552
Accounting and audit fees	-	-	56,258	-	56,258	65,658
Professional fundraising	-	10,973	-	27,988	38,961	40,643
Other fees - play commissions	162,450	-	-	-	162,450	142,558
Other fees - miscellaneous	41,370	114,165	84,613	107,171	347,319	202,091
Advertising and promotion	-	333,136	-	9,765	342,901	280,920
Office expenses :						
Supplies	35,819	119,365	59,968	51,983	267,135	238,738
Telephone	18,253	10,822	83,248	2,111	114,434	91,037
Postage and mailing	10,139	85,675	13,933	82,376	192,123	205,864
Photocopying	22,344	6,617	4,886	3,199	37,046	32,755
Printing and publications	1,237	280,011	-	133,672	414,920	457,571
Training	2,497	9,013	85,712	3,115	100,337	64,572
Sundry equipment	51,543	1,647	137,701	-	190,891	125,864
Credit card fees	-	399,011	-	64,979	463,990	513,503
In-kind expense	6,876	22,089	169,076	31,351	229,392	123,973
Information technology	-	-	122,341	-	122,341	101,052
Royalties	461,866	-	-	-	461,866	605,589
Travel and cultivation	513,284	14,972	35,811	91,063	655,130	536,094
Interest	-	-	17,505	-	17,505	17,697
Other expenses :						
Costumes	286,535	-	-	-	286,535	309,093
Scenery	301,087	-	-	-	301,087	254,344
Properties	109,996	-	-	-	109,996	104,362
Lighting	94,490	-	-	-	94,490	86,943
Sound	34,960	-	-	-	34,960	19,364
Music	20,295	-	-	-	20,295	15,388
Other production materials	9,179	-	-	-	9,179	16,442
Other operating costs related to beam break (Note 17)	725,537	9,882	178	27	735,624	-
Miscellaneous	455,999	34,611	124,833	1,692	617,135	626,328
Housing	680,540	-	-	-	680,540	593,799
	19,264,137	4,104,086	3,755,973	1,271,833	28,396,029	25,823,767
Occupancy:						
Depreciation	533,585	7,252	44,282	9,273	594,392	567,915
Insurance	393,064	5,342	32,620	6,831	437,857	398,186
Rental of space	158,948	-	21,600	-	180,548	150,125
Repairs and maintenance	-	-	109,592	-	109,592	80,862
Utilities	271,656	-	106,696	-	378,352	365,873
Allocation of plant and other costs	1,049,801	14,267	(1,082,311)	18,243	-	-
Total occupancy	2,407,054	26,861	(767,521)	34,347	1,700,741	1,562,961
Total operating expenses	21,671,191	4,130,947	2,988,452	1,306,180	30,096,770	27,386,728
Less expenses related to Bowmer beam break (Note 17)	856,508	9,882	11,174	27	877,591	-
	20,814,683	4,121,065	2,977,278	1,306,153	29,219,179	27,386,728
Depreciation - restricted	490,763	-	15,260	19,567	525,590	555,590
Total expenses	$ 21,305,446	$ 4,121,065	$ 2,992,538	$ 1,325,720	$ 29,744,769	$ 27,942,318

See 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, 2011 and 2010

	2011			2010		
	Festival Association	Endowment Fund	Total	Festival Association	Endowment Fund	Total
Net assets:						
Unrestricted:						
Undesignated	$ 20,147,918	$ -	$ 20,147,918	$ 22,771,728	$ -	$ 22,771,728
Board designated	-	11,276,041	11,276,041	-	11,109,750	11,109,750
Total unrestricted	20,147,918	11,276,041	31,423,959	22,771,728	11,109,750	33,881,478
Temporarily restricted	5,276,381	3,924,050	9,200,431	5,608,791	3,729,682	9,338,473
Permanently restricted	-	11,666,163	11,666,163	-	11,627,035	11,627,035
Total net assets	$ 25,424,299	$ 26,866,254	$ 52,290,553	$ 28,380,519	$ 26,466,467	$ 54,846,986

See auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE III
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
October 31, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 490,848	$ 705,902
Investments	2,901,060	5,594,989
Accounts receivable	145,746	166,712
Pledges receivable, net	1,868,051	1,985,992
Due from Endowment Fund	1,301,525	1,344,556
Prepaid expenses	1,080,705	858,387
Inventory	171,841	161,898
Total current assets	7,959,776	10,818,436
Noncurrent pledges receivable, net	391,164	211,500
Property and equipment, net	21,896,214	21,729,861
TOTAL ASSETS	$ 30,247,154	$ 32,759,797
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,286,927	$ 1,780,296
Due to Endowment Fund	176,401	10,847
Deferred revenue, tickets	421,087	456,110
Deferred revenue, program and other revenues	457,172	561,857
Current portion of long-term debt	105,239	101,172
Total current liabilities	3,446,826	2,910,282
Long-term debt, less current portion	1,376,029	1,468,996
Total liabilities	4,822,855	4,379,278
Net assets (deficit):		
Unrestricted:		
Undesignated	(267,028)	2,612,035
Net property and equipment	20,414,946	20,159,693
Total unrestricted	20,147,918	22,771,728
Temporarily restricted	5,276,381	5,608,791
Total net assets	25,424,299	28,380,519
TOTAL LIABILITIES AND NET ASSETS	$ 30,247,154	$ 32,759,797

See auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE IV
CONSOLIDATED STATEMENT OF ACTIVITIES
For the years ended October 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenue:						
Plays	$ 16,985,729	$ -	$ 16,985,729	$ 18,473,563	$ -	$ 18,473,563
Other events	504,783	-	504,783	207,976	-	207,976
Educational programs	268,350	-	268,350	228,957	-	228,957
Publications	290,910	-	290,910	235,071	-	235,071
Concessions	313,908	-	313,908	317,963	-	317,963
Investment income	(10,621)	72,919	62,298	147,185	64,011	211,196
Support from Endowment Fund	1,255,159	-	1,255,159	1,344,151	-	1,344,151
Other	491,426	-	491,426	333,742	-	333,742
Total operating revenue	20,099,644	72,919	20,172,563	21,288,608	64,011	21,352,619
Support:						
Memberships	3,330,809	398,097	3,728,906	3,363,417	391,732	3,755,149
Gifts and grants	1,520,689	2,009,133	3,529,822	992,120	2,186,532	3,178,652
Support groups	152,258	-	152,258	110,884	-	110,884
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	2,886,423	(2,886,423)	-	2,424,154	(2,424,154)	-
Total support	7,890,179	(479,193)	7,410,986	6,890,575	154,110	7,044,685
Total operating revenue and support	27,989,823	(406,274)	27,583,549	28,179,183	218,121	28,397,304
Operating expenses:						
Plays and education	20,814,683	-	20,814,683	19,464,290	-	19,464,290
Marketing and audience services	4,121,065	-	4,121,065	3,992,354	-	3,992,354
General and administration	2,977,278	-	2,977,278	2,731,341	-	2,731,341
Membership and fundraising	1,306,153	-	1,306,153	1,198,743	-	1,198,743
Expenses related to beam break (Note 17)	877,591	-	877,591	-	-	-
Total operating expenses	30,096,770	-	30,096,770	27,386,728	-	27,386,728
Income (loss) from current endeavors	(2,106,947)	(406,274)	(2,513,221)	792,455	218,121	1,010,576

Continued

See auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE IV
CONSOLIDATED STATEMENT OF ACTIVITIES
For the years ended October 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Income (loss) from current endeavors Brought forward	(2,106,947)	(406,274)	(2,513,221)	792,455	218,121	1,010,576
Net loss from OSF Solutions	(2,049)	-	(2,049)	(3,071)	-	(3,071)
Contributions for capitalized expenditures and (release of restrictions)	-	-	-	30,000	(30,000)	-
Costume rental business, net	10,776	-	10,776	(1,507)	-	(1,507)
Other funds, net activity	-	73,864	73,864	-	(6,993)	(6,993)
Depreciation on assets funded by restricted gifts and grants	(525,590)	-	(525,590)	(555,590)	-	(555,590)
Change in net assets	(2,623,810)	(332,410)	(2,956,220)	262,287	181,128	443,415
Net assets:						
Beginning of year	22,771,728	5,608,791	28,380,519	22,509,441	5,427,663	27,937,104
End of year	$ 20,147,918	$ 5,276,381	$ 25,424,299	$ 22,771,728	$ 5,608,791	$ 28,380,519

Concluded

See auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ASSOCIATION AND SUBSIDIARY
SUPPLEMENTAL INFORMATION - SCHEDULE V
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ (2,956,220)	$ 443,415
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,129,860	1,133,384
Loss on disposal of property and equipment	12,681	
Allowance for uncollectible pledges	(82)	(1,899)
Net realized/unrealized gain on investments	46,729	(57,649)
(Increase) decrease in:		
Accounts and pledges receivable	(40,675)	137,906
Due to/due from Endowment Fund	208,585	136,718
Other current assets	(232,261)	78,540
Increase (decrease) in:		
Accounts payable and accrued expenses	506,631	(428,696)
Deferred revenue	(139,708)	292,738
Net cash provided by (used in) operating activities	(1,464,460)	1,734,457
Cash flows from investing activities:		
Proceeds from sale of investments	4,586,215	455,260
Purchase of investments	(1,939,015)	(2,017,531)
Additions to property and equipment	(1,308,894)	(409,528)
Net cash provided by (used in) investing activities	1,338,306	(1,971,799)
Cash flows from financing activities:		
Payments on long-term debt	(88,900)	(96,439)
Net cash used in financing activities	(88,900)	(96,439)
Net decrease in cash and cash equivalents	(215,054)	(333,781)
Cash and cash equivalents:		
Beginning of year	705,902	1,039,683
End of year	$ 490,848	$ 705,902
Supplemental cash flow information:		
Cash paid during the year for interest	$ 65,603	$ 86,808

See auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND
SUPPLEMENTAL INFORMATION - SCHEDULE VI
STATEMENTS OF FINANCIAL POSITION
October 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ -	$ 630
Investments	28,572,694	28,396,327
Due from Festival	176,401	10,847
Property held for sale	11,000	11,000
Note and accounts receivable	-	10,000
Gift of future interests	155,000	155,000
TOTAL ASSETS	$ 28,915,095	$ 28,583,804
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 10,080	$ 7,840
Due to Festival	1,301,525	1,344,556
Obligations under gift annuities	737,236	764,941
Total liabilities	2,048,841	2,117,337
Net assets:		
Unrestricted	11,276,041	11,109,750
Temporarily restricted	3,924,050	3,729,682
Permanently restricted	11,666,163	11,627,035
Total net assets	26,866,254	26,466,467
TOTAL LIABILITIES AND NET ASSETS	$ 28,915,095	$ 28,583,804

See auditor's report on supplemental information.

OREGON SHAKESPEARE FESTIVAL ENDOWMENT FUND
SUPPLEMENTAL INFORMATION - SCHEDULE VII
STATEMENTS OF ACTIVITIES
For the years ended October 31, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions	$ 166,426	$ -	$ 39,128	$ 205,554	$ 707,138	$ -	$ 94,281	$ 801,419
Interest and dividends	181,647	259,765	-	441,412	160,062	214,604	-	374,666
Net realized/unrealized gain on investments	469,294	586,008	-	1,055,302	1,274,547	1,617,450	-	2,891,997
Contributions of gift annuity	-	96,156	-	96,156	-	119,916	-	119,916
Change in value of gift annuities	-	(50,574)	-	(50,574)	-	(162,674)	-	(162,674)
Release of restrictions:								
Appropriated for expenditure	696,987	(696,987)	-	-	751,763	(751,763)	-	-
Total support and revenue	1,514,354	194,368	39,128	1,747,850	2,893,510	1,037,533	94,281	4,025,324
Expenses:								
Support to Festival	1,255,159	-	-	1,255,159	1,344,151	-	-	1,344,151
General and administrative	92,904	-	-	92,904	96,110	-	-	96,110
Total expenses	1,348,063	-	-	1,348,063	1,440,261	-	-	1,440,261
Change in net assets	166,291	194,368	39,128	399,787	1,453,249	1,037,533	94,281	2,585,063
Net assets:								
Beginning of year	11,109,750	3,729,682	11,627,035	26,466,467	9,656,501	2,692,149	11,532,754	23,881,404
End 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

See 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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Interest and dividends received	$ 441,412	$ 374,666
Support to Festival	(1,298,190)	(1,479,189)
Annuity payments	(82,123)	(93,030)
Endowment expenses	(90,664)	(97,791)
Net cash used in operating activities	(1,029,565)	(1,295,344)
Cash flows from investing activities:		
Proceeds from sale of investments	1,030,478	1,241,338
Purchase of investments	(151,543)	(919,715)
Proceeds from note receivable	10,000	15,922
Net cash provided by investing activities	888,935	337,545
Cash flows from financing activities:		
Contributions restricted or designated for permanent endowment	140,000	954,989
Net cash provided by financing activities	140,000	954,989
Net decrease in cash and cash equivalents	(630)	(2,810)
Cash and cash equivalents:		
Beginning of year	630	3,440
End of year	$ -	$ 630
Reconciliation of the change in net assets to net cash used in operating activities:		
Change in net assets	$ 399,787	$ 2,585,063
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized/unrealized gain on investments	(1,055,302)	(2,891,997)
Contributions restricted for permanent endowment	(140,000)	(954,989)
Increase (decrease) in:		
Due to/due from Festival	(208,585)	(136,718)
Accounts payable	2,240	(1,681)
Obligations and deferred support - gift annuities	(27,705)	104,978
Net cash used in operating activities	$ (1,029,565)	$ (1,295,344)

See auditor's report on supplemental information.