



**Financial Statements**

**For the Years Ended  
June 30, 2019 and 2018**

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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 24, 2019

**Orlando Ballet, Inc.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2019 and 2018**

	<b>ASSETS</b>	
	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 572,652	\$ 332,029
Restricted cash	2,507,305	1,794,119
Accounts receivable	457,224	224,028
Pledge receivable	3,014,552	5,000,000
Investments	2,772,151	-
Inventory	3,787	7,814
Prepaid expenses	213,272	203,405
Total current assets	9,540,943	7,561,395
Property and equipment, net	4,931,945	1,560,787
Endowment fund	145,599	142,121
Other assets	44,055	36,755
Total assets	\$ 14,662,542	\$ 9,301,058
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accruals	\$ 361,788	\$ 334,054
Construction in process payable	571,271	-
Deferred revenue	1,279,493	1,123,200
Total current liabilities	2,212,552	1,457,254
<b>NET ASSETS</b>		
Without donor restrictions	4,650,696	1,052,555
Board designated	66,439	-
Total net assets without donor restrictions	4,717,135	1,052,555
With donor restrictions	7,732,855	6,791,249
Total net assets	12,449,990	7,843,804
Total liabilities and net assets	\$ 14,662,542	\$ 9,301,058

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, 2019

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

	Net Assets Without Donor Restrictions			With Donor Restrictions	2019 Total	2018 Total
	Operating	Board Designated	Total			
<b>REVENUE AND SUPPORT</b>						
Series ticket sales	\$ 188,134	\$ -	\$ 188,134	\$ -	\$ 188,134	\$ 187,896
Single ticket sales	1,693,945	-	1,693,945	-	1,693,945	1,430,564
Ballet school earned income	2,361,596	-	2,361,596	-	2,361,596	2,419,600
Ballet school contributed income	-	-	-	-	-	365
General revenue	183,504	-	183,504	-	183,504	91,691
Special fundraising events	227,945	-	227,945	-	227,945	101,523
Grants and contributed income	1,925,269	-	1,925,269	4,600,000	6,525,269	6,705,133
Donated services and materials	386,614	-	386,614	-	386,614	131,813
Net investment gain	-	-	-	-	-	10,985
Interest	9,674	66,439	76,113	-	76,113	-
Other income	6,985	-	6,985	-	6,985	7,496
Net assets released from restrictions	3,658,394	-	3,658,394	(3,658,394)	-	-
Total revenue and support	10,642,060	66,439	10,708,499	941,606	11,650,105	11,087,066
<b>EXPENSES</b>						
Program services						
Season	2,160,809	-	2,160,809	-	2,160,809	2,075,233
Nutcracker	818,210	-	818,210	-	818,210	570,423
Ballet school	2,730,892	-	2,730,892	-	2,730,892	2,636,415
Total program services	5,709,911	-	5,709,911	-	5,709,911	5,282,071
Supporting services						
Development	310,299	-	310,299	-	310,299	87,700
Donated services and materials	405,362	-	405,362	-	405,362	131,813
General and administrative	618,347	-	618,347	-	618,347	582,167
Total supporting services	1,334,008	-	1,334,008	-	1,334,008	801,680
Total expenses	7,043,919	-	7,043,919	-	7,043,919	6,083,751
<b>INCREASE IN NET ASSETS</b>	3,598,141	66,439	3,664,580	941,606	4,606,186	5,003,315
Net assets, beginning of year	1,052,555	-	1,052,555	6,791,249	7,843,804	2,840,489
Net assets, end of year	\$ 4,650,696	\$ 66,439	\$ 4,717,135	\$ 7,732,855	\$ 12,449,990	\$ 7,843,804

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

**Orlando Ballet, Inc.**

**STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 4,606,186	\$ 5,003,315
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	62,037	68,710
Unrealized gain on investments	-	(3,869)
Realized gains on sale of investments	(8,668)	(6,062)
Loss on asset disposition	166,682	-
Donated property and equipment	(27,455)	-
Change in assets and liabilities:		
Increase in accounts receivable	(233,196)	(119,644)
(Increase) decrease in pledge receivable	1,985,448	(5,000,000)
Decrease in inventory	4,027	1,931
Increase in prepaid expenses	(9,867)	(68,233)
Increase in other assets	(7,300)	-
(Decrease) increase in accounts payable and accruals	599,005	(36,338)
Increase in deferred revenue	156,293	416,364
Net cash provided by operating activities	7,293,192	256,174
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loch Haven building project	(3,567,454)	(528,350)
Purchase of equipment	(4,968)	(11,281)
Purchase of investments	(2,772,151)	-
Net proceeds from sale of investments	5,190	5,130
Net cash used in investing activities	(6,339,383)	(534,501)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments to line of credit	-	(75,000)
Net cash used in financing activities	-	(75,000)
Net (decrease) increase in cash and cash equivalents	953,809	(353,327)
Cash and cash equivalents and restricted cash, beginning of year	2,126,148	2,479,475
Cash and cash equivalents and restricted cash, end of year	\$ 3,079,957	\$ 2,126,148
Supplemental disclosure:		
Cash paid for interest	\$ 6,547	\$ 12,328

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

Orlando Ballet, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

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

Item of Expense	Season	Nutcracker	Ballet School	Total Program Services	Development	Donated Services and Materials	General and Administrative	Total Services 2019	Total Services 2018
School salaries, taxes and benefits	\$ -	\$ -	\$ 1,110,604	\$ 1,110,604	\$ -	\$ -	\$ -	\$ 1,110,604	\$ 993,607
Artistic salaries, taxes and benefits	756,100	189,025	-	945,125	-	-	-	945,125	845,332
Staff salaries, taxes and benefits	243,179	67,956	-	311,135	222,773	-	194,319	728,227	451,708
Marketing	285,953	129,488	124,093	539,534	-	-	7,750	547,284	386,707
In-kind	-	-	-	-	-	359,169	-	359,169	131,813
Scholarships	-	-	306,522	306,522	-	-	-	306,522	372,416
Crew	201,099	85,034	13,350	299,483	-	-	-	299,483	255,511
Sets and props	30,815	3,771	-	34,586	-	-	-	34,586	228,025
Guest and summer workshop	-	-	197,530	197,530	-	-	-	197,530	274,041
Live music	122,188	-	1,563	123,751	-	-	-	123,751	247,471
Charge card fee	-	-	96,065	96,065	-	-	17,060	113,125	79,678
Other	-	-	14,767	14,767	-	-	98,771	113,538	57,061
Printing	27,978	47,943	707	76,628	-	-	4,995	81,623	68,924
Costumes	25,953	9,512	44,070	79,535	-	-	-	79,535	107,216
Dance shoes	31,868	23,265	10,500	65,633	-	-	-	65,633	64,121
Payroll services	15,192	4,340	22,245	41,777	-	-	12,479	54,256	28,116
Development	-	-	-	-	51,860	-	-	51,860	36,486
Special events	-	-	-	-	-	46,193	-	46,193	51,214
Lights	32,888	14,740	1,213	48,841	-	-	225	49,066	49,970
Dues and subscriptions	-	-	7,916	7,916	-	-	15,031	22,947	38,133
Retail	-	19,304	17,238	36,542	-	-	-	36,542	30,208
Transportation and lodging	9,240	1,514	15,637	26,391	11	-	10,754	37,156	22,634
Professional fees	6,235	1,745	9,010	16,990	-	-	4,986	21,976	34,343
Office supplies and expenses	-	613	2,653	3,266	491	-	10,047	13,804	11,399
Program expenses	210,771	177,938	23,825	412,534	35,095	-	1,022	448,651	14,276
Automobile expense	840	-	522	1,362	-	-	9,944	11,306	4,813
Interest	-	-	-	-	-	-	6,547	6,547	12,328
Video and photography	2,250	1,350	2,750	6,350	-	-	-	6,350	12,225
Relocation	-	-	3,179	3,179	69	-	2,908	6,156	41,910
Postage	-	-	177	177	-	-	5,795	5,972	4,054
Choreography	5,000	-	-	5,000	-	-	-	5,000	24,329
Bank fees	-	-	-	-	-	-	11,573	11,573	6,656
Total before allocated overhead	2,007,549	777,538	2,026,136	4,811,223	310,299	405,362	414,206	5,941,090	4,986,725
Rent	10,408	2,602	382,409	395,419	-	-	109,672	505,091	754,002
Utilities	34,718	8,679	46,213	89,610	-	-	22,407	112,017	90,652
(Gain) Loss on asset disposition	-	-	166,682	166,682	-	-	-	166,682	-
Repairs and maintenance	67,462	17,906	50,342	135,710	-	-	27,862	163,572	67,154
Insurance	23,302	6,522	33,675	63,499	-	-	29,931	93,430	116,508
Depreciation	17,370	4,963	25,435	47,768	-	-	14,269	62,037	68,710
Total	\$ 2,160,809	\$ 818,210	\$ 2,730,892	\$ 5,709,911	\$ 310,299	\$ 405,362	\$ 618,347	\$ 7,043,919	\$ 6,083,751

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

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**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 F for more information on the composition of net assets with 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, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Contributions

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 2016.

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:

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.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

4. Fair Market Value (continued)

*Level 1 Fair Value Measurements*

The Organization Level 1 investments consists of funds that are restricted for the building of new facilities. Their fair value is based on the market value of Treasury Bills.

*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.

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, 2019 and 2018, no such allowance was deemed necessary.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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, 2019 and 2018, was \$27,455 and \$0, 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.

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 2019 - 2020 Ballet season. Amounts are removed from prepaid expenses when the criteria for recognition have been met.

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2019 and 2018, the Organization had \$2,437,936 and \$1,473,831, 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, 2018, from which the summarized information was derived.

16. Investments

Money market funds are an open-ended fund that invests in short-term debt securities such as US Treasury bills and these are recorded at cost, which approximates fair value. Investment return includes interest and unrealized gains on investments carried at fair value. Investment return is reflected in the statements of activities as unrestricted based upon the existence and nature of the investment.

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 24, 2019.

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**18. Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the Organization changed its presentation of net assets classes, included a statement of functional expenses, and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met. The standard is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued Accounting Standards Update (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, 2020. Early adoption is permitted. The Organization is evaluating the potential effects ASU 2016-02 will have on its financial statements.

**NOTE B – PLEDGE RECEIVABLE**

During the year ended June 30, 2019, the Organization received two pledges that total \$4,500,000 from Orange County and \$100,000 from Frank Santos to be used for capital improvements on the property located at 610 N. Lake Formosa Drive. As of the date of the audit report, \$2,609,313 have been received.

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE C – PROPERTY AND EQUIPMENT**

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

	2019	2018
Studio fixtures and equipment	\$ 268,007	\$ 263,029
Leasehold build-outs	518,124	952,055
Office fixtures and equipment	92,894	65,449
Sets and props	422,452	422,452
Construction in progress	4,389,828	648,809
	5,691,305	2,351,794
Less: accumulated depreciation	(759,360)	(791,007)
	\$ 4,931,945	\$ 1,560,787

**NOTE D – INVESTMENTS**

As of June 30, 2019 and 2018, investments consisted of Treasury Bills in the amount of \$2,772,151 and \$0, respectively. The following table sets forth by level, within the fair value hierarchy, the Organization's assets carried at fair value as of June 30, 2019 and 2018:

	Level 1	Level 2	Level 3	Total
<b>June 30, 2019:</b>				
Assets:				
Treasury Bills	\$ 2,772,151	\$ -	\$ -	\$ 2,772,151
Assets held by Community Foundation	-	-	145,599	145,599
<b>Total investment assets at fair value</b>	\$ 2,772,151	\$ -	\$ 145,599	\$ 2,917,750
	Level 1	Level 2	Level 3	Total
<b>June 30, 2018:</b>				
Assets:				
Assets held by Community Foundation	\$ -	\$ -	\$ 142,121	\$ 142,121
<b>Total investment assets at fair value</b>	\$ -	\$ -	\$ 142,121	\$ 142,121

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE D – INVESTMENTS (continued)**

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:

	<u>2019</u>	<u>2018</u>
<b>Balance, beginning of year</b>	\$ 142,121	\$ 137,320
Unrealized gain (loss)	-	3,869
Withdrawals, net	(5,190)	(5,130)
Interest, dividends, realized gain, fees, net	<u>8,668</u>	<u>6,062</u>
<b>Balance, end of year</b>	<u>\$ 145,599</u>	<u>\$ 142,121</u>

**NOTE E – LINE OF CREDIT**

During the years ended June 30, 2019 and 2018, the Organization had a LOC with PNC Bank in the amount of \$600,000 and \$400,000, respectively. 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 \$400,000 during the fiscal year. There was no outstanding balance as of June 30, 2019 and 2018, respectively.

**NOTE F – NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Board of Directors and management of the Organization have designated the use of a portion of their net assets without restrictions. These designations consist entirely of interest earned on Donor Restricted Funds received from Harriett Lake entirely for purposes of constructing Harriett's Orlando Ballet Centre.

**NOTE G – 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 \$1,400,000 has been received at June 30, 2019. This is not included in the accompanying financial statements.

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE H – NET ASSETS WITH DONOR RESTRICTIONS**

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

	2019	2018
Subject to expenditure for specific purpose:		
Harriet Lake	\$ 4,647,523	\$ 6,578,895
Orange County Tourist Development Tax Grant	2,466,558	-
Orange County Cultural & Facilities Grant	331,420	-
Frank Santos	75,000	-
 Total subject to expenditure for specific purpose	 7,520,501	 6,578,895
Subject to the Organization's spending policy and appropriation:		
Restricted cash	108,818	108,818
Endowment net assets	103,536	103,536
 Total net assets with donor restrictions	 \$ 7,732,855	 \$ 6,791,249

**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:

	2019
Purpose restriction accomplished:	
Harriet Lake	\$ 1,931,372
Orange County Tourist Development Tax Grant	1,533,442
Orange County Cultural & Facilities Grant	168,580
Frank Santos	25,000
 Net assets released from restrictions	 \$ 3,658,394



Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE J – 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:

	2019	2018
Cash	\$ 108,818	\$ 108,818
Endowment fund held by Community Foundation	<u>103,536</u>	<u>103,536</u>
	<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.

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 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.

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE K – 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, 2020		\$ 520,968
2021		<u>217,622</u>
		<u>\$ 738,590</u>

On May 27, 2014, the Organization leased a facility from the City of Orlando for nominal rent. 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 capital improvements to the facility. As of June 30, 2019 and 2018, the Organization has received gifts totaling \$4,600,000 and \$5,000,000, respectively, for capital improvements on this facility. Unexpended gifts totaling \$7,520,501 and \$6,578,895 at June 30, 2019 and 2018, respectively, are classified as net assets with donor restrictions. As part of the lease, the Organization must also meet certain civic, performance and education goals.

**NOTE L – ADVERTISING COSTS**

The Organization’s policy is to expense advertising costs when programs occurred. The Organization spent \$539,535 and \$386,707 in the years ended 2019, and 2018, respectively.

**NOTE M – 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:

	2019	2018
Change in net assets	\$ 4,606,186	\$ 5,003,315
Orange County contribution	(4,000,000)	-
Orange County contribution	(500,000)	-
Frank Santos contribution	(100,000)	-
Interest	(66,439)	-
Non-asset capital expense	90,939	-
Loss on disposal	166,682	-
Harriet Lake contribution	-	<u>(5,000,000)</u>
Net income (loss) (non-GAAP)	<u>\$ 197,368</u>	<u>\$ 3,315</u>

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE N – 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.

**NOTE O – 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 \$19,000 for 2019. Additional catch up contributions up to \$6,000 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, 2019.

**Orlando Ballet, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE P – 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:

	2019	2018
Cash and cash equivalents	\$ 3,079,957	\$ 2,126,148
Accounts receivable	457,224	224,028
Total financial assets available within one year	3,537,181	2,350,176
Accounts payable and accruals	(159,552)	(118,830)
Deferred revenue	(1,279,493)	(1,123,200)
Total financial liabilities due within one year	(1,439,045)	(1,242,030)
Restricted cash	(2,507,305)	(1,794,119)
Total amounts unavailable within one year	(2,507,305)	(1,794,119)
Amounts unavailable to management without Board's approval	(66,439)	-
Total financial assets available within one year after Board designations	\$ (475,608)	\$ (685,973)

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 of \$600,000, which it could utilize.