

*Financial Statements*

**ORLANDO BALLET, INC.**

**June 30, 2023 and 2022**

**ORLANDO BALLET, INC.**

**Financial Statements**

**June 30, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

ORLANDO BALLET, INC.

Financial Statements

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## **Independent Auditor's Report**

Board of Directors  
Orlando Ballet, Inc.

### **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, 2023, 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, 2023, 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.

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 judgement, 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.

## Report on Summarized Comparative Information

Other auditors have previously audited the Orlando Ballet, Inc.'s 2022 financial statements, and expressed an unmodified audited opinion on those audited financial statements in their report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Schatz, Tschoff, Whitcomb, Mitchell & Shulen, LLP*

October 26, 2023  
Maitland, Florida

ORLANDO BALLET, INC.  
**Statements of Financial Position**  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,310,539	1,040,544
Restricted cash	1,092,313	2,700,000
Accounts and grants receivable	1,521,173	899,283
Inventory	25,433	8,129
Prepaid expenses	277,820	290,608
Total current assets	4,227,278	4,938,564
Property and equipment, net (note 2)	13,361,357	11,499,504
Endowment fund	268,629	261,811
Right of use asset (note 10)	73,705	-
Other assets	27,665	27,665
Total assets	\$ 17,958,634	16,727,544
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 257,593	98,879
Deferred revenue	1,140,299	1,206,605
Lease liabilities - operating leases (note 10)	48,541	-
Total current liabilities	1,446,433	1,305,484
Security deposits	1,900	1,950
Lease liability, less current portion (note 10)	25,164	-
Total liabilities	1,473,497	1,307,434
Net assets:		
Without donor restrictions	13,684,360	12,001,168
Board designated (note 6)	1,092,313	2,700,000
Total net assets without donor restrictions	14,776,673	14,701,168
With donor restrictions (note 7)	1,708,464	718,942
Total net assets	16,485,137	15,420,110
Total liabilities and net assets	\$ 17,958,634	16,727,544

See accompanying notes to financial statements

ORLANDO BALLET, INC.

Statement of Activities

Year ended June 30, 2023

(with summarized financial information for the year ended June 30, 2022)

	Net Assets Without Donor Restrictions			With Donor Restrictions	2023 Total	2022 Total
	Operating	Board Designated	Total			
<b>Support and revenue:</b>						
Series ticket sales	\$ 212,462	-	212,462	-	212,462	212,488
Single ticket sales	2,131,976	-	2,131,976	-	2,131,976	1,674,624
Ballet school earned income	2,511,148	-	2,511,148	-	2,511,148	2,132,969
General revenue	63,802	-	63,802	-	63,802	31,510
Special fundraising events	570,708	-	570,708	-	570,708	442,725
Grants and contributed income	1,957,563	-	1,957,563	1,491,100	3,448,663	2,376,031
Federal grant	-	-	-	-	-	1,433,682
Contributions of non-financial assets:						
Medical	126,825	-	126,825	-	126,825	103,920
Other	118,442	-	118,442	-	118,442	21,389
(Loss) gain on endowment	12,699	-	12,699	-	12,699	(17,199)
Other income	256,743	-	256,743	-	256,743	161,469
Gain on debt forgiveness	-	-	-	-	-	475,877
Gain on disposal of asset	12,497	-	12,497	-	12,497	-
Net assets released from restrictions	2,109,265	(1,607,687)	501,578	(501,578)	-	-
Total support and revenue	10,084,130	(1,607,687)	8,476,443	989,522	9,465,965	9,049,485
<b>Expenses:</b>						
Program services:						
Season	2,942,380	-	2,942,380	-	2,942,380	2,706,232
Nutcracker	1,228,444	-	1,228,444	-	1,228,444	1,011,450
Ballet school	2,095,591	-	2,095,591	-	2,095,591	1,757,264
Community enrichment	501,284	-	501,284	-	501,284	258,917
Total program services	6,767,699	-	6,767,699	-	6,767,699	5,733,863
Supporting services:						
Development	614,290	-	614,290	-	614,290	471,563
Non-financial assets						
Medical	126,825	-	126,825	-	126,825	103,920
Other	118,442	-	118,442	-	118,442	21,389
General and administrative	773,682	-	773,682	-	773,682	721,592
Total supporting services	1,633,239	-	1,633,239	-	1,633,239	1,318,464
Total expenses	8,400,938	-	8,400,938	-	8,400,938	7,052,327
Change in net assets	1,683,192	(1,607,687)	75,505	989,522	1,065,027	1,997,158
<b>Net assets, beginning of year</b>	12,001,168	2,700,000	14,701,168	718,942	15,420,110	13,422,952
<b>Net assets, end of year</b>	\$ 13,684,360	1,092,313	14,776,673	1,708,464	16,485,137	15,420,110

See accompanying notes to financial statements



ORLANDO BALLET, INC.  
Statement of Functional Expenses  
Year ended June 30, 2023  
(with summarized financial information for the year ended June 30, 2022)

	2023											
	Program Services					Supporting Services				Total Expenses	2022	
	Season	Nutcracker	Ballet School	Community Enrichment	Total Program Services	Development	Donated Services and Materials	General and Administrative	Total Supporting Services			
Artistic salaries, taxes and benefits	\$ 1,052,129	263,032	69,219	-	1,384,380	-	-	-	-	-	1,384,380	1,192,851
Staff salaries, taxes and benefits	255,913	71,691	30,362	30,362	388,328	375,267	-	401,843	777,110	-	1,165,438	949,913
School salaries, taxes and benefits	-	-	1,046,341	-	1,046,341	-	-	-	-	-	1,046,341	821,905
Program expenses	256,583	279,871	180	40,705	577,339	-	-	11,902	11,902	-	589,241	530,850
Crew	243,799	146,839	628	20,080	411,346	-	-	672	672	-	412,018	404,054
Marketing	159,404	97,414	75,274	22,140	354,232	22,140	-	66,419	88,559	-	442,791	366,853
Enrichment salaries, taxes and benefits	-	-	-	276,118	276,118	-	-	-	-	-	276,118	194,006
Scholarships	-	-	261,358	23,525	284,883	-	-	-	-	-	284,883	203,914
Live music	120,660	-	-	-	120,660	-	-	-	-	-	120,660	173,567
Costumes, sets and props	200,741	98,777	9,559	9,559	318,636	-	-	-	-	-	318,636	242,772
Choreography	200,301	15,000	-	3,000	218,301	-	-	-	-	-	218,301	139,381
Non-financial expense:												
Medical	-	-	-	-	-	-	126,825	-	126,825	-	126,825	103,920
Other	-	-	-	-	-	-	118,442	-	118,442	-	118,442	21,389
Other	20,460	23,598	30,255	11,226	85,539	10,520	-	60,004	70,524	-	156,063	113,425
Special events	-	-	-	-	-	121,232	-	-	121,232	-	121,232	111,335
Charge card fee	9,995	22,988	61,970	-	94,953	-	-	4,998	4,998	-	99,951	97,354
Lighting	54,338	34,350	-	-	88,688	-	-	-	-	-	88,688	91,661
Relocation	4,723	1,181	-	-	5,904	-	-	656	656	-	6,560	87,711
Guest and summer workshop	-	-	65,300	31,667	96,967	-	-	-	-	-	96,967	86,038
Transportation and lodging	14,644	15,778	37,254	2,588	70,264	2,820	-	8,334	11,154	-	81,418	77,805
Retail	13,854	28,261	32,357	-	74,472	-	-	1,662	1,662	-	76,134	58,887
Development	-	-	-	-	-	69,836	-	-	69,836	-	69,836	55,324
Dance shoes	34,342	17,494	6,479	6,479	64,794	-	-	-	-	-	64,794	48,144
Professional fees	12,220	3,491	17,893	-	33,604	-	-	10,038	10,038	-	43,642	33,360
Office supplies and expenses	-	-	6,212	3,727	9,939	3,727	-	11,181	14,908	-	24,847	21,682
Dues and subscriptions	1,643	547	11,361	-	13,551	547	-	5,475	6,022	-	19,573	15,435
Payroll services	3,328	951	4,873	-	9,152	-	-	2,734	2,734	-	11,886	9,490
Automobile expense	4,852	3,087	441	441	8,821	-	-	-	-	-	8,821	6,134
Video and photography	8,321	5,290	3,820	1,123	18,554	1,123	-	3,370	4,493	-	23,047	5,462
Postage	-	-	-	-	-	-	-	3,757	3,757	-	3,757	4,463
Bank fees	-	-	-	-	-	-	-	14,208	14,208	-	14,208	3,583
<b>Total before allocated overhead</b>	<b>2,672,250</b>	<b>1,129,640</b>	<b>1,771,136</b>	<b>482,740</b>	<b>6,055,766</b>	<b>607,212</b>	<b>245,267</b>	<b>607,253</b>	<b>1,459,732</b>	<b>7,515,498</b>	<b>6,272,668</b>	
Depreciation	115,444	35,827	159,233	3,981	314,485	3,981	-	79,617	83,598	-	398,083	380,765
Repairs and maintenance	61,712	22,498	78,430	1,961	164,601	1,961	-	39,215	41,176	-	205,777	162,266
Rent	34,400	22,933	3,822	11,466	72,621	-	-	3,822	3,822	-	76,443	66,237
Utilities	32,934	10,221	45,427	1,136	89,718	1,136	-	22,714	23,850	-	113,568	89,054
Insurance	25,640	7,325	37,543	-	70,508	-	-	21,061	21,061	-	91,569	81,337
<b>Total expenses</b>	<b>\$ 2,942,380</b>	<b>1,228,444</b>	<b>2,095,591</b>	<b>501,284</b>	<b>6,767,699</b>	<b>614,290</b>	<b>245,267</b>	<b>773,682</b>	<b>1,633,239</b>	<b>8,400,938</b>	<b>7,052,327</b>	

See accompanying notes to financial statements

ORLANDO BALLET, INC.

**Statements of Cash Flows**

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,065,027	1,997,158
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Depreciation	398,083	380,765
Gain on debt forgiveness	-	(475,877)
Gain on disposal of van	(12,497)	-
Unrealized loss (gain) on investments	(6,854)	31,579
Relaized loss (gain) on investments	37	(14,327)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(621,890)	165,722
Decrease (increase) in inventory	(17,304)	220
Decrease (increase) in prepaid expenses	12,788	(148,415)
Decrease in other assets	-	419
Increase (decrease) in accounts payable and accruals	158,714	26,733
Decrease in security deposits	(50)	(500)
Increase (decrease) in deferred revenue	(66,306)	4,288
Cash provided by operating activities	<u>909,748</u>	<u>1,967,765</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(2,277,547)	(197,086)
Proceeds from disposal of van	30,107	-
Net proceeds from sale of investments	-	5,710
Cash provided by investing activities	<u>(2,247,440)</u>	<u>(191,376)</u>
Net change in cash and cash equivalents	(1,337,692)	1,776,389
Cash at beginning of year	<u>3,740,544</u>	<u>1,964,155</u>
Cash at end of year	<u><u>\$ 2,402,852</u></u>	<u><u>3,740,544</u></u>

See accompanying notes to financial statements

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization**

Orlando Ballet, Inc. (the "Organization") is a nonprofit corporation organized in the state of Florida on April 12, 1974, as Performing Arts Company of Florida, Inc. The Articles of Incorporation were amended on September 30, 1988, changing the name of the corporation to Southern Ballet Theatre, Inc. The Articles of Incorporation were again 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.

**(b) 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 6 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.

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(b) Basis of Presentation (Continued)**

See Note 7 for more information on the composition of net assets with donor restrictions.

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(c) 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.

**(d) 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.

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(e) 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 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.

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(e) Fair Market Value (Continued)**

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.

**(f) 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.

**(g) 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.

**(h) 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, 2023 and 2022, no such allowance was deemed necessary.

**(i) 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

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(j) 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.

**(k) 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.

**(l) 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 2023 - 2024 Ballet season. Amounts are removed from prepaid expenses when the criteria for recognition have been met.

**(m) 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, 2023 and 2022, the Organization had \$2,098,157 and \$3,595,858, 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.

**(n) 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.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2023 and 2022

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(o) **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, 2022, from which the summarized information was derived.

(p) **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.

(q) **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.

(r) **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 26, 2023.

(2) **Property and Equipment**

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

	<u>2023</u>	<u>2022</u>
Studio fixtures and equipment	\$ 134,969	123,248
Leasehold build-outs	11,769,845	11,756,592
Office fixtures and equipment	645,432	643,230
Sets and props	431,081	429,485
New works	2,289,861	68,531
	15,271,188	13,021,086
Less: accumulated depreciation	<u>(1,909,831)</u>	<u>(1,521,582)</u>
	<u>\$ 13,361,357</u>	<u>11,499,504</u>



ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(3) 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, 2023 and 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2023:</b>				
Assets:				
Assets held by Community Foundation	\$ -	-	157,878	157,878
<b>Total investment assets at fair value</b>	<u>\$ -</u>	<u>-</u>	<u>157,878</u>	<u>157,878</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2022:</b>				
Assets:				
Assets held by Community Foundation	\$ -	-	152,897	152,897
<b>Total investment assets at fair value</b>	<u>\$ -</u>	<u>-</u>	<u>152,897</u>	<u>152,897</u>

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>2023</u>	<u>2022</u>
<b>Balance, beginning of year</b>	\$ 152,897	175,836
Unrealized (loss) gain	6,854	(31,549)
Withdrawals, net	(5,821)	(5,740)
Interest, dividends, realized gain, fees, net	3,948	14,350
<b>Balance, end of year</b>	<u>\$ 157,878</u>	<u>152,897</u>

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(3) Fair Value Measurements (Continued)**

The following table presents cumulative changes as of June 30, 2023 and 2022:

	<u>Cost</u>	<u>Cumulative Unrealized Gain</u>	<u>Fair Value</u>
<b>June 30, 2023</b>			
Assets held by Community Foundation	<u>\$ 103,536</u>	<u>54,342</u>	<u>157,878</u>
	<u>Cost</u>	<u>Cumulative Unrealized Gain</u>	<u>Fair Value</u>
<b>June 30, 2022</b>			
Assets held by Community Foundation	<u>\$ 103,536</u>	<u>49,361</u>	<u>152,897</u>

**(4) Notes Payable**

During the years ended June 30, 2023 and 2022, the Organization had a Line of Credit (LOC) accounts with PNC Bank in the amount of \$600,000. The Organization opened a new line of credit specifically for new Nutcracker for \$1,500,000 in December 2022. The Organization made no draws on the LOC accounts during the fiscal year. There was no outstanding balance as of June 30, 2023 and 2022.

**(5) 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:

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(5) Contributed Non-Financial Assets (Continued)**

	<u>2023</u>	<u>2022</u>
Medical	\$ 126,825	103,920
Other	118,442	21,389
	<u>\$ 245,267</u>	<u>125,309</u>

**(6) Board Designated Net Assets**

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 spent a significant portion of the Funds on the design and creation of Orlando Ballet's new Nutcracker, as well as acoustical improvements in Harriett's Orlando Ballet Centre. Reserve balances as of June 30, 2023 were as follows:

Operating Reserve Fund	\$ 203,498
HOBC Facility Reserve Fund	378,360
New Works Reserve Fund	510,455
	<u>\$ 1,092,313</u>

**(7) Net Assets With Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific time or purpose:		
Dr. Phillips Charities - Nutcracker	\$ 500,000	-
Ledden 2023 Elevation Society	250,000	-
Various - Nutcracker	192,600	-
Various - Elevation Society	135,000	-
Orlando Health	105,000	105,000
Massey Services - Nutcracker	100,000	-
Edyth Bush Charitable Foundation	50,000	-
Elizabeth Morse Genius Foundation	30,000	-
Bert W. Martin Foundation	25,000	25,000
Pargh Foundation	25,000	20,000
PNC Foundation - Nutcracker	25,000	-
TD Charitable Foundation	20,000	20,000
Martin Andersen - Gracia Andersen Foundation	15,000	10,000
Orlando Magic Youth Foundation	12,500	50,000
Various	6,010	8,520

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2023 and 2022

(7) **Net Assets With Donor Restrictions (Continued)**

	<u>2023</u>	<u>2022</u>
United Arts of Central Florida	\$ 5,000	-
Ledden 2022 Ballet Ball Match	-	150,000
Marc and Sharon Hagle Charitable Trust	-	57,500
Universal Orlando Foundation	-	25,000
Dance/USA	-	15,000
Florida Blue	-	10,000
Harriett Lake	-	8,068
Rick Skaggs	-	2,500
Total subject to expenditure for specific time or purpose	<u>1,496,110</u>	<u>506,588</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>
	<u>\$ 1,708,464</u>	<u>718,942</u>

(8) **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:

	<u>2023</u>	<u>2022</u>
Purpose restriction accomplished:		
Ledden 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 W. Martin Foundation	25,000	25,000
Universal Foundation	25,000	-
TD Bank Charitable Foundation	20,000	20,000
Pargh Foundation	20,000	-
Dance/USA	15,000	-
Martin Andersen - Gracia Andersen Foundation	10,000	25,000
Florida Blue	10,000	-
Harriett Lake	8,068	61,988
Various	3,510	7,010
Rick Skaggs	2,500	-
Ledden FY22 Elevation Society	-	50,000
Elizabeth Morse Genius Foundation	-	50,000
Net assets released from restrictions	<u>\$ 501,578</u>	<u>393,998</u>

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(9) 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:

	<u>2023</u>	<u>2022</u>
Wally Harper fund	\$ 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 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

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(9) Endowment (Continued)**

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.

**(10) Adoption of FASB ASC 842**

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The Organization has lease arrangements for certain facilities. These leases typically have original terms not exceeding 10 years and generally contain multiyear renewal options, some of which are reasonably certain of exercise. The Organization's lease arrangements may contain both lease and non-lease components. The Organization has elected to combine and account for lease and non-lease components as a single lease component for its leases.

The following table shows ROU assets and lease liabilities, and the associated financial statement line items as of June 30, 2023:

<b><u>Lease-Related Assets and Liabilities</u></b>	
Right-of-use assets:	
Operating leases	<u>\$ 73,705</u>
Lease liabilities	<u>\$ 73,705</u>

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(10) Adoption of FASB ASC 842 (Continued)**

Lease liability maturities as of June 30, 2023, are as follows:

2024	\$ 48,541
2025	25,164
Total lease liabilities	<u>\$ 73,705</u>

**(11) Leases and Commitments**

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.

**(12) Advertising Costs**

The Organization's policy is to expense advertising costs when programs occurred. The Organization spent \$465,258 and \$366,853 in the years ended 2023 and 2022, respectively.

**(13) 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:

	<u>2023</u>	<u>2022</u>
Change in net assets	\$ 1,065,027	1,997,158
Restricted contributions, net	(989,522)	(96,002)
Non-recurring		
PPP loan forgiveness	-	(475,877)
SVOG grant	-	(1,433,682)
Operating income (non-GAAP)	<u>75,505</u>	<u>(8,403)</u>
Non-cash depreciation expense	<u>398,083</u>	<u>380,765</u>
Net operating income before depreciation (non-GAAP)	<u>\$ 473,588</u>	<u>372,362</u>

ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(14) 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.

**(15) 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 \$22,500 and \$20,500 for calendar years 2023 and 2022, 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, 2023.

**(16) 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,402,852	3,740,544
Accounts and grants receivable	1,521,173	899,283
Total financial assets available within one year	<u>3,924,025</u>	<u>4,639,827</u>
Accounts payable and accruals	(257,593)	(98,879)
Deferred revenue	<u>(1,140,299)</u>	<u>(1,206,605)</u>
Total financial liabilities due within one year	<u>(1,397,892)</u>	<u>(1,305,484)</u>
Total financial assets within one year:		
Board restricted	1,092,313	2,700,000
Non-board restricted	<u>1,433,820</u>	<u>634,343</u>
	<u>\$ 2,526,133</u>	<u>3,334,343</u>



ORLANDO BALLET, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(16) Liquidity and Availability of Resources (Continued)**

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.

**(17) Federal Pandemic Relief Funds**

In July 2021, the Organization received a Shuttered Venue Operators Grant from the Small Business Administration in the amount of \$1,433,682. The funds were fully expended on personnel costs in accordance with the grant requirements during the fiscal year ended June 30, 2022.