Report of Independent Auditors and Financial Statements with Additional Information for

Old Globe Theatre
dba The Old Globe

December 31, 2012 and 2011

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Old Globe Theatre dba The Old Globe

Report on Financial Statements
We have audited the accompanying financial statements of Old Globe Theatre dba The Old Globe ("The Old Globe"), which comprise the statements of financial position as of December 31, 2012 and 2011, the statements of unrestricted revenues, expenses, and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Old Globe as of December 31, 2012 and 2011, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Diego, California
April 8, 2013

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

OLD GLOBE THEATRE DBA THE OLD GLOBE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	December 31,	
	2012	2011
ASSETS		
Cash and cash equivalents	$ 4,694,413	$ 6,963,203
Investments	4,594,317	4,247,675
Receivables	10,530,799	11,915,294
Inventories	118,441	111,890
Prepaid expenses and other assets	819,197	720,466
Property and equipment	29,942,597	31,406,321
Endowment assets:		
Investments	2,799,295	2,754,154
Pledges receivable	1,530,765	1,475,811
Total assets	$ 55,029,824	$ 59,594,814
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 993,713	$ 1,513,034
Deferred revenue	3,459,015	4,015,791
Line of credit	-	500,000
Debt	3,609,532	3,769,933
Total liabilities	8,062,260	9,798,758
Commitments and Contingencies (Notes 8, 13, and 14)		
Net Assets		
Unrestricted:		
Undesignated	166,856	158,785
Designated for property and equipment	8,805,032	9,125,289
Total unrestricted	8,971,888	9,284,074
Temporarily restricted	33,665,616	36,282,017
Permanently restricted	4,330,060	4,229,965
Total net assets	46,967,564	49,796,056
Total liabilities and net assets	$ 55,029,824	$ 59,594,814

See accompanying notes.

OLD GLOBE THEATRE DBA THE OLD GLOBE
STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES, AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Years Ended December 31,	
	2012	2011
UNRESTRICTED NET ASSETS		
Operating Revenue		
Ticket sales	$ 11,687,919	$ 11,914,039
Enhancements	2,042,060	793,311
Retail	642,084	701,250
Investment income	267,776	245,446
Other revenue	235,266	220,262
Education	36,171	36,413
Royalties	31,039	13,643
Total operating revenue	14,942,315	13,924,364
Operating Expenses		
Program services	19,539,595	18,481,070
Management and general	2,556,300	3,088,241
Total operating expenses	22,095,895	21,569,311
Operating (loss)	(7,153,580)	(7,644,947)
Contributed Income		
Contributions	3,126,165	3,146,295
Net assets released from restrictions	3,312,740	3,500,037
	6,438,905	6,646,332
Special events	1,731,680	1,530,434
Government grants	588,052	806,194
In-kind contributions	339,254	325,663
Total contributed income	9,097,891	9,308,623
Expenses		
Fund-raising	1,349,410	1,276,124
Special events	916,778	568,740
Total expenses	2,266,188	1,844,864
Net contributed income	6,831,703	7,463,759
Change in Unrestricted Net Assets Before Gains (Losses)	(321,877)	(181,188)
Gains (Losses)		
(Loss) on disposal of property and equipment	(8,432)	-
Net realized and unrealized gains on investments	18,123	127,452
Total gains	9,691	127,452
CHANGE IN UNRESTRICTED NET ASSETS	$ (312,186)	$ (53,736)

See accompanying notes.

OLD GLOBE THEATRE DBA THE OLD GLOBE
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Years Ended December 31,	
	2012	2011
UNRESTRICTED NET ASSETS		
Total revenue, contributed income, and gains (losses)	$ 20,737,157	$ 19,860,402
Net assets released from restrictions	3,312,740	3,500,037
Total expenses	(24,362,083)	(23,414,175)
(Decrease) in unrestricted net assets	(312,186)	(53,736)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	526,862	817,533
In-kind contribution	-	460,946
Change in allowance on pledges receivable	2,560	130,110
Endowment earnings	385,617	72,441
Appropriated endowment earnings	(218,700)	(170,587)
Net assets released from restrictions	(3,312,740)	(3,500,037)
(Decrease) in temporarily restricted net assets	(2,616,401)	(2,189,594)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	88,835	95,403
Unrealized gains (losses) on investments	11,260	(8,108)
Increase in permanently restricted net assets	100,095	87,295
CHANGE IN NET ASSETS	(2,828,492)	(2,156,035)
NET ASSETS		
Beginning of year	49,796,056	51,952,091
End of year	$ 46,967,564	$ 49,796,056

See accompanying notes.

OLD GLOBE THEATRE DBA THE OLD GLOBE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Years Ended December 31,	
	2012	2011
OPERATING ACTIVITIES		
Change in net assets	$ (2,828,492)	$ (2,156,035)
Reconciliation to net cash from operating activities:		
Depreciation	1,693,419	1,675,530
Loss on disposal of property and equipment	8,432	-
Change in allowance on pledges receivable	(2,560)	(130,110)
Change in discount on pledges receivable	(207,182)	(208,014)
Net realized and unrealized (gain) on investments	(315,487)	(100,304)
Temporarily restricted contributions - pledges receivable	(260,977)	(716,753)
Permanently restricted contributions - pledges receivable	(450)	-
(Increase) decrease in operating assets:		
Receivables	(55,424)	(64,005)
Inventories	(6,551)	5,155
Prepaid expenses and other assets	(98,731)	184,668
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(519,321)	754,803
Deferred revenue	(556,776)	744,509
Net cash (used in) operating activities	(3,150,100)	(10,556)
INVESTING ACTIVITIES		
Proceeds from sale of investments	3,758,406	3,291,524
Purchases of investments	(3,834,702)	(2,173,733)
Proceeds from sale of property and equipment	7,500	-
Purchase of property and equipment	(68,302)	(920,076)
Additions to construction-in-progress	(177,325)	(96,165)
Net cash (used in) provided by investing activities	(314,423)	101,550
FINANCING ACTIVITIES		
Collections of temporarily restricted pledges receivable	1,856,134	1,569,568
Collections of permanently restricted pledges receivable	-	29,812
Payments on line of credit	(500,000)	(1,500,000)
Principal payments on debt	(160,401)	(155,708)
Net cash provided by (used in) financing activities	1,195,733	(56,328)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,268,790)	34,666
CASH AND CASH EQUIVALENTS		
Beginning of year	6,963,203	6,928,537
End of year	$ 4,694,413	$ 6,963,203
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 144,567	$ 167,295
Cash paid for taxes on gain on sale of investment in limited-liability company in 2011	$ 145,200	$ -

See accompanying notes.

Note 1 – Nature of the Organization and Significant Accounting Policies

Nature of the organization - Old Globe Theatre dba The Old Globe ("The Old Globe") is a not-for-profit California organization located in San Diego, California. The Old Globe's mission is to preserve, strengthen, and advance American theatre by: creating theatrical experiences of the highest professional standards; producing and presenting works of exceptional merit designed to reach current and future audiences; ensuring diversity and balance in programming; and providing an environment for the growth and education of theatre professionals, audiences, and the community at large.

Income taxes - The Old Globe is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Old Globe may be subject to federal or state income taxes on unrelated business income. For each of the years ended December 31, 2012 and 2011, no provision for such taxes is required. The Old Globe has no unrecognized tax benefits or liabilities as of December 31, 2012 and 2011.

The Old Globe files an exempt organization return in the United States federal jurisdiction and with the Franchise Tax Board in the state of California. The Old Globe is no longer subject to income tax examinations by taxing authorities for years before 2010 for its federal filings, and for years before 2009 for its state filings.

Method of accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial statement presentation - The financial statements are presented utilizing the concept of net assets as described below:

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.

- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before The Old Globe can spend the funds.

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations.

Cash and cash equivalents - The Old Globe considers all highly-liquid investments with original maturities of three months or less to be cash and cash equivalents.

Restricted cash - The Actors' Equity Association requires The Old Globe to maintain a separate bank account to insure payments of actors' benefits. As of December 31, 2012, approximately $150,000 is held in a cash account in The Old Globe's name, but is not available to The Old Globe unless a release is received from the Actors' Equity Association.

Note 1 – Nature of the Organization and Significant Accounting Policies (continued)

Investments - The fair value of investments in equities, corporate bonds, government and government agency bonds, and money market funds is based on quoted prices in an active market.

The fair value of certificates of deposit is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The fair value of investments held by the San Diego Foundation ("SDF") for which quoted market prices are not available is based on the unit value of The Old Globe's interest in the pools in which it is invested. The unit value is based on the fair value of the underlying assets in the pool. The pools in which The Old Globe has funds are invested primarily in domestic and international equities. The Old Globe reviews and evaluates the values and methodology used to determine the fair value provided by the SDF quarterly. The Old Globe agrees with the valuation methods used at December 31, 2012 and 2011. The funds held at the SDF are not redeemable.

Donated investments are initially recorded at fair value at the date of the gift.

Investment income or loss (including interest and realized and unrealized gains and losses) is included in unrestricted revenues, unless restricted by donor or law.

Receivables - Pledges receivable that are expected to be collected in future years are recorded at fair value when the promise is made based on a discounted cash-flow model. Discounts are computed using risk-free rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions. Conditional promises to give are not recorded until the conditions are substantially met.

The Old Globe is the beneficiary of an irrevocable charitable remainder trust administered by a third party. The trust terminates upon the death of the grantor, at which time The Old Globe will receive the remaining trust assets. The fair value of the future benefits to be received by The Old Globe was determined using a discounted cash-flow model and was recorded in the statement of changes in net assets as temporarily restricted contributions in the year the trust was established. The fair value of the remainder interest at December 31, 2012 and 2011 is calculated using an interest rate of approximately 4.5 percent and the life expectancy of the donor based on applicable mortality tables. The unobservable inputs used in these calculations are evaluated and adjusted, as necessary, annually.

Other receivables and government grants are recorded when services are provided.

An allowance for estimated uncollectible receivables is based on past experience and on an analysis of current receivable balances. Receivables are considered past due when payments are not received according to an established payment schedule. Receivables are written-off in the period deemed uncollectible. The Old Globe does not obtain collateral.

Note 1 – Nature of the Organization and Significant Accounting Policies (continued)

Inventories - Inventories, which consist of gift shop items, concession foods and beverages, and stage materials, are stated at the lower of cost (first-in, first-out) or market value.

Property and equipment - Property and equipment are recorded at cost if purchased or estimated fair value at the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which is generally 5 years for furniture, fixtures, and equipment; 25 years for building and improvements; and 25 to 50 years for leasehold improvements. It is The Old Globe's policy to capitalize fixed assets costing in excess of $10,000.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as an increase in temporarily restricted net assets. In addition, it is The Old Globe's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. The Old Globe reclassifies temporarily restricted net assets to unrestricted net assets ratably over the donated property and equipment's estimated useful lives.

Impairment of long-lived assets - The Old Globe evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down is recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Revenue recognition

Ticket sales - Ticket sales are recorded as operating revenue on a specific performance basis. Ticket sales for future performances are initially deferred in the statement of financial position and subsequently recognized as revenue when the performances take place.

Enhancements - Enhancements represent funds received from others to expand budgets for specific productions. Revenue is recognized when the related production is performed.

Retail - Retail sales represent revenue earned at the gift shop and pub. Revenue is recognized at the time of sale.

Education - Education revenue represents fees charged for educational programs and is recognized at the time the programs are offered.

Royalties - Royalties represent revenue earned under agreements with other performing-arts-related entities for the use of specific productions created by The Old Globe. Revenue is recognized as others perform the productions.

Note 1 – Nature of the Organization and Significant Accounting Policies (continued)

Contributions - Contributions are recognized as revenue when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as either temporarily or permanently restricted depending on the nature of the restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Government grants - Revenue from grants is recognized to the extent of eligible costs incurred, up to the maximum grant amount.

In-kind donations - The value of services, facilities, and non-capitalized equipment donated is recorded as unrestricted contributions and expensed in the year donated. These contributions are valued at the estimated fair value of similar services and materials. Donated assets are capitalized at fair value at the date of donation and recorded as permanently restricted, temporarily restricted, or unrestricted in-kind contribution support, depending on the wishes of the donor. The Old Globe receives donated services from a variety of unpaid volunteers assisting in the operations of The Old Globe which have not been recognized in the accompanying financial statements because the criteria for recognition have not been satisfied.

Marketing and production costs - Costs of marketing (which includes advertising), scenery, costumes, and stage properties are recorded as expenses in the year the related production is first performed. Advertising costs for the years ended December 31, 2012 and 2011 were approximately $762,000 and $847,000, respectively. Marketing and production costs relating to future performances are deferred and included in prepaid expenses in the statements of financial position until the production is presented.

Functional allocation of expenses - The costs of providing the programs and other activities have been summarized on a functional basis in the statements of unrestricted revenues, expenses, and other changes in unrestricted net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Nature of the Organization and Significant Accounting Policies (continued)

Subsequent events - Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Old Globe recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Old Globe's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued. The Old Globe has evaluated subsequent events through April 8, 2013, which is the date the financial statements were available to be issued. See discussion of subsequent event in Note 10.

Note 2 – Concentrations

The Old Globe maintains its cash and cash equivalents in bank deposit accounts which exceed the federally-insured deposit limits. The Old Globe has not experienced any losses in such accounts.

At December 31, 2012 and 2011, approximately 93 and 86 percent, respectively, of non-endowment pledges receivable are due from three donors. At December 31, 2012 and 2011, approximately 95 percent of endowment pledges receivable is due from two donors.

Investments are exposed to various risks such as interest rates, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the financial statements. In 2013, there has been volatility in the domestic and international investment markets. Consequently, the fair value of The Old Globe's investments is exposed to market volatility which could result in a substantial reduction in the future fair value of certain investments from the amounts reported as of December 31, 2012.

Note 3 – Investments

Non-endowment investments at December 31, 2012 and 2011 are comprised of the following:

	2012	2011
Certificates of deposit	$ 3,195,909	$ 3,107,394
Money market funds	53,358	3,529
Fixed income - corporate bonds	5,939	11,917
Domestic and international equities	5,222	22,071
Cash and cash equivalents	2,518	2,563
	3,262,946	3,147,474
Accumulated endowment earnings	1,331,371	1,100,201
	$ 4,594,317	$ 4,247,675

Endowment investments for which the corpus is restricted at December 31, 2012 and 2011 are comprised of the following:

Equities		
Domestic large cap growth	$ 912,051	$ 829,261
Domestic large cap value	813,064	765,358
International non-emerging markets	543,067	487,310
Other domestic equities	141,725	104,742
International emerging markets	93,387	79,864
Fixed income		
Corporate bonds	1,196,218	614,137
Government and government agency bonds	152,664	596,363
Cash and cash equivalents	116,288	43,882
Money market funds	13,928	196,424
Funds held by the San Diego Foundation	148,274	137,014
	4,130,666	3,854,355
Accumulated endowment earnings	(1,331,371)	(1,100,201)
	$ 2,799,295	$ 2,754,154

Note 4 – Receivables

Non-endowment receivables at December 31, 2012 and 2011 consist of the following:

	2012	2011
Pledges receivable	$ 9,244,300	$ 10,714,913
Charitable remainder trust	712,777	682,083
	9,957,077	11,396,996
Other receivables	317,861	306,107
Government grants	255,861	212,191
	$ 10,530,799	$ 11,915,294

Pledges receivable and charitable remainder trust included in non-endowment receivables at December 31, 2012 and 2011 are due as follows:

Due in less than one year	$ 1,064,992	$ 1,883,615
Due in one to five years	450,365	1,251,899
Due in more than five years	18,850,000	18,850,000
Total unconditional promises to give	20,365,357	21,985,514
Less allowance for uncollectible receivables	(2,068,020)	(2,095,580)
Less discount to net present value [(a)]	(8,340,260)	(8,492,938)
Net unconditional promises to give	$ 9,957,077	$ 11,396,996

Endowment assets – pledges receivable at December 31, 2012 and 2011 are due as follows:

Due in less than one year	$ 910,262	$ 909,812
Due in one to five years	-	-
Due in more than five years	2,154,000	2,154,000
Total unconditional promises to give	3,064,262	3,063,812
Less allowance for uncollectible receivables	(998,600)	(998,600)
Less discount to net present value [(a)]	(534,897)	(589,401)
Net unconditional promises to give	$ 1,530,765	$ 1,475,811

[(a)] Pledges receivable due in more than one year have been discounted to their net present value using rates of approximately 3.5 to 4.5 percent.

Note 5 – Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

See Note 1 for the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position.

The following fair value hierarchy table presents information about each major category of The Old Globe's financial assets measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	Fair Value Measurements			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	2012 Total
Non-endowment investments	$ 67,037	$ 3,195,909	$ -	$ 3,262,946
Endowment investments	3,982,392	-	148,274	4,130,666
Charitable remainder trust	-	-	712,777	712,777
	$ 4,049,429	$ 3,195,909	$ 861,051	$ 8,106,389

	Fair Value Measurements			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	2011 Total
Non-endowment investments	$ 40,080	$ 3,107,394	$ -	$ 3,147,474
Endowment investments	3,717,341	-	137,014	3,854,355
Charitable remainder trust	-	-	682,083	682,083
	$ 3,757,421	$ 3,107,394	$ 819,097	$ 7,683,912

Note 5 – Fair Value Measurements (continued)

Changes in the fair value of The Old Globe's Level 3 assets for the years ended December 31, 2012 and 2011 are as follows:

	Charitable Remainder Trust	Investments Held by SDF
Balance, January 1, 2011	$ 652,711	$ 145,122
Interest and dividends	-	8,053
Distributions	-	(8,053)
Unrealized (losses)	-	(8,108)
Change in value of charitable remainder trust	29,372	-
Balance, December 31, 2011	682,083	137,014
Interest and dividends	-	6,039
Distributions	-	(6,039)
Unrealized gains	-	11,260
Change in value of charitable remainder trust	30,694	-
Balance, December 31, 2012	$ 712,777	$ 148,274

The change in value of the charitable remainder trust is included in the statements of changes in net assets as a component of contributions. The unrealized gains and losses on investments held by the SDF are included as a component of the change in permanently restricted net assets. The change in value and the unrealized gains for 2012 relate to Level 3 assets still held at December 31, 2012.

Note 6 – Property and Equipment

Property and equipment at December 31, 2012 and 2011 are comprised of the following:

	2012	2011
Leasehold improvements	$ 33,630,585	$ 33,611,408
Building and improvements	4,590,607	4,542,177
Furniture, fixtures, and equipment	4,290,703	4,277,492
Land	1,750,000	1,750,000
Construction-in-progress	177,325	96,165
	44,439,220	44,277,242
Less accumulated depreciation	(14,496,623)	(12,870,921)
	$ 29,942,597	$ 31,406,321

Note 7 – Debt and Line of Credit

In August 2010, The Old Globe issued tax-exempt bonds for $3,802,430. The bonds were purchased by a bank who is the sole bondholder. The bonds bear interest at 3.850 percent with monthly principal and interest payments of $22,659. The bonds mature on September 1, 2030 and are collateralized by first deeds of trust on property. Proceeds from the bonds were used to repay existing notes payable. The balance outstanding as of December 31, 2012 and 2011 is $3,481,003 and $3,615,697, respectively. Total debt issuance costs related to the bonds were $87,900 and are amortized over the life of the bonds.

The Old Globe has an unsecured, non-interest-bearing note payable to the City of San Diego as successor agency to the Redevelopment Agency of the City of San Diego for an amount due in lieu of property taxes on a building purchased in 2007. Payments of $25,706 are due annually through the maturity date of April 2018. The balance outstanding on this loan at December 31, 2012 and 2011 is $128,529 and $154,236, respectively.

Principal payments on this debt are due as follows:

Years ending December 31,		
2013	$	165,627
2014		171,110
2015		176,808
2016		182,400
2017		188,869
Thereafter		2,724,718
	$	3,609,532

The Old Globe had a line of credit with a bank, with a balance of $500,000 at December 31, 2011, which was paid in full in 2012. The line expired December 31, 2012.

Interest expense totaled approximately $145,000 and $167,000 for the years ended December 31, 2012 and 2011, respectively.

Note 8 – Commitments and Contingencies

Leases - The Old Globe's facilities are on land leased from the City of San Diego and The Old Globe also leases rehearsal space from the City of San Diego. The leases expire in August 2029 and 2026, respectively. In lieu of rental payments, The Old Globe is obligated to conduct a minimum number of specific theatrical performances annually. As The Old Globe is required to conduct these performances in connection with the leases, no amount is recorded in the accompanying financial statements for an estimated fair value of the leases.

Note 8 – Commitments and Contingencies (continued)

Benefit plan - The Old Globe offers a 401(k) plan which is available to eligible employees with an employer contribution of 3 percent of annual eligible compensation. Contributions totaling approximately $138,000 and $143,000 were made by The Old Globe during the years ended December 31, 2012 and 2011, respectively.

Legal matters - The Old Globe is involved in legal matters in the ordinary course of business. Management is not aware of any legal matters that could have a material adverse impact on The Old Globe's current financial position.

Note 9 – Globe Guilders

The Old Globe is supported, in part, by the Globe Guilders (the "Guilders"), a volunteer service organization. The Guilders raise money and provide volunteer services to The Old Globe throughout the year. The Guilders' annual fundraising goal, which is set in conjunction with management, is included in the operating budget of The Old Globe. The Guilders contributed approximately $229,000 and $234,000 to The Old Globe in the years ended December 31, 2012 and 2011, respectively.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011 are available for:

	2012	2011
Purpose restrictions:		
Capital campaign	$ 17,140,160	$ 17,155,235
Future seasons support	5,237,008	6,629,585
Endowment fund accumulated earnings	1,331,371	1,100,201
Time restrictions:		
Pledges receivable and charitable remainder trust	9,957,077	11,396,996
	$ 33,665,616	$ 36,282,017

As of December 31, 2012, The Old Globe has a $15,000,000 bequest in the form of a pledge receivable included in temporarily restricted net assets due to the time restriction on the gift. There were no restrictions on the use of the proceeds when received, but the Board of Directors intended to designate them for The Old Globe's endowment when received. In February 2013, the donor amended the original gift agreement to restrict this gift for The Old Globe's endowment. As such, the $15,000,000 will be transferred to permanently restricted net assets in 2013. The income earned on the funds after receipt are to be used for general operating purposes.

Note 11 – Endowment Assets/Permanently Restricted Net Assets

The Board of Directors of The Old Globe has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("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 Old Globe 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 Old Globe in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment investments held by the SDF are managed in accordance with UPMIFA. The Old Globe classifies as permanently restricted net assets endowment investments held by the SDF consistently with (a) through (c) above and also classifies as permanently restricted net assets investment income and realized and unrealized gains and losses on these investments in excess of amounts appropriated for expenditure.

Endowment assets managed by The Old Globe (held and administered by Goldman Sachs) - In accordance with UPMIFA, The Old Globe considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The mission of The Old Globe and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of The Old Globe; and
- The investment policies of The Old Globe.

In order to meet its needs, the investment strategy of The Old Globe is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management of the endowment assets is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

The Old Globe has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs. The overriding objective of this endowment is to grow the aggregate portfolio value at the rate of inflation over the endowment's investment horizon.

Endowment earnings are undesignated, allowing The Old Globe to use it to support artistic and educational projects and general operations. The Board of Directors (the "Board") approved a spending policy for the use of the earnings on endowment investments which states that a maximum of 5 percent of the trailing three-year average market value of the investments is available for use in operations, unless otherwise restricted.

Note 11 – Endowment Assets/Permanently Restricted Net Assets (continued)

Investments held by the SDF - The Old Globe established a charitable endowment fund with the SDF, an unrelated not-for-profit corporation. The SDF has the contractual right to make all decisions regarding the investment of the funds held and to determine the distribution rate. Endowment investments held by the SDF are invested in a "Balanced Pool" portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. The SDF's spending policy is to disburse 5 percent annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund at the end of each month is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

At December 31, 2012 and 2011, the Board has not designated any endowment funds.

Donor-restricted endowment net asset composition by type of fund at December 31, 2012 and 2011 is as follows:

	Temporarily Restricted Endowment Fund - Accumulated Earnings	Permanently Restricted	2012 Total
Donor-restricted endowment funds	$ -	$ 2,799,295	$ 2,799,295
Endowment fund - accumulated earnings	1,331,371	-	1,331,371
Pledges receivable	-	1,530,765	1,530,765
	$ 1,331,371	$ 4,330,060	$ 5,661,431

	Temporarily Restricted Endowment Fund - Accumulated Earnings	Permanently Restricted	2011 Total
Donor-restricted endowment funds	$ -	$ 2,754,154	$ 2,754,154
Endowment fund - accumulated earnings	1,100,201	-	1,100,201
Pledges receivable	-	1,475,811	1,475,811
	$ 1,100,201	$ 4,229,965	$ 5,330,166

Note 11 – Endowment Assets/Permanently Restricted Net Assets (continued)

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

	Temporarily Restricted Endowment Fund - Accumulated Earnings	Permanently Restricted	Total
Endowment net assets January 1, 2011	$ 1,273,206	$ 4,142,670	$ 5,415,876
Contributions	-	95,403	95,403
Investment income:			
Interest income	91,481	-	91,481
Realized and unrealized losses	(19,040)	(8,108)	(27,148)
Appropriated earnings	(170,587)	-	(170,587)
Reclassification of earnings	(74,859)	-	(74,859)
Endowment net assets December 31, 2011	1,100,201	4,229,965	5,330,166
Contributions	-	88,835	88,835
Investment income:			
Interest income	99,513	-	99,513
Realized and unrealized gains	286,104	11,260	297,364
Appropriated earnings	(218,700)	-	(218,700)
Reclassification of earnings	64,253	-	64,253
Endowment net assets December 31, 2012	$ 1,331,371	$ 4,330,060	$ 5,661,431

Permanently restricted net assets are restricted for investment in perpetuity, the income from which at December 31, 2012 and 2011 is expendable to support:

	2012	2011
General operating expenses, including artistic and educational projects	$ 4,163,904	$ 4,075,269
Theatre programs held by the San Diego Foundation	148,274	137,014
Pagliotti Fund	17,882	17,682
	$ 4,330,060	$ 4,229,965

Note 12 – Net Assets Released from Restrictions

During the years ended December 31, 2012 and 2011, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes and satisfying time restrictions in the amount of $3,312,740 and $3,500,037, respectively.

Note 13 – Government Grants

Income from government grants at December 31 is comprised of the following:

	2012	2011
City of San Diego	$ 403,052	$ 630,194
County of San Diego	175,000	170,000
National Endowment for the Arts	10,000	6,000
	$ 588,052	$ 806,194

The Old Globe's grants with government agencies are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from such audits would not be material.

Note 14 – Collective Bargaining Agreement

Substantially, all actors employed by The Old Globe are subject to a collective bargaining agreement with the Actors' Equity Association which expires April 14, 2017.

Note 15 – Related Parties

Certain members of the Board of Directors are employed at banks that have provided financing to The Old Globe (Note 7) and in which The Old Globe maintains cash and investment accounts.

ADDITIONAL INFORMATION

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON THE ADDITIONAL INFORMATION

Board of Directors
Old Globe Theatre dba The Old Globe

We have audited the financial statements of Old Globe Theatre dba The Old Globe ("The Old Globe") as of and for the year ended December 31, 2012, and our report thereon dated April 8, 2013, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of unrestricted net assets by net asset component are presented for purposes of additional analysis and are 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.

Moss Adams LLP

San Diego, California
April 8, 2013

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

OLD GLOBE THEATRE DBA THE OLD GLOBE
ADDITIONAL INFORMATION
SCHEDULE OF UNRESTRICTED NET ASSETS BY NET ASSET COMPONENT
YEAR ENDED DECEMBER 31, 2012

	Unrestricted Net Assets		
	Undesignated	Designated for Property and Equipment	2012 Total
Operating Revenue			
Ticket sales	$ 11,687,919	$ -	$ 11,687,919
Enhancements	2,042,060	-	2,042,060
Retail	642,084	-	642,084
Investment income	267,776	-	267,776
Other revenue	235,266	-	235,266
Education	36,171	-	36,171
Royalties	31,039	-	31,039
Total operating revenue	14,942,315	-	14,942,315
Operating Expenses			
Program services	18,167,926	1,371,669	19,539,595
Management and general	2,234,550	321,750	2,556,300
Total operating expenses	20,402,476	1,693,419	22,095,895
Operating (loss)	(5,460,161)	(1,693,419)	(7,153,580)
Contributed Income			
Contributions	3,126,165	-	3,126,165
Net assets released from restrictions	2,337,173	975,567	3,312,740
	5,463,338	975,567	6,438,905
Special events	1,731,680	-	1,731,680
Government grants	588,052	-	588,052
In-kind contributions	339,254	-	339,254
Total contributed income	8,122,324	975,567	9,097,891
Expenses			
Fund-raising	1,349,410	-	1,349,410
Special events	916,778	-	916,778
Total expenses	2,266,188	-	2,266,188
Net contributed income	5,856,136	975,567	6,831,703
Change in Unrestricted Net Assets Before (Losses)	395,975	(717,852)	(321,877)
Gains (Losses)			
Net realized and unrealized gains (losses)	18,123	(8,432)	9,691
Total gains (losses)	18,123	(8,432)	9,691
Other Changes in Net Assets			
Acquisition of property and equipment:			
Operations	(68,302)	68,302	-
Interim construction	(177,325)	177,325	-
Payments on long-term debt	(160,400)	160,400	-
Total other changes	(406,027)	406,027	-
Change in Unrestricted Net Assets	8,071	(320,257)	(312,186)
Unrestricted Net Assets			
Beginning of year	158,785	9,125,289	9,284,074
End of year	$ 166,856	$ 8,805,032	$ 8,971,888

OLD GLOBE THEATRE DBA THE OLD GLOBE
ADDITIONAL INFORMATION
SCHEDULE OF UNRESTRICTED NET ASSETS BY NET ASSET COMPONENT
YEAR ENDED DECEMBER 31, 2011

	Unrestricted Net Assets		
	Undesignated	Designated for Property and Equipment	2011 Total
Operating Revenue			
Ticket sales	$ 11,914,039	$ -	$ 11,914,039
Enhancements	793,311	-	793,311
Retail	701,250	-	701,250
Investment income	245,446	-	245,446
Other revenue	220,262	-	220,262
Education	36,413	-	36,413
Royalties	13,643	-	13,643
Total operating revenue	13,924,364	-	13,924,364
Operating Expenses			
Program services	17,123,890	1,357,180	18,481,070
Management and general	2,769,891	318,350	3,088,241
Total operating expenses	19,893,781	1,675,530	21,569,311
Operating (loss)	(5,969,417)	(1,675,530)	(7,644,947)
Contributed Income			
Contributions	3,115,566	30,729	3,146,295
Net assets released from restrictions	2,597,417	902,620	3,500,037
	5,712,983	933,349	6,646,332
Special events	1,530,434	-	1,530,434
Government grants	806,194	-	806,194
In-kind contributions	325,663	-	325,663
Total contributed income	8,375,274	933,349	9,308,623
Expenses			
Fund-raising	1,276,124	-	1,276,124
Special events	568,740	-	568,740
Total expenses	1,844,864	-	1,844,864
Net contributed income	6,530,410	933,349	7,463,759
Change in Unrestricted Net Assets Before (Losses)	560,993	(742,181)	(181,188)
Gains			
Net realized and unrealized gains	127,452	-	127,452
Total gains	127,452	-	127,452
Other Changes in Net Assets			
Acquisition of property and equipment:			
Operations	(428,402)	428,402	-
Interim construction	(96,165)	96,165	-
Payments on long-term debt	(155,708)	155,708	-
Total other changes	(680,275)	680,275	-
Change in Unrestricted Net Assets	8,170	(61,906)	(53,736)
Unrestricted Net Assets			
Beginning of year	150,615	9,187,195	9,337,810
End of year	$ 158,785	$ 9,125,289	$ 9,284,074