ORLANDO BALLET

Financial Statements

For the Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Orlando Ballet, Inc.
Orlando, Florida

We have audited the accompanying financial statements of Orlando Ballet, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orlando Ballet, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Orlando Ballet's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent in all material respects, with the audited financial statements from which it has been derived.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 19, 2018

Orlando Ballet, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS

	2018	2017
ASSETS		
Cash and cash equivalents	$ 332,029	$ 368,008
Restricted cash	1,794,119	2,111,467
Accounts receivable, net	224,028	104,384
Pledge receivable	5,000,000	-
Inventory	7,814	9,745
Prepaid expenses	203,405	135,172
Total current assets	7,561,395	2,728,776
Property and equipment, net	1,560,787	1,089,866
Endowment fund	142,121	137,320
Other assets	36,755	36,755
Total assets	$ 9,301,058	$ 3,992,717

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accruals	$ 334,054	$ 370,392
Deferred revenue	1,123,200	706,836
Line of credit	-	75,000
Total current liabilities	1,457,254	1,152,228
NET ASSETS		
Unrestricted	1,052,555	627,681
Temporarily restricted	6,578,895	2,000,454
Permanently restricted	212,354	212,354
Total net assets	7,843,804	2,840,489
Total liabilities and net assets	$ 9,301,058	$ 3,992,717

The accompanying notes are an integral part of these financial statements.

Orlando Ballet, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2018
(with summarized financial information for the year ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
REVENUE AND SUPPORT					
Series ticket sales	$ 187,896	$ -	$ -	$ 187,896	$ 157,582
Single ticket sales	1,430,564	-	-	1,430,564	1,161,438
Ballet school earned income	2,419,600	-	-	2,419,600	2,755,278
Ballet school contributed income	365	-	-	365	2,555
General revenue	91,691	-	-	91,691	140,148
Special fundraising events	101,523	-	-	101,523	563,821
Grants and contributed income	1,705,133	5,000,000	-	6,705,133	3,153,482
Donated services and materials	131,813	-	-	131,813	144,772
Net investment gain	10,985	-	-	10,985	17,267
Other income	7,496	-	-	7,496	9,488
Net assets released from restrictions	421,559	(421,559)	-	-	-
Total revenue and support	6,508,625	4,578,441	-	11,087,066	8,105,831
EXPENSES					
Program services					
Season	2,075,233	-	-	2,075,233	2,050,044
Nutcracker	570,423	-	-	570,423	552,487
Ballet school	2,636,415	-	-	2,636,415	2,797,133
Total program services	5,282,071	-	-	5,282,071	5,399,664
Supporting services					
Development	87,700	-	-	87,700	66,011
Donated services and materials	131,813	-	-	131,813	135,017
General and administrative	582,167	-	-	582,167	515,614
Total supporting services	801,680	-	-	801,680	716,642
Total expenses	6,083,751	-	-	6,083,751	6,116,306
INCREASE IN NET ASSETS	424,874	4,578,441	-	5,003,315	1,989,525
Net assets, beginning of year	627,681	2,000,454	212,354	2,840,489	850,964
Net assets, end of year	$ 1,052,555	$ 6,578,895	$ 212,354	$ 7,843,804	$ 2,840,489

The accompanying notes are an integral part of these financial statements.

Orlando Ballet, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 5,003,315	$ 1,989,525
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	68,710	71,454
Unrealized gain on investments	(3,869)	(7,829)
Realized gains on sale of investments	(6,062)	(8,459)
Gain on asset disposition	-	(2,266)
Donated property and equipment	-	(9,757)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(119,644)	37,722
Increase in pledge receivable	(5,000,000)	-
Decrease in inventory	1,931	6,342
(Increase) decrease in prepaid expenses	(68,233)	209,204
Decrease in other assets	-	1,052
(Decrease) increase in accounts payable and accruals	(36,338)	55,763
Increase (decrease) in deferred revenue	416,364	(338,949)
Net cash provided by operating activities	256,174	2,003,802
CASH FLOWS FROM INVESTING ACTIVITIES		
Loch Haven building project	(528,350)	(120,459)
Purchase of equipment	(11,281)	(20,975)
Net proceeds from sale of investments	5,130	4,986
Net cash used in investing activities	(534,501)	(136,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) proceeds from line of credit	(75,000)	40,000
Net cash (used in) provided by financing activities	(75,000)	40,000
Net (decrease) increase in cash and cash equivalents	(353,327)	1,907,354
Cash and cash equivalents, beginning of year	2,479,475	572,121
Cash and cash equivalents, end of year	$ 2,126,148	$ 2,479,475
Supplemental disclosure:		
Cash paid for interest	$ 12,328	$ 6,925

The accompanying notes are an integral part of these financial statements.

Orlando Ballet, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018
(with summarized financial information for the year ended June 30, 2017)

Item of Expense	Season	Nutcracker	Ballet School	Total Program Services	Development	Donated Services and Materials	General and Administrative	Total Services 2018	Total Services 2017
School salaries, taxes and benefits	$ -	$ -	$ 984,768	$ 984,768	$ -	$ -	$ 8,839	$ 993,607	$ 993,540
Artistic salaries, taxes and benefits	676,266	169,066	-	845,332	-	-	-	845,332	885,152
Scholarships	-	-	372,416	372,416	-	-	-	372,416	521,132
Staff salaries, taxes and benefits	217,181	60,800	-	277,981	-	-	173,727	451,708	513,581
Guest and summer workshop	-	-	257,442	257,442	-	-	16,599	274,041	374,433
Marketing	151,048	42,306	193,353	386,707	-	-	-	386,707	341,796
Crew	171,440	59,586	23,288	254,314	-	-	1,197	255,511	250,879
Sets and props	161,513	64,775	228	226,516	-	-	1,509	228,025	219,371
Choreography	20,379	-	1,400	21,779	-	-	2,550	24,329	169,742
Contributed medical	-	-	-	-	-	131,813	-	131,813	112,193
Charge card fee	-	-	53,773	53,773	-	-	25,905	79,678	93,570
Live music	247,471	-	-	247,471	-	-	-	247,471	91,671
Costumes	61,921	9,956	34,767	106,644	-	-	572	107,216	85,029
Printing	34,273	33,067	659	67,999	-	-	925	68,924	65,766
Professional fees	9,743	2,727	14,081	26,551	-	-	7,792	34,343	65,249
Lights	33,421	14,549	2,000	49,970	-	-	-	49,970	59,371
Special events	-	-	-	-	51,214	-	-	51,214	55,433
Dance shoes	39,284	12,359	12,478	64,121	-	-	-	64,121	52,324
Other	395	-	8,041	8,436	-	-	48,625	57,061	50,729
Theatre expenses	7,902	2,418	2,299	12,619	-	-	1,657	14,276	44,725
Dues and subscriptions	-	-	28,106	28,106	-	-	10,027	38,133	36,276
Retail	-	12,250	17,958	30,208	-	-	-	30,208	21,295
Development	-	-	-	-	36,486	-	-	36,486	15,012
Transportation and lodging	1,040	28	21,461	22,529	-	-	105	22,634	13,946
Office supplies and expenses	116	74	1,054	1,244	-	-	10,155	11,399	13,515
Video and photography	-	-	12,225	12,225	-	-	-	12,225	12,500
Relocation	-	-	221	221	-	-	41,689	41,910	10,500
Automobile expense	275	126	20	421	-	-	4,392	4,813	7,183
Payroll services	7,956	2,235	11,539	21,730	-	-	6,386	28,116	7,039
Interest	-	-	-	-	-	-	12,328	12,328	6,925
Postage	-	-	41	41	-	-	4,013	4,054	5,652
Bank fees	15	-	-	15	-	-	6,641	6,656	3,133
Total before allocated overhead	1,841,639	486,322	2,053,618	4,381,579	87,700	131,813	385,633	4,986,725	5,198,662
Rent	118,665	51,819	479,325	649,809	-	-	104,193	754,002	584,119
Utilities	43,585	12,202	-	55,787	-	-	34,865	90,652	94,288
Depreciation	19,239	5,497	28,171	52,907	-	-	15,803	68,710	71,453
Repairs and maintenance	19,052	5,332	27,533	51,917	-	-	15,237	67,154	81,108
Insurance	33,053	9,251	47,768	90,072	-	-	26,436	116,508	71,722
Telephone	-	-	-	-	-	-	-	-	17,220
(Gain) Loss on asset disposition	-	-	-	-	-	-	-	-	(2,266)
Total	$ 2,075,233	$ 570,423	$ 2,636,415	$ 5,282,071	$ 87,700	$ 131,813	$ 582,167	$ 6,083,751	$ 6,116,306

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orlando Ballet, Inc. (the "Organization") is a nonprofit corporation organized in the state of Florida on April 8, 1974, as The Southern Ballet Theatre, Inc. The Articles of Incorporation were amended on February 21, 2002, changing the name of the corporation to Orlando Ballet, Inc. Its primary purpose is to operate a successful, highly regarded, professional dance company and ballet school in Central Florida and the State of Florida.

1. <u>Basis of Presentation</u>

The Organization reports information regarding its financial position and activities according to three classes of net assets. A description of the three net asset categories follows:

- Unrestricted – Net assets not subject to donor-imposed stipulations.
- Temporarily restricted – Cash and other assets if they are received with donor or grantor stipulations that limit their use. When a donor or grantor 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 statement of activities as “Net assets released from restrictions.”
- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

2. <u>Contributions</u>

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

3. <u>Income Taxes</u>

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal or state income taxes in the accompanying financial statements.

Management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Organization no longer is subject to U.S. Federal income tax examination by tax authorities for years prior to 2015.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Investments

Investments are stated at fair market value. Unrealized gains and losses are included in the accompanying statement of activities.

The Organization follows accounting guidance relating to fair value measurements, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements

The Organization did not have any Level 1 investments.

Level 2 Fair Value Measurements

The Organization did not have any Level 2 investments.

Level 3 Fair Value Measurements

The Organization's Level 3 investments consist of funds held on the Organization's behalf by the Community Foundation. Given the absence of market quotations, their fair value is based on the net asset value as provided by the investment managers of the Community Foundation.

Gains and losses on investments are reported in the statements of activity as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Dividends, interest, and other investment income are reported in the period earned as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in temporarily restricted net assets or permanently restricted net assets, depending on the type of restriction.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

6. Inventory

Inventory consists of Orlando Ballet merchandise and dance shoes sold through a retail store. It is stated at cost as determined by the first-in, first-out method.

7. Accounts Receivable

The Organization periodically reviews its outstanding receivables, determines which balances are not collectible, and records an appropriate allowance for doubtful accounts. Accounts receivable is presented net of an allowance for doubtful accounts of $0 and $472 at June 30, 2018 and 2017, respectively.

8. Property and Equipment

Property and equipment is recorded at cost or estimated fair value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the item as follows:

	Years
Studio fixtures and equipment	3 - 39
Leasehold improvements	10 - 40
Office fixtures and equipment	3 - 10
Sets and props	7

9. Donated Services, Materials and Facilities

Donated services, materials and facilities that are measurable are recorded at their fair market values on the date of receipt by the Organization. A corresponding amount is recorded as an expense or is capitalized as property and equipment. Donated services include television, radio, and newspaper time and space for publicity purposes. Other donated services include medical services, printing and various other services. Donated property and equipment, for the years ended June 30, 2018 and 2017, was $0 and $9,758, respectively.

10. Deferred Revenue

Deferred revenue represents cash receipts for school tuition, ticket sales, and fundraising events received for the following school year or season. Amounts are removed from deferred revenue when the criteria for recognition have been met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Functional Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. The allocation of expenses which cannot be directly attributed to specific functions is based on estimates by the Organization's management.

12. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of deposits and prepayments related to the Ballet School's nationally recognized summer training programs, which begin in late June and continue through July. It also consists of advance payments pertaining to the 2018 - 2019 Ballet season. Amounts are removed from prepaid expenses when the criteria for recognition have been met.

13. Concentration of Credit Risk

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist principally of cash equivalents and investments. The Organization maintains its cash equivalents and investments in banks which participate in the Federal Deposit Insurance Corporation (FDIC) Program. Balances are insured up to $250,000 per institution. At June 30, 2018 and 2017, the Organization had $1,473,831 and $2,027,944, respectively, in excess of federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

14. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

15. Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on September 19, 2018.

17. Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued new accounting pronouncements on revenue recognition, measurement of financial assets and liabilities, and lease accounting, which are effective beginning in 2018 and 2020. Early adoption is permitted. The Organization is evaluating the impact of the new pronouncements on its financial statements.

NOTE B – PLEDGE RECEIVABLE

During the year ended June 30, 2018, the organization received a pledge of five million dollars from Harriett Lake, to be used for capital improvements on the property located at 610 N. Lake Formosa Drive. As of the date of the audit report, all funds pledged have been received.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, are summarized as follows:

	2018	2017
Studio fixtures and equipment	$ 263,029	$ 252,548
Leasehold build-outs	1,600,864	1,072,514
Office fixtures and equipment	65,449	71,649
Sets and props	422,452	422,452
	2,351,794	1,819,163
Less: accumulated depreciation	(791,007)	(729,297)
	$ 1,560,787	$ 1,089,866

NOTE D – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets carried at fair value as of June 30, 2018 and 2017:

	Level 1	Level 2	Level 3	Total
June 30, 2018:				
Assets:				
Assets held by Community Foundation	$ -	$ -	$ 142,121	$ 142,121
Total investment assets at fair value	$ -	$ -	$ 142,121	$ 142,121

	Level 1	Level 2	Level 3	Total
June 30, 2017:				
Assets:				
Assets held by Community Foundation	$ -	$ -	$ 137,320	$ 137,320
Total investment assets at fair value	$ -	$ -	$ 137,320	$ 137,320

The following table presents changes the Organization's Level 3 investment assets measured at fair value on a recurring basis for the year ending June 30:

	2018	2017
Balance, beginning of year	$ 137,320	$ 126,018
Unrealized gain (loss)	3,869	7,829
Withdrawals, net	(5,130)	(4,986)
Interest, dividends, realized gain, fees, net	6,062	8,459
Balance, end of year	$ 142,121	$ 137,320

NOTE E – LINE OF CREDIT

During the years ended June 30, 2018 and 2017, the Organization had a Line of Credit "LOC" with First Colony Bank of Florida in the amount of $150,000. Draws on the LOC accrued interest at the Wall Street Journal Published Prime Rate plus 1% with a floor of 5.5%. There was an outstanding balance of $0 and $75,000 as of June 30, 2018 and 2017, respectively.

As of February 1, 2018, the Organization obtained a new revolving LOC with PNC Bank in the amount of $400,000. Draws on the LOC accrued interest at the daily LIBOR rate plus 3%. The organization relies on the LOC from time to time, and it was drawn up to $351,000 during the fiscal year. There was no outstanding balance as of June 30, 2018.

NOTE F – PERMANENTLY RESTRICTED NET ASSETS

The Organization's permanently restricted net assets consist of donor-restricted funds held in cash and as endowment funds held in perpetuity by the Community Foundation. At June 30, permanently restricted net assets consisted of the following:

	2018	2017
Cash	$ 108,818	$ 108,818
Endowment fund held by Community Foundation	103,536	103,536
	$ 212,354	$ 212,354

The permanently restricted endowment fund was established in 2001 with an initial contribution of $10,000. Subsequent contributions total $202,354. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (MIFA) 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 "MIFA". In accordance with "MIFA", the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies. See Note D for a reconciliation of annual earnings, contributions and withdrawals.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are managed by the Community Foundation of Central Florida, Inc. Orlando Ballet has no input into how the funds are invested. Investment risk is measured in terms of the total endowment fund and investment assets and allocation.

Spending Policy. The Organization receives an annual distribution from the fund as determined by the Community Foundation of Central Florida.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017, and the activity during the year ended June 30, 2018 are summarized in the following table:

	2017	Proceeds	Released	2018
Gift for capital improvements	$ 2,000,454	$ 5,000,000	$ (421,559)	$ 6,578,895

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposed or by occurrence of other events specified by the donors.

NOTE H - LEASES AND COMMITMENTS

The Organization has entered into various non-cancelable operating lease agreements for the rental of office space and equipment. Future minimum lease payments under these operating leases are as follows:

Years ending June 30,	2019	$ 373,122
	2020	377,966
	2021	135,648
	2022	46,035
	2023	-
		$ 932,771

On May 27, 2014, the Organization leased a facility from the City of Orlando for nominal rent. The initial term is fifty years with two twenty-five year renewal options. During the year ended June 30, 2018, the Organization paid rent for the initial fifty years totaling $50. The Organization is responsible for all capital improvements to the facility. As of June 30, 2018, the Organization has received gifts totaling $5,000,000 for capital improvements on this facility. Unexpended gifts totaling $6,578,895 and $2,000,454 at June 30, 2018 and 2017, respectively, are classified as temporarily restricted net assets (Note G). As part of the lease, the Organization must also meet certain civic, performance and education goals.

NOTE I – ADVERTISING COSTS

The Organization’s policy is to expense advertising costs as incurred. The organization spent $386,707 and $341,796 in the years ended 2018, and 2017, respectively.

NOTE J - RECONCILIATION OF CHANGE IN NET POSITION (Non-GAAP)

The following table presents a reconciliation of the change in net assets to the Organization's internal operating income (loss) for the years ending June 30:

	2018	2017
Change in net assets	$ 5,005,246	$ 1,989,525
Net investment (gain) loss	(14,732)	(17,267)
Harriett Lake Contribution	(5,000,000)	(1,930,401)
Net Income (Loss) (Non-GAAP)	$ (9,486)	$ 41,857