



Financial Statements

**For the Years Ended
June 30, 2022 and 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Orlando Ballet, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Orlando Ballet, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orlando Ballet, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Orlando Ballet, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Orlando Ballet, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orlando Ballet, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Orlando Ballet, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent in all material respects, with the audited financial statements from which it has been derived.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 27, 2022

Orlando Ballet, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| ASSETS | | |
|---|---------------|---------------|
| | 2022 | 2021 |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,040,544 | \$ 1,196,948 |
| Restricted cash | 2,700,000 | 767,207 |
| Accounts receivable | 899,283 | 1,065,005 |
| Inventory | 8,129 | 8,349 |
| Prepaid expenses | 290,608 | 142,193 |
| Total current assets | 4,938,564 | 3,179,702 |
| Property and equipment, net | 11,499,504 | 11,683,183 |
| Endowment fund | 261,811 | 284,773 |
| Other assets | 27,665 | 28,084 |
| Total assets | \$ 16,727,544 | \$ 15,175,742 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accruals | \$ 98,879 | \$ 72,146 |
| Paycheck Protection Program loan | - | 475,877 |
| Deferred revenue | 1,206,605 | 1,202,317 |
| Total current liabilities | 1,305,484 | 1,750,340 |
| Security deposits | 1,950 | 2,450 |
| Total liabilities | 1,307,434 | 1,752,790 |
| NET ASSETS | | |
| Without donor restrictions | 12,001,168 | 12,225,012 |
| Board designated | 2,700,000 | 575,000 |
| Total net assets without donor restrictions | 14,701,168 | 12,800,012 |
| With donor restrictions | 718,942 | 622,940 |
| Total net assets | 15,420,110 | 13,422,952 |
| Total liabilities and net assets | \$ 16,727,544 | \$ 15,175,742 |

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, 2022

(with summarized financial information for the year ended June 30, 2021)

| | Net Assets Without Donor Restrictions | | | With Donor Restrictions | 2022 Total | 2021 Total |
|--|---------------------------------------|---------------------|----------------------|----------------------------|----------------------|----------------------|
| | Operating | Board Designated | Total | | | |
| REVENUE AND SUPPORT | | | | | | |
| Series ticket sales | \$ 212,488 | \$ - | \$ 212,488 | \$ - | \$ 212,488 | \$ 156,414 |
| Single ticket sales | 1,674,624 | - | 1,674,624 | - | 1,674,624 | 1,041,876 |
| Ballet school earned income | 2,132,969 | - | 2,132,969 | - | 2,132,969 | 1,462,055 |
| General revenue | 31,510 | - | 31,510 | - | 31,510 | 27,165 |
| Special fundraising events | 192,725 | 250,000 | 442,725 | - | 442,725 | 441,505 |
| Grants and contributed income | 11,031 | 1,875,000 | 1,886,031 | 490,000 | 2,376,031 | 2,256,818 |
| Federal grant | 1,433,682 | - | 1,433,682 | - | 1,433,682 | - |
| Contributions of non-financial assets | | | | | | |
| Medical | 103,920 | - | 103,920 | - | 103,920 | 89,466 |
| Other | 21,389 | - | 21,389 | - | 21,389 | 97,512 |
| (Loss) gain on endowment | (17,199) | - | (17,199) | - | (17,199) | 38,197 |
| Other income | 161,469 | - | 161,469 | - | 161,469 | 111,870 |
| Gain on debt forgiveness | 475,877 | - | 475,877 | - | 475,877 | 506,600 |
| Net assets released from restrictions | 393,998 | - | 393,998 | (393,998) | - | - |
| Total revenue and support | 6,828,483 | 2,125,000 | 8,953,483 | 96,002 | 9,049,485 | 6,229,478 |
| EXPENSES | | | | | | |
| Program services | | | | | | |
| Season | 2,706,232 | - | 2,706,232 | - | 2,706,232 | 2,210,933 |
| Nutcracker | 1,011,450 | - | 1,011,450 | - | 1,011,450 | 910,720 |
| Ballet school | 1,757,264 | - | 1,757,264 | - | 1,757,264 | 1,463,157 |
| Community enrichment | 258,917 | - | 258,917 | - | 258,917 | - |
| Total program services | 5,733,863 | - | 5,733,863 | - | 5,733,863 | 4,584,810 |
| Supporting services | | | | | | |
| Development | 471,563 | - | 471,563 | - | 471,563 | 362,996 |
| Non-financial assets | | | | | | |
| Medical | 103,920 | - | 103,920 | - | 103,920 | 89,466 |
| Other | 21,389 | - | 21,389 | - | 21,389 | 97,512 |
| General and administrative | 721,592 | - | 721,592 | - | 721,592 | 696,881 |
| Total supporting services | 1,318,464 | - | 1,318,464 | - | 1,318,464 | 1,246,855 |
| Total expenses | 7,052,327 | - | 7,052,327 | - | 7,052,327 | 5,831,665 |
| INCREASE IN NET ASSETS | (223,844) | 2,125,000 | 1,901,156 | 96,002 | 1,997,158 | 397,813 |
| Net assets, beginning of year | 12,225,012 | 575,000 | 12,800,012 | 622,940 | 13,422,952 | 13,025,139 |
| Net assets, end of year | <u>\$ 12,001,168</u> | <u>\$ 2,700,000</u> | <u>\$ 14,701,168</u> | <u>\$ 718,942</u> | <u>\$ 15,420,110</u> | <u>\$ 13,422,952</u> |

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

Orlando Ballet, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 1,997,158 | \$ 397,813 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 380,765 | 376,453 |
| Gain on debt forgiveness | (475,877) | (506,600) |
| Unrealized loss (gain) on investments | 31,579 | (31,098) |
| Realized gain on investments | (14,327) | (7,099) |
| Change in assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 165,722 | (14,850) |
| Decrease (increase) in inventory | 220 | (366) |
| Increase in prepaid expenses | (148,415) | (40,941) |
| Decrease in other assets | 419 | 6,920 |
| Increase (decrease) in accounts payable and accruals | 26,733 | (76,766) |
| Decrease in security deposits | (500) | (3,095) |
| Increase in deferred revenue | 4,288 | 643,005 |
| | <u>1,967,765</u> | <u>743,376</u> |
| Net cash provided by operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | (197,086) | (167,440) |
| Net proceeds from sale of investments | 5,710 | 5,357 |
| | <u>(191,376)</u> | <u>(162,083)</u> |
| Net cash used in investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment from Construction LOC | - | (250,000) |
| Proceeds from Paycheck Protection Program loan | - | 475,877 |
| | <u>-</u> | <u>225,877</u> |
| Net cash provided by financing activities | | |
| Net increase in cash and cash equivalents and restricted cash | 1,776,389 | 807,170 |
| Cash and cash equivalents and restricted cash, beginning of year | <u>1,964,155</u> | <u>1,156,985</u> |
| Cash and cash equivalents and restricted cash, end of year | <u>\$ 3,740,544</u> | <u>\$ 1,964,155</u> |
| Reconciliation of cash and cash equivalents and restricted cash | | |
| Cash and cash equivalents | \$ 1,040,544 | \$ 1,196,948 |
| Restricted cash | <u>2,700,000</u> | <u>767,207</u> |
| Total cash, cash equivalents and restricted cash | <u>\$ 3,740,544</u> | <u>\$ 1,964,155</u> |

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

Orlando Ballet, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

(with summarized financial information for the year ended June 30, 2021)

| Item of Expense | Season | Nutcracker | Ballet School | Community Enrichment | Total Program Services | Development | Donated Services and Materials | General and Administrative | Total Supporting Services | Total Expenses 2022 | Total Expenses 2021 |
|---|---------------------|---------------------|---------------------|----------------------|------------------------|-------------------|--------------------------------|----------------------------|---------------------------|---------------------|---------------------|
| Artistic salaries, taxes and benefits | \$ 906,566 | \$ 226,642 | \$ 59,643 | \$ - | \$ 1,192,851 | \$ - | \$ - | \$ - | \$ - | \$ 1,192,851 | \$ 976,701 |
| Staff salaries, taxes and benefits | 228,968 | 68,371 | 32,057 | 32,057 | 361,453 | 304,606 | - | 283,854 | 588,460 | 949,913 | 767,962 |
| School salaries, taxes and benefits | - | - | 821,905 | - | 821,905 | - | - | - | - | 821,905 | 732,918 |
| Program expenses | 248,892 | 280,199 | 1,759 | - | 530,850 | - | - | - | - | 530,850 | 447,528 |
| Crew | 260,393 | 140,332 | 1,521 | 390 | 402,636 | - | - | 1,418 | 1,418 | 404,054 | 301,124 |
| Marketing | 194,432 | 88,045 | 84,151 | 225 | 366,853 | - | - | - | - | 366,853 | 298,991 |
| Enrichment salaries, taxes and benefits | - | - | - | 194,006 | 194,006 | - | - | - | - | 194,006 | - |
| Scholarships | - | - | 194,664 | 9,250 | 203,914 | - | - | - | - | 203,914 | 201,306 |
| Live music | 173,567 | - | - | - | 173,567 | - | - | - | - | 173,567 | 2,542 |
| Sets and props | 153,279 | 12,751 | 772 | - | 166,802 | - | - | - | - | 166,802 | 213,234 |
| Choreography | 129,381 | 10,000 | - | - | 139,381 | - | - | - | - | 139,381 | 125,406 |
| Non-financial expense | | | | | | | | | | | |
| Medical | - | - | - | - | - | - | 103,920 | - | 103,920 | 103,920 | 89,466 |
| Other | - | - | - | - | - | - | 21,389 | - | 21,389 | 21,389 | 97,512 |
| Other | 976 | 2,829 | 8,630 | 3,302 | 15,737 | - | - | 97,688 | 97,688 | 113,425 | 108,120 |
| Special events | - | - | - | - | - | 111,335 | - | - | 111,335 | 111,335 | 76,342 |
| Charge card fee | 4,868 | 9,735 | 77,883 | - | 92,486 | - | - | 4,868 | 4,868 | 97,354 | 84,886 |
| Lights | 57,503 | 34,158 | - | - | 91,661 | - | - | - | - | 91,661 | 71,330 |
| Relocation | 63,152 | 15,788 | - | - | 78,940 | - | - | 8,771 | 8,771 | 87,711 | 33,225 |
| Guest and summer workshop | - | - | 70,340 | 15,698 | 86,038 | - | - | - | - | 86,038 | 22,026 |
| Transportation and lodging | 11,938 | 19,701 | 14,708 | 3,522 | 49,869 | - | - | 27,936 | 27,936 | 77,805 | 45,789 |
| Costumes | 17,652 | 7,482 | 50,836 | - | 75,970 | - | - | - | - | 75,970 | 43,594 |
| Retail | 9,217 | 18,988 | 29,562 | - | 57,767 | - | - | 1,120 | 1,120 | 58,887 | 41,077 |
| Development | - | - | - | - | - | 55,324 | - | - | 55,324 | 55,324 | 45,155 |
| Dance shoes | 30,898 | 13,429 | 3,817 | - | 48,144 | - | - | - | - | 48,144 | 42,426 |
| Professional fees | 12,852 | 3,718 | 9,117 | - | 25,687 | - | - | 7,673 | 7,673 | 33,360 | 44,429 |
| Office supplies and expenses | - | - | 2,602 | 95 | 2,697 | - | - | 18,985 | 18,985 | 21,682 | 25,296 |
| Dues and subscriptions | 893 | 298 | 10,968 | 313 | 12,472 | 298 | - | 2,665 | 2,963 | 15,435 | 20,040 |
| Payroll services | 2,657 | 759 | 3,891 | - | 7,307 | - | - | 2,183 | 2,183 | 9,490 | 26,353 |
| Automobile expense | - | - | - | - | - | - | - | 6,134 | 6,134 | 6,134 | 4,733 |
| Video and photography | 2,185 | 3,277 | - | - | 5,462 | - | - | - | - | 5,462 | 46,568 |
| Postage | - | - | - | 59 | 59 | - | - | 4,404 | 4,404 | 4,463 | 6,484 |
| Bank fees | - | - | - | - | - | - | - | 3,583 | 3,583 | 3,583 | 3,224 |
| Total before allocated overhead | 2,510,269 | 956,502 | 1,478,826 | 258,917 | 5,204,514 | 471,563 | 125,309 | 471,282 | 1,068,154 | 6,272,668 | 5,045,787 |
| Depreciation | 106,614 | 30,461 | 156,114 | - | 293,189 | - | - | 87,576 | 87,576 | 380,765 | 376,453 |
| Repairs and maintenance | 42,067 | 12,019 | 61,598 | - | 115,684 | - | - | 46,582 | 46,582 | 162,266 | 147,237 |
| Rent | 24,508 | 5,961 | 662 | - | 31,131 | - | - | 35,106 | 35,106 | 66,237 | 102,447 |
| Utilities | - | - | 26,716 | - | 26,716 | - | - | 62,338 | 62,338 | 89,054 | 87,506 |
| Insurance | 22,774 | 6,507 | 33,348 | - | 62,629 | - | - | 18,708 | 18,708 | 81,337 | 72,235 |
| Total | \$ 2,706,232 | \$ 1,011,450 | \$ 1,757,264 | \$ 258,917 | \$ 5,733,863 | \$ 471,563 | \$ 125,309 | \$ 721,592 | \$ 1,318,464 | \$ 7,052,327 | \$ 5,831,665 |

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

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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. Basis of Presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to the two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Organization's long-term financial viability.

See Note G for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Note H for more information on the composition of net assets with donor restrictions.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Revenue

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which prescribes a single common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization adopted ASC 606 and all related amendments effective July 1, 2020. The adoption of the new standard had no impact on the Organization's financial statements.

The Organization follows ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

Ticket sales, ballet school earned income, and special fundraising events income are considered exchange transactions. Revenue is recognized as the events occur.

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 net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

3. Income Taxes

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 2019.

4. Fair Market Value

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:

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Fair Market Value

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Dividends, interest, and other investment income are reported in the period earned as increases in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in net assets with donor restrictions.

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.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Accounts Receivable

The Organization periodically reviews its outstanding receivables, determines which balances are not collectible, and records an appropriate allowance for doubtful accounts. As of June 30, 2022 and 2021, no such allowance was deemed necessary.

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:

| | <u>Years</u> |
|-------------------------------|--------------|
| Studio fixtures and equipment | 3 - 39 |
| Leasehold improvements | 10 - 40 |
| Office fixtures and equipment | 3 - 10 |
| Sets and props | 7 |

9. 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.

10. 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.

11. Prepaid Expenses and Other Assets

Prepaid expenses and other 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 2022 - 2023 Ballet season. Amounts are removed from prepaid expenses when the criteria for recognition have been met.

12. 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, 2022 and 2021, the Organization had \$3,595,858 and \$1,798,538, 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.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. 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.

14. 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, 2021, from which the summarized information was derived.

15. Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. The reclassifications had no effect on the reported results of operations.

16. Statement of Cash Flows

Cash and cash equivalents and restricted cash in the statement of cash flows includes cash and cash equivalents and restricted cash.

17. 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 October 27, 2022.

18. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021.

19. Accounting Pronouncements Implemented

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. The Organization adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the Organization's financial statements.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE B – PROPERTY AND EQUIPMENT

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

| | 2022 | 2021 |
|--------------------------------|---------------|---------------|
| Studio fixtures and equipment | \$ 123,248 | \$ 111,907 |
| Leasehold build-outs | 11,756,592 | 11,735,665 |
| Office fixtures and equipment | 643,230 | 550,976 |
| Sets and props | 429,485 | 422,452 |
| New works | 68,531 | 3,000 |
| | 13,021,086 | 12,656,559 |
| Less: accumulated depreciation | (1,521,582) | (1,140,817) |
| | \$ 11,499,504 | \$ 11,683,183 |

NOTE C – 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, 2022 and 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|---------|---------|------------|------------|
| June 30, 2022: | | | | |
| Assets: | | | | |
| Assets held by Community | | | | |
| Foundation | \$ - | \$ - | \$ 152,897 | \$ 152,897 |
| Total investment | | | | |
| assets at fair value | \$ - | \$ - | \$ 152,897 | \$ 152,897 |
| | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| June 30, 2021: | | | | |
| Assets: | | | | |
| Assets held by Community | | | | |
| Foundation | \$ - | \$ - | \$ 175,836 | \$ 175,836 |
| Total investment | | | | |
| assets at fair value | \$ - | \$ - | \$ 175,836 | \$ 175,836 |

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

| | 2022 | 2021 |
|---|------------|------------|
| Balance, beginning of year | \$ 175,836 | \$ 143,024 |
| Unrealized (loss) gain | (31,549) | 31,126 |
| Withdrawals, net | (5,740) | (5,385) |
| Interest, dividends, realized gain, fees, net | 14,350 | 7,071 |
| Balance, end of year | \$ 152,897 | \$ 175,836 |

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE C – FAIR VALUE MEASUREMENTS (continued)

The following table presents cumulative changes as of June 30, 2022 and 2021:

| | Cost | Cumulative Unrealized Gain | Fair Value |
|-------------------------------------|------------|-------------------------------|------------|
| June 30, 2022: | | | |
| Assets held by Community Foundation | \$ 103,536 | \$ 49,361 | \$ 152,897 |
| June 30, 2021: | | | |
| Assets held by Community Foundation | \$ 103,536 | \$ 72,300 | \$ 175,836 |

NOTE D – NOTES PAYABLE

During the years ended June 30, 2022 and 2021, the Organization had multiple Line of Credit (LOC) accounts with PNC Bank in the amount of \$600,000 and \$100,000. Draws on the LOC accounts accrue interest at the daily LIBOR rate plus 2.25%. The Organization made no draws on the LOC accounts during the fiscal year. There was no outstanding balance as of June 30, 2022 and 2021.

NOTE E – PAYROLL PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. Under the CARES Act, the Paycheck Protection Program was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead. On April 17, 2020 and February 2, 2021, the Organization, through a financial institution, was approved for and received first-draw and second draw loans in the amount of \$506,600 and \$475,877, respectively under this program. The Organization applied for forgiveness of the first-draw loan and second-draw loan with the Small Business Administration. On April 19, 2021 and November 2, 2021, the loans were forgiven, respectively and are reflected as gains on debt forgiveness.

NOTE F – CONTRIBUTED NON-FINANCIAL ASSETS

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.

For the years ended June 30, contributed non-financial assets recognized within the statements of activities included:

| | 2022 | 2021 |
|---------|------------|------------|
| Medical | \$ 103,920 | \$ 89,466 |
| Other | 21,389 | 97,512 |
| | \$ 125,309 | \$ 186,978 |

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE G – NET ASSETS WITHOUT DONOR RESTRICTIONS

During 2020, the Board restricted \$235,000 of remaining construction funds for Harriett's Orlando Ballet Centre for improvements, repair and maintenance of Harriett's Orlando Ballet Centre. On May 27, 2021, the Board established two additional reserves for General Operating and New Works for the repertoire. The Organization has significantly increased these reserves as part of its Elevate Orlando Ballet Campaign. Reserve balances as of June 30, 2022 were as follows:

| | | |
|----------------------------|----|------------------|
| Operating Reserve Fund | \$ | 200,000 |
| HOBC Facility Reserve Fund | | 500,000 |
| New Works Reserve Fund | | <u>2,000,000</u> |
| | \$ | <u>2,700,000</u> |

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Subject to expenditure for specific time or purpose: | | |
| Ledden 2022 Ballet Ball Match | \$ 150,000 | \$ - |
| Orlando Health | 105,000 | 105,000 |
| Marc and Sharon Hagle Charitable Trust | 57,500 | - |
| Orlando Magic Youth Foundation | 50,000 | 50,000 |
| Bert Martin Foundation | 25,000 | 25,000 |
| Universal Orlando Foundation | 25,000 | - |
| TD Bank Charitable Foundation | 20,000 | 20,000 |
| Pargh Foundation | 20,000 | - |
| DanceUSA | 15,000 | - |
| Martin Andersen & Gracia Andersen Foundation | 10,000 | 25,000 |
| Florida Blue | 10,000 | - |
| Various | 8,520 | 15,530 |
| Harriett Lake | 8,068 | 70,056 |
| Rick Skaggs | 2,500 | - |
| Ledden FY22 Elevation Society | - | 50,000 |
| Elizabeth Morse Genius Foundation | - | <u>50,000</u> |
| Total subject to expenditure for specific time or purpose | <u>506,588</u> | <u>410,586</u> |
| Subject to the Organization's spending policy and appropriation: | | |
| Wally Harper fund | 108,818 | 108,818 |
| Endowment fund held by Community Foundation | <u>103,536</u> | <u>103,536</u> |
| Total net assets with donor restrictions | <u>\$ 718,942</u> | <u>\$ 622,940</u> |

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE I – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Purpose restriction accomplished: | | |
| Orlando Health | \$ 105,000 | \$ 105,000 |
| Harriett Lake | 61,988 | 48,456 |
| Ledden FY22 Elevation Society | 50,000 | - |
| Elizabeth Morse Genius Foundation | 50,000 | - |
| Orlando Magic Youth Foundation | 50,000 | - |
| Bert Martin | 25,000 | - |
| Martin Andersen & Gracia Andersen Foundation | 25,000 | - |
| TD Bank Charitable Foundation | 20,000 | - |
| Various | 7,010 | 120,609 |
| Orange County Cultural & Facilities Grant | - | 86,431 |
| Dr. Phillips Charities | - | 250,000 |
| | <u>\$ 393,998</u> | <u>\$ 610,496</u> |
| Net assets released from restrictions | <u>\$ 393,998</u> | <u>\$ 610,496</u> |

NOTE J – CONDITIONAL PROMISE TO GIVE

The Organization has entered into an agreement as a beneficiary with Krista and Jonathan Ledden. This agreement represents a conditional promise to give since the contribution will pass to the Organization when certain conditions are met. The aggregate value of this conditional promise to give totaled \$2,000,000, of which \$1,750,000 has been received at June 30, 2022.

NOTE K – ENDOWMENT

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

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Wally Harper fund | \$ 108,818 | \$ 108,818 |
| Endowment fund held by Community Foundation | 103,536 | 103,536 |
| | <u>\$ 212,354</u> | <u>\$ 212,354</u> |

The donor 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.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE K – ENDOWMENT (continued)

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 net assets with donor restrictions restricted for perpetuity as (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 net assets with donor restrictions restricted for perpetuity is classified as net assets with donor restrictions 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 C 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 L – 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 ,2023 | \$ | 48,810 |
| 2024 | | 50,274 |
| 2025 | | 51,782 |
| 2026 | | 21,841 |
| | | <hr/> |
| | \$ | <u>172,707</u> |

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE L – LEASES AND COMMITMENTS (continued)

On May 27, 2014, the Organization leased the facility at 600 North Lake Formosa Drive from the City of Orlando for nominal rent and complete capital improvements in 2020. The initial term is fifty years with one twenty-five year and one twenty-four year renewal option. During the year ended June 30, 2018, the Organization paid rent for the initial fifty years totaling \$50. The Organization is responsible for all operating costs, maintenance and capital improvements to the facility. The Organization must also meet certain civic, performance and education goals; and may not pledge the property and leasehold improvements as collateral or subject to lien in any way.

NOTE M – ADVERTISING COSTS

The Organization's policy is to expense advertising costs when programs occurred. The Organization spent \$366,853 and \$298,991 in the years ended 2022, and 2021, respectively.

NOTE N – 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 for the years ending June 30:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Change in net assets | \$ 1,997,158 | \$ 397,813 |
| Restricted contributions, net | (96,002) | 285,496 |
| Non-recurring | | |
| PPP loan forgiveness | (475,877) | (506,600) |
| SVOG grant | (1,433,682) | - |
| Non-asset capital expense | - | 6,392 |
| | | |
| Operating income (non-GAAP) | (8,403) | 183,101 |
| Non-cash depreciation expense | 380,765 | 376,454 |
| | | |
| Net operating income before depreciation (non-GAAP) | <u>\$ 372,362</u> | <u>\$ 559,555</u> |

NOTE O – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, scholarships, guest and summer workshops, marketing, crew, sets and props, charge car fee, live music, costumes, printing, professional fees, lights, dance shoes, other, theater expenses, dues and subscriptions, retail, development, transportation and lodging, office supplies and expenses, video and photography, relocation, automobile expenses, payroll services, postage, repairs and maintenance, and insurance, which are allocated on the basis of estimates of time and effort.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE P – EMPLOYEE RETIREMENT PLAN

During November 2018, the Organization started a tax deferred annuity retirement plan for its employees. An employee is eligible to participate on the first day of their first payroll. Participation is voluntary, and the employee may contribute from up to a maximum IRS allowable amount, which is \$20,500 and \$19,500 for calendar years 2022 and 2021, respectively. Additional catch-up contributions up to \$6,500 are available to individuals who reach age 50 by the end of the year. Employees are eligible to receive employer matching contributions if they have attained age 16 and have completed one eligibility year of service. The match will be determined each year by the Organization. The Organization did not make an employer contribution for the year ended June 30, 2022.

NOTE Q – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization’s financial assets available within one year of the statements of financial position date for general expenditures are as follows:

| | 2022 | 2021 |
|--|-----------------|-----------------|
| Cash and cash equivalents | \$ 3,740,544 | \$ 1,964,155 |
| Accounts receivable | 899,283 | 1,065,005 |
| Total financial assets available within one year | 4,639,827 | 3,029,160 |
| Accounts payable and accruals | (98,879) | (72,146) |
| Paycheck Protection Program loan | - | (475,877) |
| Deferred revenue | (1,206,605) | (1,202,317) |
| Total financial liabilities due within one year | (1,305,484) | (1,750,340) |
| Total financial assets available within one year | | |
| Board restricted | 2,700,000 | 767,207 |
| Non-board restricted | 634,343 | 511,613 |
| | \$ 3,334,343 | \$ 1,278,820 |

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit for \$600,000, which it could utilize.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE R – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the pandemic.

SUPPLEMENTARY INFORMATION

Orlando Ballet, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

| <u>Federal Grantor/Program Title</u> | <u>ALN</u> | <u>Award Number</u> | <u>Total Federal Expenditures</u> |
|---|------------|---------------------|-----------------------------------|
| Direct Award | | | |
| U.S. Small Business Administration | | | |
| Shuttered Venue Operators Grant | 59.075 | SBAHQ21SV002753 | <u>\$ 1,433,682</u> |
| Total expenditures of federal awards | | | <u><u>\$ 1,433,682</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

Orlando Ballet, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Orlando Ballet, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Orlando Ballet, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Orlando Ballet, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATES

Orlando Ballet, Inc. has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Orlando Ballet, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| 5. Auditee qualified as low-risk auditee? | No |

Identifications of major programs:

| | |
|---------------------------------|------------|
| <u>Name of Federal Program</u> | <u>ALN</u> |
| Shuttered Venue Operators Grant | 59.075 |

Section II – Financial Statement Findings

None (no corrective action plan required, also no management letter required, as no items related to financial assistance need to be reported)

Section III – Federal Award Findings and Questioned Costs

None (no corrective action plan required, also no management letter required, as no items related to financial assistance to be reported)



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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Orlando Ballet, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Orlando Ballet, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orlando Ballet, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Orlando Ballet, Inc.’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orlando Ballet, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 27, 2022



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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Orlando Ballet, Inc.’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Orlando Ballet, Inc.’s major federal programs for the year ended June 30, 2022. Orlando Ballet, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Orlando Ballet, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Orlando Ballet, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Orlando Ballet, Inc.’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Orlando Ballet, Inc.’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Orlando Ballet, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about on Orlando Ballet, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Orlando Ballet, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Orlando Ballet, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Orlando Ballet, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 27, 2022