

Financial Statements

ORLANDO BALLET, INC.

June 30, 2024 and 2023

ORLANDO BALLET, INC.

Financial Statements

June 30, 2024 and 2023

(With Independent Auditor's Report Thereon)

ORLANDO BALLET, INC.

Financial Statements

Table of Contents

Independent Auditor’s Report..... 1

Financial Statements:

 Statements of Financial Position 4

 Statement of Activities 5

 Statement of Functional Expenses 6

 Statements of Cash Flows 7

Notes to Financial Statements..... 8

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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, 2024, 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, 2024, 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

We auditors have previously audited the Orlando Ballet, Inc.'s 2023 financial statements, and expressed an unmodified audited opinion on those audited financial statements in our report dated October 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schatz, Tschoff, Whitcomb, Mitchell & Shulen, LLP

October 29, 2024
Maitland, Florida

ORLANDO BALLET, INC.

Statements of Financial Position

June 30, 2024 and 2023

Assets

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 419,021	1,310,539
Restricted cash	568,754	1,092,313
Accounts and grants receivable	2,409,433	1,521,173
Inventory	154,988	25,433
Prepaid expenses	250,082	277,820
Total current assets	<u>3,802,278</u>	<u>4,227,278</u>
Property and equipment, net (note 2)	14,351,010	13,361,357
Endowment fund	282,106	268,629
Right of use asset (note 10)	2,021,514	73,705
Other assets	57,664	27,665
Total assets	<u>\$ 20,514,572</u>	<u>17,958,634</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	\$ 269,826	257,593
Deferred revenue	1,820,195	1,140,299
Lease liabilities - operating leases (note 10)	10,730	48,541
Total current liabilities	<u>2,100,751</u>	<u>1,446,433</u>
Security deposits	3,350	1,900
Lease liability, less current portion (note 10)	2,010,784	25,164
Total liabilities	<u>4,114,885</u>	<u>1,473,497</u>
Net assets:		
Without donor restrictions	15,085,320	13,684,360
Board designated (note 6)	568,754	1,092,313
Total net assets without donor restrictions	<u>15,654,074</u>	<u>14,776,673</u>
With donor restrictions (note 7)	745,613	1,708,464
Total net assets	<u>16,399,687</u>	<u>16,485,137</u>
Total liabilities and net assets	<u>\$ 20,514,572</u>	<u>17,958,634</u>

See accompanying notes to financial statements

ORLANDO BALLET, INC.

Statement of Activities

Year ended June 30, 2024

(with summarized financial information for the year ended June 30, 2023)

	Net Assets Without Donor Restrictions			With Donor Restrictions	2024 Total	2023 Total
	Operating	Board Designated	Total			
Support and revenue:						
Series ticket sales	\$ 261,622	-	261,622	-	261,622	212,462
Single ticket sales	2,552,182	-	2,552,182	-	2,552,182	2,131,976
Ballet school earned income	2,759,163	-	2,759,163	-	2,759,163	2,511,148
General revenue	69,680	-	69,680	-	69,680	63,802
Special fundraising events	912,265	-	912,265	-	912,265	570,708
Grants, Sponsorships and Contributed Income	2,166,517	-	2,166,517	1,259,144	3,425,661	3,448,663
Contributions of non-financial assets:						
Medical	146,150	-	146,150	-	146,150	126,825
Other	76,440	-	76,440	-	76,440	118,442
(Loss) gain on endowment	19,508	-	19,508	-	19,508	12,699
Other income	240,905	-	240,905	-	240,905	256,743
Gain on disposal of asset	15,000	-	15,000	-	15,000	12,497
Net assets released from restrictions	2,745,554	(523,559)	2,221,995	(2,221,995)	-	-
Total support and revenue	11,964,986	(523,559)	11,441,427	(962,851)	10,478,576	9,465,965
Expenses:						
Program services:						
Season	3,708,875	-	3,708,875	-	3,708,875	2,942,380
Nutcracker	1,690,130	-	1,690,130	-	1,690,130	1,228,444
Nutcracker mounting	620,029	-	620,029	-	620,029	-
Community enrichment	511,762	-	511,762	-	511,762	501,284
Ballet school	2,420,542	-	2,420,542	-	2,420,542	2,095,591
Total program services	8,951,338	-	8,951,338	-	8,951,338	6,767,699
Supporting services:						
Development	423,172	-	423,172	-	423,172	614,290
Non-financial assets						
Medical	146,150	-	146,150	-	146,150	126,825
Other	76,440	-	76,440	-	76,440	118,442
General and administrative	966,926	-	966,926	-	966,926	773,682
Total supporting services	1,612,688	-	1,612,688	-	1,612,688	1,633,239
Total expenses	10,564,026	-	10,564,026	-	10,564,026	8,400,938
Change in net assets	1,400,960	(523,559)	877,401	(962,851)	(85,450)	1,065,027
Net assets, beginning of year	13,684,360	1,092,313	14,776,673	1,708,464	16,485,137	15,420,110
Net assets, end of year	\$ 15,085,320	568,754	15,654,074	745,613	16,399,687	16,485,137

See accompanying notes to financial statements

ORLANDO BALLET, INC.

Statement of Functional Expenses

Year ended June 30, 2024

(with summarized financial information for the year ended June 30, 2023)

2024

	Program Services					Supporting Services					Total Expenses	2023
	Season	Nutcracker	Nutcracker Mounting	Community Enrichment	Ballet School	Total Program Services	Development	Donated Services and Materials	General and Administrative	Total Supporting Services		
Artistic salaries, taxes and benefits	\$ 1,194,128	298,532	115,959	-	78,561	1,687,180	-	-	-	-	1,687,180	1,384,380
Staff salaries, taxes and benefits	391,809	194,695	-	62,844	71,672	721,020	190,934	-	378,994	569,928	1,290,948	1,165,438
School salaries, taxes and benefits	-	-	-	-	1,087,369	1,087,369	-	-	-	-	1,087,369	1,046,341
Program expenses	427,103	375,241	35,207	55,821	907	894,279	-	-	13,267	13,267	907,546	589,241
Crew	380,642	362,021	172,831	21,125	1,143	937,762	-	-	3,577	3,577	941,339	412,018
Marketing	262,643	147,080	20,367	10,506	105,057	545,653	-	-	-	-	545,653	442,791
Enrichment salaries, taxes and benefits	-	-	-	299,236	-	299,236	-	-	-	-	299,236	276,118
Scholarships	-	-	9,600	26,420	356,028	392,048	-	-	-	-	392,048	284,883
Music	143,535	-	47	-	-	143,582	-	-	-	-	143,582	120,660
Scenery, Props, Costumes and Equipment	211,926	65,717	126,929	-	69,244	473,816	-	-	-	-	473,816	318,636
Choreography	239,517	15,000	3,697	-	-	258,214	-	-	-	-	258,214	218,301
Non-financial expense:												
Medical	-	-	-	-	-	-	-	146,150	-	146,150	146,150	126,825
Other	-	-	-	-	-	-	-	76,440	-	76,440	76,440	118,442
Other	35,935	23,645	15,041	20,355	38,311	133,287	21,677	-	46,919	68,596	201,883	156,063
Special events	-	-	44,087	250	4,849	49,186	133,473	-	-	133,473	182,659	121,232
Charge card fee	5,810	17,431	-	-	87,154	110,395	-	-	5,810	5,810	116,205	99,951
Lighting	63,173	11,273	28,239	-	1,170	103,855	-	-	-	-	103,855	88,688
Relocation	4,669	1,816	-	-	10,000	16,485	-	-	75,565	75,565	92,050	6,560
Guest and summer workshop	-	-	-	-	84,294	84,294	-	-	-	-	84,294	96,967
Parking, travel, and meals	7,618	10,074	-	2,801	35,531	56,024	-	-	30,712	30,712	86,736	81,418
Retail	19,083	38,929	-	-	17,664	75,676	-	-	2,290	2,290	77,966	76,134
Fundraising support	-	-	20,775	-	-	20,775	72,755	-	-	72,755	93,530	69,836
Dance shoes	38,563	16,357	1,440	3,823	6,372	66,555	-	-	-	-	66,555	64,794
Professional fees	7,634	2,776	10,140	1,735	14,826	37,111	1,735	-	20,819	22,554	59,665	43,642
Office supplies and expenses	2,027	1,014	7,602	-	6,081	16,724	-	-	11,149	11,149	27,873	24,847
Dues and subscriptions	1,940	647	-	647	10,975	14,209	647	-	5,820	6,467	20,676	19,573
Payroll services	2,602	911	-	1,301	3,252	8,066	1,951	-	2,992	4,943	13,009	11,886
Automobile expense	2,541	1,270	-	-	762	4,573	-	-	508	508	5,081	8,821
Video and photography	-	-	-	-	2,679	2,679	-	-	-	-	2,679	23,047
Postage	-	-	69	-	-	69	-	-	3,187	3,187	3,256	3,757
Interest	-	-	7,999	-	-	7,999	-	-	-	-	7,999	-
Bank fees	-	-	-	-	-	-	-	-	6,053	6,053	6,053	14,208
Total before allocated overhead	3,442,898	1,584,429	620,029	506,864	2,093,901	8,248,121	423,172	222,590	607,662	1,253,424	9,501,545	7,515,498
Depreciation	134,488	57,638	-	-	144,095	336,221	-	-	144,095	144,095	480,316	398,083
Repairs and maintenance	54,451	15,558	-	-	79,732	149,741	-	-	55,298	55,298	205,039	205,777
Rent	48,977	24,488	-	4,898	4,898	83,261	-	-	79,995	79,995	163,256	76,443
Utilities	-	-	-	-	56,827	56,827	-	-	56,826	56,826	113,653	113,568
Insurance	28,061	8,017	-	-	41,089	77,167	-	-	23,050	23,050	100,217	91,569
Total expenses	\$ 3,708,875	1,690,130	620,029	511,762	2,420,542	8,951,338	423,172	222,590	966,926	1,612,688	10,564,026	8,400,938

See accompanying notes to financial statements

ORLANDO BALLET, INC.

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (85,450)	\$ 1,065,027
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Depreciation	480,316	398,083
Gain on disposal of fixed asset	(15,000)	(12,497)
Unrealized gain on investments	(13,477)	(6,854)
Realized loss on investments	-	37
Cash provided by (used in)		
Changes in:		
Accounts receivable	(888,260)	(621,890)
Inventory	(129,555)	(17,304)
Prepaid expenses	27,738	12,788
Other assets	(29,999)	-
Accounts payable and accrued expenses	12,233	158,714
Security deposits	1,450	(50)
Deferred revenue	679,896	(66,306)
Cash provided by operating activities	<u>39,892</u>	<u>909,748</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,469,969)	(2,277,547)
Proceeds from disposal of fixed assets	15,000	30,107
Cash used in investing activities	<u>(1,454,969)</u>	<u>(2,247,440)</u>
Net change in cash and cash equivalents	(1,415,077)	(1,337,692)
Cash at beginning of year	<u>2,402,852</u>	<u>3,740,544</u>
Cash at end of year	<u>\$ 987,775</u>	<u>\$ 2,402,852</u>

See accompanying notes to financial statements

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(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.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

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

(b) Basis of Presentation (Continued)

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

(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.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

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

(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 2021.

(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. The following is a description of the valuation methodologies used for assets measured at fair value.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

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

(e) Fair Market Value (Continued)

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.

(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, concessions, and dance shoes. Merchandise and concessions are sold through our retail outlet. Shoes are inventoried for internal use only. They are stated at cost as determined by the first-in, first-out method.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

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

(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, 2024 and 2023, no such allowance was deemed necessary.

(I) **Property and Equipment**

Property and equipment are 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
Scenery, props, costumes and equipment	10+

(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 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, 2024 and 2023

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

(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 2024 - 2025 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, 2024 and 2023, the Organization had \$254,000 and \$2,098,157, 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.

(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, 2023, from which the summarized information was derived.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

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

(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 29, 2024.

(2) **Property and Equipment**

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

	<u>2024</u>	<u>2023</u>
Studio fixtures and equipment	\$ 152,935	134,969
Leasehold buildouts	12,257,712	11,769,845
Office fixtures and equipment	681,201	645,432
Scenery, props, costumes and equipment	512,148	431,081
Nutcracker	3,098,572	2,289,861
	<u>16,702,568</u>	<u>15,271,188</u>
Less: accumulated depreciation	<u>(2,351,558)</u>	<u>(1,909,831)</u>
	<u>\$14,351,010</u>	<u>13,361,357</u>

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(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, 2024 and 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2024:				
Assets:				
Assets held by Community Foundation	\$ -	-	168,384	168,384
Total investment assets at fair value	<u>\$ -</u>	<u>-</u>	<u>168,384</u>	<u>168,384</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2023:				
Assets:				
Assets held by Community Foundation	\$ -	-	157,878	157,878
Total investment assets at fair value	<u>\$ -</u>	<u>-</u>	<u>157,878</u>	<u>157,878</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>2024</u>	<u>2023</u>
Balance, beginning of year	\$157,878	152,897
Contributions	398	-
Unrealized (loss) gain	11,537	6,854
Withdrawals, net	(6,748)	(5,821)
Interest, dividends, realized gain, fees, net	5,319	3,948
Balance, end of year	<u>\$ 168,384</u>	<u>157,878</u>

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(3) Fair Value Measurements (Continued)

The following table presents cumulative changes as of June 30, 2024 and 2023:

	<u>Cost</u>	<u>Cumulative Unrealized Gain</u>	<u>Fair Value</u>
June 30, 2024			
Assets held by Community Foundation	<u>\$ 103,536</u>	<u>64,848</u>	<u>168,384</u>
	<u>Cost</u>	<u>Cumulative Unrealized Gain</u>	<u>Fair Value</u>
June 30, 2023			
Assets held by Community Foundation	<u>\$ 103,536</u>	<u>54,342</u>	<u>157,878</u>

(4) Notes Payable

During the years ended June 30, 2024 and 2023, the Organization had an Operating Line of Credit (LOC) account with PNC Bank in the amount of \$600,000. The Organization briefly drew on the line up to a maximum amount of \$180,000 and there was no outstanding balance as of June 30, 2024 and 2023.

The Organization opened a new line of credit specifically for the new Nutcracker for \$1,500,000 in December 2022. The Organization drew \$473,000 on the New Works LOC during the fiscal year, which was paid off and the account retired by January 31, 2024.

(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.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(5) Contributed Non-Financial Assets (Continued)

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

	<u>2024</u>	<u>2023</u>
Medical	\$ 146,150	126,825
Other	<u>76,440</u>	<u>118,442</u>
	<u>\$ 222,590</u>	<u>245,267</u>

(6) Board Designated Net Assets

On May 27, 2021 the Board established two additional reserves for General Operating and New Works for the repertoire. In FYE 2023 the organization invested as planned all of the New Works reserve for the creation of the Orlando Ballet’s new Nutcracker. Additionally, in FYE 2023, a portion of the HOBC Facility Reserve was used for acoustical improvements which is to be replenished through a grant awarded for the project.

Reserve balances as of June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Operating Reserve Fund	\$ 202,806	203,498
HOBC Facility Reserve Fund	364,774	378,360
New Works Reserve Fund	<u>1,174</u>	<u>510,455</u>
	<u>\$ 568,754</u>	<u>1,092,313</u>

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(7) Net Assets with Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific time or purpose:		
Government grants	\$ 222,759	-
Foundation giving	80,000	95,000
Corporate giving	127,500	142,500
Individual giving	103,000	391,010
Nutcracker	-	867,600
	<hr/>	<hr/>
Total subject to expenditure for specific time or purpose	533,259	1,496,110
Subject to the Organization's spending policy and appropriation:		
Wally Harper fund	108,818	108,818
Endowment fund held by Community Foundation	103,536	103,536
	<hr/>	<hr/>
	\$ 745,613	1,708,464
	<hr/>	<hr/>

(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>2024</u>	<u>2023</u>
Purpose restriction accomplished:		
Nutcracker	\$1,584,985	-
Foundation giving	95,000	80,000
Corporate giving	152,500	200,000
Individual giving	389,510	221,578
	<hr/>	<hr/>
Net assets released from restrictions	\$2,221,995	501,578
	<hr/>	<hr/>

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(9) **Endowment**

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

	<u>2024</u>	<u>2023</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

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(9) Endowment (Continued)

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.

(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.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

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

The following table shows ROU assets and lease liabilities, and the associated financial statement line items as of June 30, 2024:

Lease-Related Assets and Liabilities

Right-of-use assets:

Operating leases	<u>\$ 2,021,514</u>
	<u>\$ 2,021,514</u>

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

2025	\$ 10,730
2026	132,877
2027	146,813
2028	161,676
2029	177,520
Thereafter	<u>1,391,898</u>
Total lease liabilities	<u>\$ 2,021,514</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.

On May 29, 2024, the Organization leased a warehouse facility at 440 W. Kennedy Boulevard from SH OTC, LLC. The initial term is 10 years, with rent payments expected to commence on June 1, 2025, after leasehold improvements are completed, and base rent concession has expired.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(12) Reconciliation of Change in Net Position to Operating Income (Non-GAAP)

The Organization reports Operating Income (Non-GAAP) to its Board as a key benchmark for current season financial performance. The following table presents a reconciliation of the change in net assets to Operating Income for the years ending June 30:

	<u>2024</u>	<u>2023</u>
Change in net assets	\$ (85,450)	1,065,027
Restricted contributions, received (from operating statement)	(1,259,144)	(1,491,100)
Previously restricted Operating Contributions released (note 8)	637,010	501,578
Nutcracker Mounting Expense	620,030	-
Non-recurring Restructuring Expense	<u>120,046</u>	<u>-</u>
Operating Income (non-GAAP)	32,492	75,505
Depreciation Expense	<u>480,316</u>	<u>398,083</u>
Net operating income before depreciation (non-GAAP)	<u>\$ 512,808</u>	<u>473,588</u>

(13) 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 \$23,000 and \$22,500 for calendar years 2024 and 2023, 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, 2024.

(14) One Time Restructuring Costs

During the period, the Organization incurred or accrued certain search, consulting and relocation expenses for senior leadership, and are included on the Statement of Functional expenses. The amount incurred or during the year ended June 30, 2024 was \$120,046.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2024 and 2023

(15) Liquidity and Availability of Resources

Liquidity decreased during the period due to investment in the new Nutcracker production. The Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 987,775	2,402,852
Accounts and grants receivable	<u>2,409,433</u>	<u>1,521,173</u>
Total financial assets available within one year	<u>3,397,208</u>	<u>3,924,025</u>
Accounts payable and accruals	(269,826)	(257,593)
Deferred revenue	<u>(1,820,195)</u>	<u>(1,140,299)</u>
Total financial liabilities due within one year	<u>(2,090,021)</u>	<u>(1,397,892)</u>
Total financial assets Available within one year:	<u>\$ 1,307,187</u>	<u>2,526,133</u>

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.

(16) The Nutcracker

During the year ended June 30, 2024 the Organization constructed a new production of *The Nutcracker*. The Board approved releasing \$2 million from the Board Designated New Works Reserve. In addition, the Organization secured \$1,584,985 of unconditional pledges. As of June 30, 2024 \$1,246,619 of those pledges were paid in full.

(17) Advertising Costs

The Organization's policy is to expense advertising costs when programs occur. The Organization spent \$543,771 and \$465,258 in the years ended 2024 and 2023, respectively.