

**FORT WAYNE CIVIC THEATRE, INC.
AND AFFILIATE**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2010 and 2009

FORT WAYNE CIVIC THEATRE, INC. AND AFFILIATE

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November 29, 2010

To the Board of Directors,
Fort Wayne Civic Theatre, Inc.
Fort Wayne, Indiana

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combined statements of financial position of the Fort Wayne Civic Theatre, Inc. and affiliate (an Indiana not-for-profit corporation) (Organization) as of June 30, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial position of Fort Wayne Civic Theatre, Inc. and affiliate as of June 30, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Krouse, Kern & Co., Inc.
KROUSE, KERN & CO., INC.

FORT WAYNE CIVIC THEATRE, INC.

Combined Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 203,932	\$ 156,612
Accounts receivable	23,228	39,092
Pledges receivable	41,227	88,957
Grants receivable	43,581	47,500
Investments	74,911	63,264
Prepaid expenses	66,959	68,838
Total Current Assets	453,838	464,263
 <i>EQUIPMENT</i>	 294,352	 291,852
Less: Accumulated depreciation	214,800	193,898
Total Equipment (Net)	79,552	97,954
 <i>TOTAL ASSETS</i>	 \$ 533,390	 \$ 562,217
LIABILITIES AND NET ASSETS		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 21,977	\$ 36,338
Accrued payroll and benefits	15,616	14,739
Deferred revenue	96,588	78,978
Total Current Liabilities	134,181	130,055
 <i>NET ASSETS:</i>		
Unrestricted	20,612	(35,241)
Temporarily restricted	331,562	423,368
Permanently restricted – endowment	47,035	44,035
Total Net Assets	399,209	432,162
 <i>TOTAL LIABILITIES AND NET ASSETS</i>	 \$ 533,390	 \$ 562,217

See Notes to Financial Statement

FORT WAYNE CIVIC THEATRE, INC.

Combined Statement of Activities
for the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Percent</u>
REVENUE AND SUPPORT:					
Donations	\$ 184,405	\$ 40,000	\$ 3,000	\$ 227,405	27.0%
Box office income	207,972	-	-	207,972	24.7%
Membership income	102,961	-	-	102,961	12.2%
Sponsorship income	35,375	73,500	-	108,875	12.9%
Pledges	-	90,631	-	90,631	10.8%
Special event revenue	62,393	-	-	62,393	7.4%
Costumes, scenery and property rental	11,562	-	-	11,562	1.4%
Concessions	10,215	-	-	10,215	1.2%
Program advertising	5,680	450	-	6,130	0.7%
Gift certificates	2,277	-	-	2,277	0.3%
In-kind services	3,936	-	-	3,936	0.5%
Investment income	915	2,123	-	3,038	0.4%
Other revenue	4,161	-	-	4,161	0.5%
Net assets released from prior year restrictions	298,510	(298,510)	-	-	0.0%
Total Revenue and Other Support	<u>930,362</u>	<u>(91,806)</u>	<u>3,000</u>	<u>841,556</u>	<u>100.0%</u>
EXPENSES:					
Program	712,131	-	-	712,131	80.9%
Management and general	118,397	-	-	118,397	13.4%
Fundraising	50,505	-	-	50,505	5.7%
Total Expenses	<u>881,033</u>	<u>-</u>	<u>-</u>	<u>881,033</u>	<u>100.0%</u>
CHANGE IN NET ASSETS	49,329	(91,806)	3,000	(39,477)	
UNREALIZED GAIN ON INVESTMENTS	6,524	-	-	6,524	
NET ASSETS – beginning of year	<u>(35,241)</u>	<u>423,368</u>	<u>44,035</u>	<u>432,162</u>	
NET ASSETS — END OF YEAR	<u>\$ 20,612</u>	<u>\$ 331,562</u>	<u>\$ 47,035</u>	<u>\$ 399,209</u>	

See Notes to Financial Statement

FORT WAYNE CIVIC THEATRE, INC.

Combined Statement of Activities
for the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Percent</u>
REVENUE AND SUPPORT:					
Donations	\$ 123,560	\$ 111,058	\$ -	\$ 234,618	28.4%
Box office income	131,987	-	-	131,987	16.0%
Membership income	118,941	-	-	118,941	14.4%
Sponsorship income	15,450	58,500	-	73,950	9.0%
Pledges	-	114,412	-	114,412	13.9%
Special event revenue	91,170	-	-	91,170	11.0%
Costumes, scenery and property rental	15,979	-	-	15,979	1.9%
Concessions	13,218	-	-	13,218	1.6%
Program advertising	13,707	5,200	-	18,907	2.3%
Gift certificates	2,434	-	-	2,434	0.3%
In-kind services	3,570	-	-	3,570	0.4%
Investment income	5,026	-	-	5,026	0.6%
Other revenue	1,785	-	-	1,785	0.2%
Net assets released from prior year restrictions	334,875	(334,875)	-	-	0.0%
Total Revenue and Other Support	<u>871,702</u>	<u>(45,705)</u>	<u>-</u>	<u>825,997</u>	<u>100.0%</u>
EXPENSES:					
Program	606,874	-	-	606,874	66.6%
Management and general	210,668	-	-	210,668	23.1%
Fundraising	93,605	-	-	93,605	10.3%
Total Expenses	<u>911,147</u>	<u>-</u>	<u>-</u>	<u>911,147</u>	<u>100.0%</u>
CHANGE IN NET ASSETS	(39,445)	(45,705)	-	(85,150)	
UNREALIZED LOSS ON INVESTMENTS	(10,994)	-	-	(10,994)	
NET ASSETS – beginning of year	<u>15,198</u>	<u>469,073</u>	<u>44,035</u>	<u>528,306</u>	
NET ASSETS — END OF YEAR	<u>\$ (35,241)</u>	<u>\$ 423,368</u>	<u>\$ 44,035</u>	<u>\$ 432,162</u>	

See Notes to Financial Statement

FORT WAYNE CIVIC THEATRE, INC.

Combined Statements of Cash Flows
for the years ended June 30, 2010 and 2009

	2010	2009
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Change in net assets	\$ (32,953)	\$ (96,144)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	20,902	12,977
Unrealized (gain) loss on investments	(6,524)	10,994
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	67,513	101,517
(Increase) decrease in prepaid expenses	1,879	(27,299)
Increase (decrease) in accounts payable	(14,361)	11,867
Increase (decrease) in accrued payroll and benefits	877	7,020
Increase (decrease) in deferred revenue	17,610	(22,599)
Net Cash Flows From Operating Activities	54,943	(1,667)
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of equipment	(2,500)	(91,021)
Purchase of investments	(5,123)	(2,236)
Net Cash Flows From Investing Activities	(7,623)	(93,257)
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	47,320	(94,924)
<i>CASH AND CASH EQUIVALENTS</i> – beginning of year	156,612	251,536
<i>CASH AND CASH EQUIVALENTS — END OF YEAR</i>	\$ 203,932	\$ 156,612
<i>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</i>		
Interest paid	\$ 313	\$ 737
In-kind contributions	\$ 3,936	\$ 3,570

See Notes to Financial Statement

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements

NOTE 1. NATURE OF ACTIVITIES

The Fort Wayne Civic Theatre, Inc. ("Organization") is dedicated to providing a wide variety of the highest quality theatre to the Fort Wayne community and surrounding areas and to provide training both to actors and technicians. The Organization's support comes primarily from grants/donations, ticket sales and memberships.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING:

The financial statements for the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

BASIS OF PRESENTATION:

The financial statements include the accounts of Fort Wayne Civic Theatre, Inc. and its affiliated organization, the Fort Wayne Civic Theatre Guild ("affiliate"). The Fort Wayne Civic Theatre Guild is a supporting organization that raises funds through its members and the general public to support Fort Wayne Civic Theatre productions or other needs of the Theatre as deemed necessary. All significant inter-organization transactions and balances have been eliminated in the combined financial statements.

The financial statements have been prepared in accordance with FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205, requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets

The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily Restricted Net Assets

The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION: (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets are those that the donor stipulates must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions limiting the Organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization's meeting certain requirements.

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less, when purchased, to be cash equivalents.

PROMISES TO GIVE:

Unconditional promises to give are recognized as revenues or gains in the period 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 only when the conditions on which they depend are substantially met and the promises become unconditional.

PLEDGES RECEIVABLE:

Unconditional pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Pledges 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 pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Pledges receivable over a period of years are valued at the discounted value of future cash flows. The difference between the full amount and the discounted value of the pledge is recognized as an additional contribution over the life of the pledge. All pledges are due within one year as of June 30, 2010 and 2009 and have not been discounted.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ALLOWANCE FOR UNCOLLECTIBLE PLEDGES AND RECEIVABLES:

The Organization considers accounts and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts or pledges is provided. If amounts become uncollectible, they are charged to operations when that determination is made. Any difference between this method and the allowance method required under generally accepted accounting principles would be immaterial.

INVESTMENTS:

The Organization accounts for investments in accordance with FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

EQUIPMENT:

Depreciation is computed over the estimated useful life of the assets using the straight-line method. Acquisitions of equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

DEFERRED REVENUE:

Deferred revenue results from membership fee and ticket sales received in the current year for upcoming fiscal year's theatrical productions. Effective in 2010, the Organization also recorded donations received with fiscal year 2011 memberships as deferred revenue. This policy is comparable to the recording of sponsorships and restricted grants received each year for subsequent year's productions. The Organization received \$15,300 in donations with fiscal year 2011 memberships to be used to offset the cost of productions or operating expenses of the Organization.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS:

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases 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 of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Management elects to recognize restricted contributions for capital assets, shown as net assets released from restriction on the statement of activities, over the estimated useful life of the asset. This policy matches the depreciation expense for each asset with the same amount of revenue (contributions) each year.

GRANTS:

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. However, the Board deems the contingency remote, since by accepting the gifts and their terms; it has accommodated the objectives of the Organization to the provisions of the gift.

INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAXES:

The Fort Wayne Civic Theatre, Inc., is classified as a publicly supported organization, qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

The Organization adopted the provisions of FASB Interpretation No. 48-3, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), as of July 1, 2009. As a result of the implementation, the Organization has assessed and determined that there are no positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months as of June 30, 2010.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAXES

(Continued):

The Organization files information returns in the U.S. federal jurisdiction and the State of Indiana. The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for tax years before 2006.

USE OF ESTIMATES:

The preparation of financial statements in conformity accounting principles generally accepted in the United States of America, Inc. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

DONATED SERVICES:

Volunteer services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's theatrical productions and its fundraising campaigns.

TICKET EXCHANGES:

The Organization frequently trades tickets for events at the Theatre in exchange for services related to the promotion of the same events. The revenue from the ticket sales and corresponding expenses incurred for the services received by the Organization are approximately the same in value. Therefore, no additional benefit is received by either party and no amounts are recorded in the financial statements presented. The estimated value of exchanges for services was \$65,600 and \$58,500 for the years ended June 30, 2010 and 2009, respectively.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 3. CREDIT RISK

The Organization provides credit to various groups in the Fort Wayne community and surrounding areas for the rental of costumes, props and scenery. No collateral is required from its customers.

The Organization's financial instruments that are exposed to concentrations of credit risk consist principally of cash and cash equivalents. To reduce its risk, the Organization places its cash and cash equivalents with highly rated institutions. At times, such amounts may be in excess of the FDIC insured limit.

NOTE 4. GRANTS RECEIVABLE

The Organization received promises to give for the upcoming fiscal year. Unconditional promises to give at June 30, 2010 and 2009 are as follows:

	2010	2009
English Bonter Mitchell Foundation	\$ -	\$ 37,500
Foellinger Foundation	40,000	10,000
Indiana Arts Commission	3,581	-
	<u>\$ 43,581</u>	<u>\$ 47,500</u>

NOTE 5. DEFERRED REVENUE

Deferred revenue represents the following at June 30, 2010 and 2009:

	2010	2009
Memberships	\$ 80,871	\$ 78,808
Donations	15,300	-
Shows	417	170
Total	<u>\$ 96,588</u>	<u>\$ 78,978</u>

NOTE 6. LINE OF CREDIT

The Organization has a line of credit agreement with PNC Bank for a maximum borrowing of \$200,000. The terms of the agreement state the interest rate at the Prime Rate minus .25% and collateral as substantially all of the Organization's assets.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were released from the following time and purpose restrictions:

	<u>2010</u>	<u>2009</u>
<u>Purpose restrictions:</u>		
Advertising sponsors	\$ 5,200	\$ 4,400
Show and season sponsors	57,500	95,500
Frankenstein fundraising event	-	25,000
Growth Initiative – capital assets	11,070	3,062
Growth Initiative – personnel and other	124,992	83,613
In the Wings	1,000	33,300
Inspire grant	13,640	-
Renaissance grant	108	-
	<u>213,510</u>	<u>244,875</u>
<u>Time restrictions:</u>		
Operations	<u>85,000</u>	<u>90,000</u>
	<u>\$ 298,510</u>	<u>\$ 334,875</u>

Temporarily restricted net assets were available for the following time and purpose restrictions as of June 30:

	<u>2010</u>	<u>2009</u>
<u>Purpose restrictions:</u>		
Advertising sponsors	\$ 450	\$ 5,200
Show and season sponsors	73,500	57,500
Foundations – capital assets	-	12,310
Growth Initiative – capital assets	62,916	73,986
Growth Initiative – personnel and other	152,573	174,624
Endowment earnings (unappropriated)	2,123	-
In the Wings	-	1,000
Inspire grant	-	13,640
Renaissance grant	-	108
	<u>291,562</u>	<u>338,368</u>
<u>Time restrictions:</u>		
Future operating support	<u>40,000</u>	<u>85,000</u>
	<u>\$ 331,562</u>	<u>\$ 423,368</u>

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 8. ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following program and supporting services are included in the accompanying financial statements:

Program

Includes the functions necessary to provide training and production of theatre performances.

Management and General

Includes the functions necessary for management and overall direction of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

NOTE 9. TAX DEFERRED ANNUITY

The Organization allows individuals to defer a portion of their salary, up to 20% of their total wages earned. The Organization does not provide a matching contribution to the Plan at this time.

NOTE 10. ADVERTISING

The Organization uses advertising to promote its programs among the audience it serves. The costs of advertising are expensed as incurred, except for the cost of seasonal related promotional advertising. These costs are written off over the number of performances of the show. During 2010 and 2009, advertising costs totaled \$51,944 and \$36,159, respectively.

NOTE 11. RELATED PARTY

The Organization is a member of Arts United. Arts United raises funds from the general public and distributes them to member organizations.

The Organization leases its facilities on an annual basis from Arts United. Rent expense for the use of the theatre was \$127,433 and \$148,562 for the years ended June 30, 2010 and 2009, respectively.

The Organization received approximately 13% and 14% of its total unrestricted revenues from Arts United during 2010 and 2009, respectively.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 12. FAIR VALUE MEASUREMENTS

The Organization follows ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The following table presents the fair value measurement of assets recognized in the accompanying combined statement of financial position measured at fair value on a recurring basis and the level within the FASB ASC 820-10 fair value hierarchy in which the fair value measurements fall at June 30, 2010 and 2009.

	<u>Fair Value</u>	<u>Significant Observable Inputs (Level 1)</u>
<u>June 30, 2010:</u>		
Mutual funds	<u>\$ 74,911</u>	<u>\$ 74,911</u>
 <u>June 30, 2009:</u>		
Mutual funds	<u>\$ 63,264</u>	<u>\$ 63,264</u>

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 13. ENDOWMENT

The Organization's endowment consists of seven individual mutual funds. Its endowment is made up of donor-restricted endowment funds. As required by GAAP, net assets associated with the donor endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, if there were deficiencies of this nature they would be reported in unrestricted net assets. There were no such deficiencies as of June 30, 2010 and 2009.

Return Objectives and Risk Parameters

The Organization 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 organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 13. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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

The Organization has a policy of appropriating for distribution each year as determined by the finance committee and recommended to the Board for approval and amount up to 5% of its endowment fund's average fair value over the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Organization'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.

Changes in endowment net assets for the year ended June 30, 2010 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 44,035
Contributions	-	-	3,000
Investment income	-	2,123	-
Net appreciation (depreciation)	6,524	-	-
Amounts appropriated for expenditure	-	-	-
 Endowment Net Assets, End of Year	 <u>\$ 6,524</u>	 <u>\$ 2,123</u>	 <u>\$ 47,035</u>

FORT WAYNE CIVIC THEATRE, INC.

Combined Notes to Financial Statements (Continued)

NOTE 14. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 29, 2010, the date the financial statements were available to be issued.



November 29, 2010

To the Board of Directors
Fort Wayne Civic Theatre, Inc.
Fort Wayne, Indiana

**INDEPENDENT AUDITOR'S REPORT ON COMBINED
SUPPLEMENTARY INFORMATION**

Our report on our audits of the basic financial statements of Fort Wayne Civic Theater, Inc. and affiliate, Fort Wayne, Indiana, for June 30, 2010 and 2009 appears on page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on the following pages is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Krouse, Kern & Co., Inc.
KROUSE, KERN & CO., INC.

FORT WAYNE CIVIC THEATRE, INC. AND AFFILIATE

Schedule of Combined Functional Expenses
for the year ended June 30, 2010

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL:				
Salaries and wages	\$ 241,283	\$ 61,170	\$ 37,382	\$ 339,835
Employee benefits	16,629	4,216	2,576	23,421
Payroll taxes	18,882	4,787	2,925	26,594
Total Personnel	<u>276,794</u>	<u>70,173</u>	<u>42,883</u>	<u>389,850</u>
PRODUCTION:				
Royalties	37,525	-	-	37,525
Lighting	8,437	-	-	8,437
Scenery	18,433	-	-	18,433
Costumes	11,119	-	-	11,119
Sound	3,395	-	-	3,395
Scripts and make-up	7,901	-	-	7,901
Miscellaneous	3,534	-	-	3,534
Musicians	26,516	-	-	26,516
Choreographer	4,550	-	-	4,550
Production personnel	23,218	-	-	23,218
Guest positions	14,424	-	-	14,424
Guest pianist	3,450	-	-	3,450
Total Production	<u>162,502</u>	<u>-</u>	<u>-</u>	<u>162,502</u>
HOUSE:				
Rent	135,921	-	-	135,921
Depreciation	10,706	10,196	-	20,902
Total House	<u>146,627</u>	<u>10,196</u>	<u>-</u>	<u>156,823</u>
CAMPAIGN:				
Season brochures	8,322	-	-	8,322
Advertising and promotion	15,540	-	-	15,540
Total Campaign	<u>23,862</u>	<u>-</u>	<u>-</u>	<u>23,862</u>
PROMOTION:				
Promotional advertising	36,404	-	-	36,404
Promotional bulk mail postage	18,202	-	-	18,202
Program printing	1,700	-	-	1,700
Mailer printing	7,408	-	-	7,408
Total Promotion	<u>63,714</u>	<u>-</u>	<u>-</u>	<u>63,714</u>

(Continued)

FORT WAYNE CIVIC THEATRE, INC. AND AFFILIATE

Schedule of Combined Functional Expenses (Continued)
for the year ended June 30, 2010

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
ADMINISTRATIVE:				
Visa and MasterCard services	9,699	-	-	9,699
Professional services	-	19,003	-	19,003
Office supplies	-	3,194	-	3,194
Office equipment maintenance	-	5,010	-	5,010
Telephone	4,011	-	-	4,011
General insurance	17,893	-	-	17,893
Miscellaneous	-	4,355	-	4,355
Tour and special production	71	-	-	71
Fundraising events	-	-	7,622	7,622
Total Administrative	<u>31,674</u>	<u>31,562</u>	<u>7,622</u>	<u>70,858</u>
GENERAL:				
Annual meeting and awards	-	5,457	-	5,457
Interest expense	-	313	-	313
Bad debt expense	-	696	-	696
Concession expense	5,491	-	-	5,491
Miscellaneous	1,467	-	-	1,467
Total General	<u>6,958</u>	<u>6,466</u>	<u>-</u>	<u>13,424</u>
TOTAL EXPENSES	<u>\$ 712,131</u>	<u>\$ 118,397</u>	<u>\$ 50,505</u>	<u>\$ 881,033</u>

See Independent Auditor's Report on
Supplementary Information.

FORT WAYNE CIVIC THEATRE, INC. AND AFFILIATE

Schedule of Combined Functional Expenses
for the year ended June 30, 2009

	Program	Management and General	Fundraising	Total
PERSONNEL:				
Salaries and wages	\$ 156,645	\$ 139,240	\$ 52,215	\$ 348,100
Employee benefits	10,332	9,184	3,444	22,960
Payroll taxes	11,983	10,651	3,994	26,628
Total Personnel	<u>178,960</u>	<u>159,075</u>	<u>59,653</u>	<u>397,688</u>
PRODUCTION:				
Royalties	43,062	-	-	43,062
Lighting	4,844	-	-	4,844
Scenery	19,776	-	-	19,776
Costumes	12,212	-	-	12,212
Sound	1,071	-	-	1,071
Scripts and make-up	6,717	-	-	6,717
Miscellaneous	3,939	-	-	3,939
Musicians	25,750	-	-	25,750
Choreographer	3,000	-	-	3,000
Production personnel	22,202	-	-	22,202
Guest positions	8,250	-	-	8,250
Guest pianist	3,725	-	-	3,725
Total Production	<u>154,548</u>	<u>-</u>	<u>-</u>	<u>154,548</u>
HOUSE:				
Rent	151,639	-	-	151,639
Depreciation	3,524	9,453	-	12,977
Total House	<u>155,163</u>	<u>9,453</u>	<u>-</u>	<u>164,616</u>
CAMPAIGN:				
Season brochures	13,702	-	-	13,702
Advertising and promotion	6,619	-	-	6,619
Total Campaign	<u>20,321</u>	<u>-</u>	<u>-</u>	<u>20,321</u>
PROMOTION:				
Promotional advertising	29,540	-	-	29,540
Promotional bulk mail postage	18,394	-	-	18,394
Program printing	6,706	-	-	6,706
Mailer printing	11,103	-	-	11,103
Total Promotion	<u>65,743</u>	<u>-</u>	<u>-</u>	<u>65,743</u>

(Continued)

FORT WAYNE CIVIC THEATRE, INC. AND AFFILIATE

Schedule of Combined Functional Expenses (Continued)
for the year ended June 30, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<i>ADMINISTRATIVE:</i>				
Visa and MasterCard services	6,837	-	-	6,837
Professional services	-	12,864	-	12,864
Office supplies	-	6,905	-	6,905
Office equipment maintenance	-	7,912	-	7,912
Telephone	5,812	-	-	5,812
General insurance	9,181	-	-	9,181
Miscellaneous	-	8,473	-	8,473
Tour and special production	1,620	-	-	1,620
Fundraising events	-	-	33,952	33,952
Total Administrative	<u>23,450</u>	<u>36,154</u>	<u>33,952</u>	<u>93,556</u>
<i>GENERAL:</i>				
Annual meeting and awards	-	5,234	-	5,234
Interest expense	-	737	-	737
Bad debt expense	-	15	-	15
Concession expense	8,137	-	-	8,137
Miscellaneous	552	-	-	552
Total General	<u>8,689</u>	<u>5,986</u>	<u>-</u>	<u>14,675</u>
<i>TOTAL EXPENSES</i>	<u>\$ 606,874</u>	<u>\$ 210,668</u>	<u>\$ 93,605</u>	<u>\$ 911,147</u>

See Independent Auditor's Report on
Supplementary Information.

FORT WAYNE CIVIC THEATRE, INC. AND AFFILIATE

Schedule of Summarized Combined Statements of Activities
for the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<i>REVENUE AND OTHER SUPPORT:</i>		
Donations	\$ 227,405	\$ 234,618
Pledges	90,631	114,412
Box office income	207,972	131,987
Membership income	102,961	118,941
Sponsorship income	108,875	73,950
Special event revenue	62,393	91,170
Program advertising	6,130	18,907
Costumes, scenery and property rental	11,562	15,979
Concessions	10,215	13,218
Gift certificates	2,277	2,434
In-kind contributions	3,936	3,570
Investment income	3,038	5,026
Other revenue	4,161	1,785
Total Revenue and Other Support	<u>841,556</u>	<u>825,997</u>
<i>EXPENSES:</i>		
Program	712,131	606,874
Management and general	118,397	210,668
Fundraising	50,505	93,605
Total Expenses	<u>881,033</u>	<u>911,147</u>
<i>CHANGE IN NET ASSETS</i>	(39,477)	(85,150)
<i>UNREALIZED GAIN (LOSS) ON INVESTMENTS</i>	6,524	(10,994)
<i>NET ASSETS</i> – beginning of year	<u>432,162</u>	<u>528,306</u>
<i>NET ASSETS — END OF YEAR</i>	<u>\$ 399,209</u>	<u>\$ 432,162</u>

See Independent Auditor's Report on
Supplementary Information.