

Financial Statements

ORLANDO BALLET, INC.

June 30, 2026 and 2025

ORLANDO BALLET, INC.

Financial Statements

June 30, 2026 and 2025

(With Independent Auditor's Report Thereon)

ORLANDO BALLET, INC.

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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, 2026, 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, 2026, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orlando Ballet, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Orlando Ballet, Inc.'s 2025 financial statements, and expressed an unmodified audited opinion on those audited financial statements in our report dated October 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schafer, Tschopp & Mitchell, LLP

October 27, 2026
Maitland, Florida

ORLANDO BALLET, INC.

Statements of Financial Position

June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,046,714	476,860
Restricted cash (note 6)	1,771,817	704,624
Accounts and grants receivable	1,861,483	2,027,202
Inventory	191,984	166,092
Prepaid expenses	282,565	428,251
Total current assets	5,154,563	3,803,029
Property and equipment, net (note 2)	13,549,545	14,092,859
Endowment fund	307,776	289,403
Right of use asset (note 10)	2,009,884	2,029,659
Other assets	54,014	54,014
Total assets	<u>\$ 21,075,782</u>	<u>20,268,964</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	261,716	251,403
Deferred revenue	2,121,131	1,972,335
Lease liabilities - operating leases (note 10)	137,439	19,775
Total current liabilities	2,520,286	2,243,513
Security deposits	4,907	2,847
Lease liability, less current portion (note 10)	1,872,445	2,009,884
Total liabilities	4,397,638	4,256,244
Net assets:		
Without donor restrictions	14,328,973	14,965,742
Board designated (note 6)	1,771,817	704,624
Total net assets without donor restrictions	16,100,790	15,670,366
With donor restrictions (note 7)	577,354	342,354
Total net assets	16,678,144	16,012,720
Total liabilities and net assets	<u>\$ 21,075,782</u>	<u>20,268,964</u>

See accompanying notes to financial statements.

ORLANDO BALLET, INC.

Statement of Activities

Year ended June 30, 2026
(with summarized financial information for the year ended June 30, 2025)

	Net Assets Without Donor Restrictions			With Donor Restrictions	2026 Total	2025 Total
	Operating	Board Designated	Total			
Support and revenue:						
Series ticket sales	\$ 351,173	-	351,173	-	351,173	291,284
Single ticket sales	3,267,054	-	3,267,054	-	3,267,054	3,012,257
Ballet school earned income	3,365,435	-	3,365,435	-	3,365,435	3,042,179
General revenue	130,554	-	130,554	-	130,554	84,808
Special fundraising events	758,576	-	758,576	-	758,576	612,050
Grants, Sponsorships and Contributed Income	3,252,819	-	3,252,819	620,660	3,873,479	2,908,293
Contributions of non-financial assets:						
Medical	229,160	-	229,160	-	229,160	234,318
Other	346,962	-	346,962	-	346,962	163,154
Gain on endowment	29,282	-	29,282	-	29,282	22,933
Employee retention credit (note 14)	297,699	-	297,699	-	297,699	-
Other income	315,841	-	315,841	-	315,841	239,687
(Loss) gain on disposal of asset	(15,070)	-	(15,070)	-	(15,070)	(5,954)
Net assets released from restrictions	(681,533)	1,067,193	385,660	(385,660)	-	-
Total support and revenue	11,647,952	1,067,193	12,715,145	235,000	12,950,145	10,605,009
Expenses:						
Program services:						
Season	4,527,776	-	4,527,776	-	4,527,776	4,020,043
Nutcracker	2,223,643	-	2,223,643	-	2,223,643	1,883,236
Community enrichment	596,601	-	596,601	-	596,601	524,459
Ballet school	2,825,561	-	2,825,561	-	2,825,561	2,674,971
Total program services	10,173,581	-	10,173,581	-	10,173,581	9,102,709
Supporting services:						
Philanthropy	664,689	-	664,689	-	664,689	504,602
Non-financial assets						
Medical	-	-	-	-	-	234,318
Other	316,212	-	316,212	-	316,212	163,154
General and administrative	1,130,239	-	1,130,239	-	1,130,239	987,193
Total supporting services	2,111,140	-	2,111,140	-	2,111,140	1,889,267
Total expenses	12,284,721	-	12,284,721	-	12,284,721	10,991,976
Change in net assets	(636,769)	1,067,193	430,424	235,000	665,424	(386,967)
Net assets, beginning of year	14,965,742	704,624	15,670,366	342,354	16,012,720	16,399,687
Net assets, end of year	\$ 14,328,973	1,771,817	16,100,790	577,354	16,678,144	16,012,720

See accompanying notes to financial statements.

ORLANDO BALLET, INC.

Statement of Functional Expenses

Year ended June 30, 2026
(with summarized financial information for the year ended June 30, 2025)

	2026									
	Program Services					Supporting Services			Total Expenses	2025
	Season	Nutcracker	Community Enrichment	Ballet School	Total Program Services	Philanthropy	General and Administrative	Total Supporting Services		
Artistic salaries, taxes and benefits	\$ 1,532,237	408,597	-	102,149	2,042,983	-	-	-	2,042,983	1,869,592
Staff salaries, taxes and benefits	491,580	245,640	81,557	83,005	901,782	244,670	491,651	736,321	1,638,103	1,352,137
School salaries, taxes and benefits	-	-	271,757	1,033,946	1,305,703	-	-	-	1,305,703	970,291
Program expenses	490,048	454,852	86,285	4,183	1,035,368	-	20,839	20,839	1,056,207	946,839
Crew	373,324	334,641	37,600	17,269	762,834	-	-	-	762,834	720,205
Marketing	264,548	153,807	12,305	123,046	553,706	30,761	30,761	61,522	615,228	520,826
Enrichment salaries, taxes and benefits	-	-	-	-	-	-	-	-	-	243,972
Scholarships	-	-	32,857	522,461	555,318	-	-	-	555,318	474,927
Music	299,816	-	-	-	299,816	-	-	-	299,816	325,579
Scenery, Props, Costumes and Equipment	249,771	48,210	-	63,750	361,731	-	-	-	361,731	305,713
Choreography	178,979	25,185	-	-	204,164	-	-	-	204,164	156,183
Non-financial expense:										
Medical	114,580	114,580	-	-	229,160	-	-	-	229,160	234,318
Other	18,750	6,000	1,000	5,000	30,750	232,151	84,061	316,212	346,962	163,154
Other	49,492	22,076	19,792	35,207	126,567	20,273	42,328	62,601	189,168	182,473
Special events	-	-	-	-	-	250,014	23,615	273,629	273,629	209,600
Charge card fee	19,292	11,575	3,859	41,587	76,313	3,859	38,585	42,444	118,757	107,190
Lighting	45,950	72,178	315	1,440	119,883	-	-	-	119,883	128,254
Relocation	3,503	2,102	-	-	5,605	-	7,069	7,069	12,674	7,669
Guest and summer workshop	-	-	-	50,017	50,017	-	-	-	50,017	84,953
Parking, travel, and meals	11,702	16,122	3,369	329,688	360,881	-	37,862	37,862	398,743	404,776
Retail	17,768	66,078	-	23,638	107,484	-	8,101	8,101	115,585	82,337
Fundraising support	-	-	-	-	-	100,115	-	100,115	100,115	66,895
Dance shoes	56,255	13,236	6,000	10,292	85,783	-	-	-	85,783	88,114
Professional fees	6,483	2,357	1,473	19,016	29,329	1,473	17,680	19,153	48,482	67,904
Office supplies and expenses	3,633	1,817	3,633	9,083	18,166	7,266	10,900	18,166	36,332	25,301
Dues and subscriptions	2,782	927	2,960	6,077	12,746	927	9,272	10,199	22,945	25,934
Payroll services	4,567	2,740	1,827	3,653	12,787	913	4,567	5,480	18,267	14,548
Automobile expense	1,212	606	-	363	2,181	-	242	242	2,423	7,706
Video and photography	14,001	4,624	-	904	19,529	876	15,001	15,877	35,406	31,528
Postage	981	589	196	785	2,551	-	1,373	1,373	3,924	1,662
Interest	1,294	647	216	863	3,020	647	647	1,294	4,314	1,267
Bank fees	-	-	-	-	-	-	9,002	9,002	9,002	12,089
Total before allocated overhead	4,252,548	2,009,186	567,001	2,487,422	9,316,157	893,945	853,556	1,747,501	11,063,658	9,833,936
Depreciation	124,263	124,263	-	186,395	434,921	-	186,395	186,395	621,316	580,229
Repairs and maintenance	40,142	21,896	-	60,214	122,252	-	60,214	60,214	182,466	182,163
Rent	55,484	36,990	27,742	27,742	147,958	-	36,990	36,990	184,948	122,792
Utilities	32,984	19,791	-	39,581	92,356	-	39,581	39,581	131,937	148,957
Insurance	22,355	11,517	1,858	24,207	59,937	2,895	37,564	40,459	100,396	123,899
Total expenses	\$ 4,527,776	2,223,643	596,601	2,825,561	10,173,581	896,840	1,214,300	2,111,140	12,284,721	10,991,976

See accompanying notes to financial statements.

ORLANDO BALLET, INC.

Statements of Cash Flows

Years ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Change in net assets	\$ 665,424	\$ (386,967)
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Depreciation	621,316	580,229
Loss (Gain) on disposal of fixed asset	15,070	5,954
Unrealized gain on investments	(18,373)	(7,297)
Cash provided by (used in)		
Changes in:		
Accounts receivable	165,719	382,231
Inventory	(25,892)	(11,104)
Prepaid expenses	145,686	(178,169)
Other assets	-	3,650
Accounts payable and accrued expenses	10,313	(18,423)
Security deposits	2,060	(503)
Deferred revenue	148,796	152,140
Cash provided by operating activities	<u>1,730,119</u>	<u>521,741</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(93,072)</u>	<u>(328,032)</u>
Cash used in investing activities	<u>(93,072)</u>	<u>(328,032)</u>
Net change in cash and cash equivalents	1,637,047	193,709
Cash at beginning of year	<u>1,181,484</u>	<u>987,775</u>
Cash at end of year	<u><u>\$ 2,818,531</u></u>	<u><u>1,181,484</u></u>

See accompanying notes to financial statements.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

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

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(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.

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 2023.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(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. The 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, 2026 and 2025

(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, 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.

(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, 2026 and 2025, 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+

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(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 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, philanthropy, 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.

(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 2026 - 2027 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, 2026 and 2025, the Organization had approximately \$2,520,000 and \$930,000, respectively, in excess of federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

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

(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, 2025, 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 27, 2026.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(2) Property and Equipment

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

	<u>2026</u>	<u>2025</u>
Studio fixtures and equipment	\$ 131,923	196,284
Leasehold buildouts	12,369,092	12,302,238
Office fixtures and equipment	555,739	665,547
Scenery, props, costumes and equipment	474,425	587,148
Nutcracker	3,211,745	3,211,745
	16,742,924	16,962,962
Less: accumulated depreciation	(3,193,379)	(2,870,103)
	<u>\$ 13,549,545</u>	<u>14,092,859</u>

(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, 2026 and 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2026:				
Assets:				
Assets held by Community Foundation	\$ -	-	198,403	198,403
Total investment assets at fair value	<u>\$ -</u>	<u>-</u>	<u>198,403</u>	<u>198,403</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2025:				
Assets:				
Assets held by Community Foundation	\$ -	-	180,320	180,320
Total investment assets at fair value	<u>\$ -</u>	<u>-</u>	<u>180,320</u>	<u>180,320</u>

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(3) **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>2026</u>	<u>2025</u>
Balance, beginning of year	\$ 180,320	168,384
Contributions	445	445
Unrealized (loss) gain	9,145	10,265
Withdrawals, net	(7,703)	(7,333)
Interest, dividends, realized gain, fees, net	16,196	8,559
Balance, end of year	<u>\$ 198,403</u>	<u>180,320</u>

The following table presents cumulative changes as of June 30, 2026 and 2025:

	<u>Cost</u>	<u>Cumulative Unrealized Gain</u>	<u>Fair Value</u>
June 30, 2026			
Assets held by Community Foundation	<u>\$ 103,981</u>	<u>94,422</u>	<u>198,403</u>
	<u>Cost</u>	<u>Cumulative Unrealized Gain</u>	<u>Fair Value</u>
June 30, 2025			
Assets held by Community Foundation	<u>\$ 103,536</u>	<u>76,784</u>	<u>180,320</u>

(4) **Notes Payable**

During the years ended June 30, 2026 and 2025, the Organization had an Operating Line of Credit (LOC) account with PNC Bank in the amount of \$2,000,000 for 2026 and \$2,000,000 for 2025 respectively. The Organization briefly drew on the line up to a maximum amount of \$700,000 during 2026 and there was no outstanding balance as of June 30, 2026 and 2025.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(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:

	<u>2026</u>	<u>2025</u>
Medical	\$ 229,160	234,318
Other	346,962	163,154
	<u>\$ 576,122</u>	<u>397,472</u>

(6) Board Designated Net Assets

On May 27, 2021 the Board has established reserves for Facilities, General Operating and Artistic works for the repertoire. In FYE 2023 the organization invested as planned all of the Artistic Reserve for the creation of the Orlando Ballet's new Nutcracker. As of June 30, the Board designated \$1,050,000 of surplus cash to the reserves.

Reserve balances as of June 30 were as follows:

	<u>2026</u>	<u>2025</u>
Operating Reserve Fund	\$ 501,662	200,246
HOBC Facility Reserve Fund	1,019,878	504,378
Artistic Reserve Fund	250,277	-
	<u>\$ 1,771,817</u>	<u>704,624</u>

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(7) Net Assets with Donor Restrictions

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

	<u>2026</u>	<u>2025</u>
Subject to expenditure for specific time or purpose:		
Foundation giving	\$ 85,000	100,000
Corporate giving	5,000	30,000
Individual giving	<u>275,000</u>	<u>-</u>
Total subject to expenditure for specific time or purpose	365,000	130,000
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>\$ 577,354</u>	<u>342,354</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. Of the \$834,589 released in 2025 \$322,759 was for capital projects. The net assets released from restrictions are as follows:

	<u>2026</u>	<u>2025</u>
Purpose restriction accomplished:		
Government grants	\$ 79,000	239,759
Foundation giving	161,660	194,000
Corporate giving	-	141,500
Individual giving	<u>145,000</u>	<u>259,330</u>
Net assets released from restrictions	<u>\$ 385,660</u>	<u>834,589</u>

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(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>2026</u>	<u>2025</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, 2026 and 2025

(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) Leases

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The 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 multi-year 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, 2026 and 2025

(10) Leases

The following table shows ROU assets and lease liabilities, and the associated financial statement line items as of June 30, 2026:

Lease-Related Assets and Liabilities

Right-of-use assets:	
Operating leases	<u>\$ 2,009,884</u>
	<u>\$ 2,009,884</u>

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

2027	\$ 137,439
2028	151,679
2029	166,864
2030	183,048
2031	200,289
Thereafter	<u>1,170,565</u>
Total lease liabilities	<u>\$ 2,009,884</u>

(11) 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 commenced on March 1, 2026, after leasehold improvements were completed, and base rent concession has expired.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(12) Reconciliation of Change in Net Assets 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>2026</u>	<u>2025</u>
Change in net assets	\$ 665,424	(386,967)
Restricted contributions, received (from operating statement)	(620,660)	(431,330)
Previously restricted Operating Contributions released (note 8)	385,660	511,830
Employee retention credit income (note 14)	<u>(297,699)</u>	<u>-</u>
Operating Income (non-GAAP)	132,725	(306,467)
Depreciation Expense	<u>621,316</u>	<u>580,229</u>
Operating income before depreciation (non-GAAP)	<u>\$ 754,041</u>	<u>273,762</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 up to a maximum IRS allowable amount, which is \$24,500 and \$23,500 for calendar years 2026 and 2025, 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, 2026.

(14) Employee Retention Credit

During the year ended June 30, 2026, the Organization received employee retention credit income of \$297,699 under the Employee Retention Credit provisions of the Coronavirus Aid, Relief, and Economic Security Act and subsequent legislation. The Employee Retention Credit is a refundable payroll tax credit available to eligible employers based on qualified wages paid to employees. This was not recorded in prior years due to the uncertainty of receipt. The Board has designated these surplus funds to Reserves.

ORLANDO BALLET, INC.

Notes to Financial Statements

June 30, 2026 and 2025

(15) Liquidity and Availability of Resources

Liquidity increased during the period due to the increase in cash held at year end, due to the positive change in net assets. The Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 2,818,531	1,181,484
Accounts and grants receivable	<u>1,861,483</u>	<u>2,027,202</u>
Total financial assets available within one year	<u>4,680,014</u>	<u>3,208,686</u>
Accounts payable and accruals	(261,716)	(251,403)
Deferred revenue	<u>(2,121,131)</u>	<u>(1,972,335)</u>
Total financial liabilities due within one year	<u>(2,382,847)</u>	<u>(2,223,738)</u>
Total financial assets Available within one year:	<u>\$ 2,297,167</u>	<u>984,948</u>

The board established these reserves to address timing-related liquidity needs and will fund them as needed. 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 \$2,000,000, which it could utilize.

(16) Advertising Costs

The Organization's policy is to expense advertising costs when programs occur. The Organization spent \$615,228 and \$520,826 in the years ended 2026 and 2025, respectively.