



Financial Statements

**For the Years Ended
June 30, 2021 and 2020**

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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, 2021, and the related statements of activities and change in net assets, 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 financial 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 from material misstatement.

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

We believe that the audit evidence 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2020. 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 28, 2021

Orlando Ballet, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,771,948	\$ 790,266
Restricted cash	192,207	366,719
Accounts receivable	1,065,005	1,050,155
Inventory	8,349	7,983
Prepaid expenses	<u>142,193</u>	<u>101,252</u>
Total current assets	3,179,702	2,316,375
Property and equipment, net	11,683,183	11,892,197
Endowment fund	284,773	251,932
Other assets	<u>28,084</u>	<u>35,004</u>
Total assets	<u>\$ 15,175,742</u>	<u>\$ 14,495,508</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accruals	\$ 72,146	\$ 148,912
Construction LOC	-	250,000
Paycheck Protection Program loan	475,877	506,600
Deferred revenue	<u>1,202,317</u>	<u>559,312</u>
Total current liabilities	1,750,340	1,464,824
Security deposits	<u>2,450</u>	<u>5,545</u>
Total liabilities	<u>1,752,790</u>	<u>1,470,369</u>
NET ASSETS		
Without donor restrictions	12,225,012	11,881,703
Board designated	<u>575,000</u>	<u>235,000</u>
Total net assets without donor restrictions	12,800,012	12,116,703
With donor restrictions	<u>622,940</u>	<u>908,436</u>
Total net assets	<u>13,422,952</u>	<u>13,025,139</u>
Total liabilities and net assets	<u>\$ 15,175,742</u>	<u>\$ 14,495,508</u>

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, 2021

(with summarized financial information for the year ended June 30, 2020)

	Net Assets Without Donor Restrictions			With Donor Restrictions	2021 Total	2020 Total
	Operating	Board Designated	Total			
REVENUE AND SUPPORT						
Series ticket sales	\$ 156,414	\$ -	\$ 156,414	\$ -	\$ 156,414	\$ 107,483
Single ticket sales	1,041,876	-	1,041,876	-	1,041,876	1,487,694
Ballet school earned income	1,462,055	-	1,462,055	-	1,462,055	1,689,115
General revenue	27,165	-	27,165	-	27,165	64,977
Special fundraising events	441,505	-	441,505	-	441,505	223,979
Grants and contributed income	1,591,818	340,000	1,931,818	325,000	2,256,818	3,786,329
Donated services and materials	186,978	-	186,978	-	186,978	230,880
Earnings on endowment	38,197	-	38,197	-	38,197	58,770
Other income	111,870	-	111,870	-	111,870	91,963
Gain on debt forgiveness	506,600	-	506,600	-	506,600	-
Net assets released from restrictions	610,496	-	610,496	(610,496)	-	-
Total revenue and support	<u>6,174,974</u>	<u>340,000</u>	<u>6,514,974</u>	<u>(285,496)</u>	<u>6,229,478</u>	<u>7,741,190</u>
EXPENSES						
Program services						
Season	2,210,933	-	2,210,933	-	2,210,933	2,711,975
Nutcracker	910,720	-	910,720	-	910,720	929,223
Ballet school	1,463,157	-	1,463,157	-	1,463,157	2,211,707
Total program services	<u>4,584,810</u>	<u>-</u>	<u>4,584,810</u>	<u>-</u>	<u>4,584,810</u>	<u>5,852,905</u>
Supporting services						
Development	362,996	-	362,996	-	362,996	344,859
Donated services and materials	186,978	-	186,978	-	186,978	230,880
General and administrative	696,881	-	696,881	-	696,881	737,397
Total supporting services	<u>1,246,855</u>	<u>-</u>	<u>1,246,855</u>	<u>-</u>	<u>1,246,855</u>	<u>1,313,136</u>
Total expenses	<u>5,831,665</u>	<u>-</u>	<u>5,831,665</u>	<u>-</u>	<u>5,831,665</u>	<u>7,166,041</u>
INCREASE IN NET ASSETS	343,309	340,000	683,309	(285,496)	397,813	575,149
Net assets, beginning of year	<u>11,881,703</u>	<u>235,000</u>	<u>12,116,703</u>	<u>908,436</u>	<u>13,025,139</u>	<u>12,449,990</u>
Net assets, end of year	<u>\$ 12,225,012</u>	<u>\$ 575,000</u>	<u>\$ 12,800,012</u>	<u>\$ 622,940</u>	<u>\$ 13,422,952</u>	<u>\$ 13,025,139</u>

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

Orlando Ballet, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 397,813	\$ 575,149
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	376,453	262,022
Unrealized (gain) loss on investments	(31,098)	1,262
Realized (gain) loss on investments	(7,099)	148
Loss on asset disposition	-	710,519
Change in assets and liabilities:		
Increase in accounts receivable	(14,850)	(294,622)
Decrease in pledge receivable	-	2,716,243
Increase in inventory	(366)	(4,196)
(Increase) decrease in prepaid expenses	(40,941)	112,020
Decrease in other assets	6,920	9,051
Decrease in accounts payable and accruals	(76,766)	(784,147)
(Decrease) increase in security deposits	(3,095)	5,545
Increase (decrease) in deferred revenue	<u>643,005</u>	<u>(720,181)</u>
Net cash provided by operating activities	<u>1,249,976</u>	<u>2,588,813</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loch Haven building project	-	(7,923,781)
Purchase of equipment	(167,440)	(9,012)
Net proceeds from sale of investments	<u>5,357</u>	<u>2,777,387</u>
Net cash used in investing activities	<u>(162,083)</u>	<u>(5,155,406)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payment) proceeds from Construction LOC	(250,000)	250,000
Proceeds from Paycheck Protection Program loan	475,877	506,600
Gain on debt forgiveness	<u>(506,600)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(280,723)</u>	<u>756,600</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	807,170	(1,809,993)
Cash and cash equivalents and restricted cash, beginning of year	<u>1,156,985</u>	<u>2,966,978</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 1,964,155</u>	<u>\$ 1,156,985</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 2,661</u>
Reconciliation of cash and cash equivalents and restricted cash		
Cash and cash equivalents	\$ 1,771,948	\$ 790,266
Restricted cash	<u>192,207</u>	<u>366,719</u>
Total cash, cash equivalents and restricted cash	<u>\$ 1,964,155</u>	<u>\$ 1,156,985</u>

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

Orlando Ballet, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

(with summarized financial information for the year ended June 30, 2020)

Item of Expense	Season	Nutcracker	Ballet School	Total Program Services	Development	Donated Services and Materials	General and Administrative	Total Supporting Services	Total Expenses 2021	Total Expense 2020
Artistic salaries, taxes and benefits	\$ 781,361	\$ 195,340	\$ -	\$ 976,701	\$ -	\$ -	\$ -	\$ -	\$ 976,701	\$ 1,024,791
Staff salaries, taxes and benefits	223,282	67,619	-	290,901	240,928	-	236,133	477,061	767,962	801,970
School salaries, taxes and benefits	-	-	732,918	732,918	-	-	-	-	732,918	931,965
Program expenses	180,402	260,044	803	441,249	-	-	6,279	6,279	447,528	419,280
Crew	153,101	147,475	-	300,576	-	-	548	548	301,124	225,577
Marketing	158,465	71,758	68,768	298,991	-	-	-	-	298,991	378,745
Sets and props	213,234	-	-	213,234	-	-	-	-	213,234	89,273
Scholarships	-	-	201,306	201,306	-	-	-	-	201,306	252,328
In-kind	-	-	-	-	-	186,978	-	186,978	186,978	230,880
Choreography	114,288	9,118	2,000	125,406	-	-	-	-	125,406	86,126
Other	-	-	8,996	8,996	-	-	99,124	99,124	108,120	231,696
Charge card fee	-	-	59,420	59,420	-	-	25,466	25,466	84,886	75,824
Special events	-	-	-	-	76,342	-	-	76,342	76,342	55,370
Lights	50,680	20,650	-	71,330	-	-	-	-	71,330	36,808
Video and photography	18,627	27,941	-	46,568	-	-	-	-	46,568	4,300
Transportation and lodging	6,450	10,813	14,314	31,577	-	-	14,212	14,212	45,789	22,855
Development	-	-	-	-	45,155	-	-	45,155	45,155	35,346
Professional fees	12,440	3,554	18,216	34,210	-	-	10,219	10,219	44,429	18,651
Costumes	13,078	8,719	21,797	43,594	-	-	-	-	43,594	48,945
Dance shoes	26,728	11,455	4,243	42,426	-	-	-	-	42,426	35,392
Retail	10,018	16,903	12,751	39,672	-	-	1,405	1,405	41,077	31,729
Relocation	33,225	-	-	33,225	-	-	-	-	33,225	5,402
Payroll services	7,379	2,108	10,805	20,292	-	-	6,061	6,061	26,353	50,322
Office supplies and expenses	-	-	2,951	2,951	-	-	22,345	22,345	25,296	12,964
Guest and summer workshop	-	-	22,026	22,026	-	-	-	-	22,026	124,424
Dues and subscriptions	1,713	571	11,476	13,760	571	-	5,709	6,280	20,040	13,006
Postage	-	-	-	-	-	-	6,484	6,484	6,484	5,362
Automobile expense	-	-	-	-	-	-	4,733	4,733	4,733	12,720
Bank fees	-	-	-	-	-	-	3,224	3,224	3,224	2,806
Live music	2,542	-	-	2,542	-	-	-	-	2,542	150,789
Enrichment	-	-	-	-	-	-	-	-	-	7,914
Interest	-	-	-	-	-	-	-	-	-	2,661
Total before allocated overhead	2,007,013	854,068	1,192,790	4,053,871	362,996	186,978	441,942	991,916	5,045,787	5,426,221
Depreciation	105,407	30,116	154,346	289,869	-	-	86,584	86,584	376,453	262,022
Repairs and maintenance	40,381	11,537	59,129	111,047	-	-	36,190	36,190	147,237	130,050
Rent	37,906	9,220	1,024	48,150	-	-	54,297	54,297	102,447	451,201
Utilities	-	-	26,252	26,252	-	-	61,254	61,254	87,506	115,157
Insurance	20,226	5,779	29,616	55,621	-	-	16,614	16,614	72,235	70,871
Loss on asset disposition	-	-	-	-	-	-	-	-	-	710,519
Total	\$ 2,210,933	\$ 910,720	\$ 1,463,157	\$ 4,584,810	\$ 362,996	\$ 186,978	\$ 696,881	\$ 1,246,855	\$ 5,831,665	\$ 7,166,041

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

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 2021 and 2020

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 2018.

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, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Fair Market Value (continued)

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, 2021 and 2020

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, 2021 and 2020, 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. 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.

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 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 2021 - 2022 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, 2021 and 2020

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, 2021 and 2020, the Organization had \$1,798,538 and \$774,880, 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, 2020, from which the summarized information was derived.

16. 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.

17. Statement of Cash Flows

During fiscal 2020, the Organization adopted ASU 2016-18, *Statement of Cash Flows*, which requires that restricted cash be included in total cash in the 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.

18. 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 28, 2021.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Recent Accounting Pronouncements

In February 2016, the 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. Early adoption is permitted. The Organization is evaluating the potential effects ASU 2016-02 will have on its financial statements.

NOTE B – PROPERTY AND EQUIPMENT

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

	2021	2020
Studio fixtures and equipment	\$ 111,907	\$ 103,107
Leasehold build-outs	11,735,665	11,628,735
Office fixtures and equipment	550,976	502,265
Sets and props	422,452	422,452
	12,824,000	12,656,559
Less: accumulated depreciation	(1,140,817)	(764,362)
	\$ 11,683,183	\$ 11,892,197

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, 2021 and 2020:

	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
	Level 1	Level 2	Level 3	Total
June 30, 2020:				
Assets:				
Assets held by Community				
Foundation	\$ -	\$ -	\$ 143,024	\$ 143,024
Total investment				
assets at fair value	\$ -	\$ -	\$ 143,024	\$ 143,024

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE C – FAIR VALUE MEASUREMENTS (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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 143,024	\$ 145,599
Unrealized gain (loss)	31,098	(1,262)
Withdrawals, net	(5,357)	(5,236)
Interest, dividends, realized gain, fees, net	<u>7,071</u>	<u>3,923</u>
Balance, end of year	<u>\$ 175,836</u>	<u>\$ 143,024</u>

NOTE D – NOTES PAYABLE

During the years ended June 30, 2021 and 2020, the Organization had a Line of Credit (LOC) with PNC Bank in the amount of \$600,000. Draws on the LOC accrue interest at the daily LIBOR rate plus 2.25%. The Organization made no draws on the LOC during the fiscal year. There was no outstanding balance as of June 30, 2021 and 2020, respectively.

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 with the Small Business Administration. On April 19, 2021, the loan was forgiven and is reflected as a gain on debt forgiveness. Management will seek forgiveness of the second-draw loan and believes that a significant portion or all of the loan will be forgiven in 2022 based on current interpretations of the CARES Act. As of the date of the financials, the forgiveness process is not complete for the second-draw loan and is reflected as a loan. The unforgiven portion of the loan is payable over two years at an interest rate of 1% with a deferral of payments for the first year. Future principal maturities for the five years succeeding June 30, 2021 are estimated as \$34,371 for 2022, \$118,756 for 2023, \$119,949 for 2024, \$121,154 for 2025, and \$81,647 for 2026.

NOTE F – COMPLETION OF HOBC

During the year ended June 30, 2020, the Organization completed construction of Harriett's Orlando Ballet Centre at 600 North Lake Formosa Drive for approximately \$12,000,000.

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE G – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

Operating Reserve Fund	\$ 200,000
HOBC Facility Reserve Fund	325,000
New Works Reserve Fund	<u>50,000</u>
	<u>\$ 575,000</u>

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to expenditure for specific time or purpose:		
Orlando Health	\$ 105,000	\$ 105,000
Harriett Lake	70,056	118,512
Ledden FY22 Elevation Society	50,000	-
Elizabeth Morse Genius Foundation	50,000	-
Orlando Magic Youth Foundation	50,000	-
Bert Martin Foundation	25,000	-
Martin Andersen & Gracia Andersen Foundation	25,000	-
TD Bank Charitable Foundation	20,000	-
Various	15,530	136,139
Dr. Phillips Charities	-	250,000
Orange County Cultural & Facilities Grant	-	<u>86,431</u>
Total subject to expenditure for specific time or purpose	<u>410,586</u>	<u>696,082</u>
Subject to the Organization's spending policy and appropriation:		
Restricted Cash	108,818	108,818
Endowment net assets	<u>103,536</u>	<u>103,536</u>
Total net assets with donor restrictions	<u>\$ 622,940</u>	<u>\$ 908,436</u>

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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:

	2021	2020
Purpose restriction accomplished:		
Dr. Phillips Charities	\$ 250,000	\$ 250,000
Various	120,609	27,500
Orlando Health	105,000	-
Orange County Cultural & Facilities Grant	86,431	728,084
Harriett Lake	48,456	4,529,011
Orange County Tourist Development Tax Grant	-	2,466,558
Frank Santos	-	75,000
Net assets released from restrictions	\$ 610,496	\$ 8,076,153

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 \$1,675,000 has been received at June 30, 2021.

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:

	2021	2020
Wally Harper fund	\$ 108,818	\$ 108,818
Endowment fund held by Community Foundation	103,536	103,536
	\$ 212,354	\$ 212,354

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, 2021 and 2020

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, 2022	\$ 47,388
2023	48,810
2024	50,274
2025	51,782
2026	21,841
	<hr/>
	\$ 220,095

Orlando Ballet, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 \$298,991 and \$378,745 in the years ended 2021, and 2020, 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:

	2021	2020
Change in net assets	\$ 397,813	\$ 575,149
Restricted contributions	(325,000)	(1,251,734)
Restricted interest on building funds (Note G)	-	(55,545)
Non-asset capital expense	6,392	143,793
Loss on disposal	-	710,519
	<hr/>	<hr/>
Operating income (non-GAAP)	79,205	122,182
Non-cash depreciation expense	376,453	262,022
	<hr/>	<hr/>
Net operating income before depreciation (non-GAAP)	<u>\$ 455,658</u>	<u>\$ 384,204</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, 2021 and 2020

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 \$19,500 for 2021. 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, 2021.

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:

	2021	2020
Cash and cash equivalents	\$ 1,964,155	\$ 1,156,985
Accounts receivable	1,065,005	1,050,155
 Total financial assets available within one year	 3,029,160	 2,207,140
 Accounts payable and accruals	 (72,146)	 (148,912)
Construction LOC	-	(250,000)
Paycheck Protection Program loan	(475,877)	(506,600)
Deferred revenue	(1,202,317)	(559,312)
 Total financial liabilities due within one year	 (1,750,340)	 (1,464,824)
 Restricted cash	 (192,207)	 (366,719)
 Total amounts unavailable within one year	 (192,207)	 (366,719)
 Total amounts unavailable to management without Board's approval	 1,086,613	 375,597
 Pro forma assumed forgiveness of PPP loan	 475,877	 506,600
 Pro forma total financial assets available within one year	 \$ 1,562,490	 \$ 882,197

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, 2021 and 2020

NOTE Q – LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The second-draw PPP loan is currently reflected as a liability. Management will seek forgiveness of the loan and believes a significant portion of the loan will be forgiven in 2022 based on current interpretations of the CARES Act. As of the date of the financials, the forgiveness process is not complete.

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.