

SARASOTA BALLET OF FLORIDA, INC.
FINANCIAL REPORT
MAY 31, 2021

SARASOTA BALLET OF FLORIDA, INC.

**FINANCIAL REPORT
MAY 31, 2021**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statement of Activities, Year Ended May 31, 2021.....	4
Statement of Activities, Year Ended May 31, 2020.....	5
Statement of Functional Expenses, Year Ended May 31, 2021	6
Statement of Functional Expenses, Year Ended May 31, 2020	7
Statements of Cash Flows	8
Notes to Financial Statements	9-24



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sarasota Ballet of Florida, Inc.
Sarasota, Florida

We have audited the accompanying financial statements of Sarasota Ballet of Florida, Inc. (the "Organization") (a non-profit organization) which comprise the statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sarasota Ballet of Florida, Inc. as of May 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 16, 2021

SARASOTA BALLET OF FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2021

ASSETS	<u>2021</u>	<u>2020</u>
Current assets		
Cash	\$ 2,195,287	\$ 1,265,400
Designated cash	1,103,769	666,979
Investments, at fair value	3,127,349	2,436,173
Accounts receivable	5,189	10,810
Pledge receivables, current	137,133	144,229
Grants receivable	117,860	92,628
Prepaid expenses	176,958	300,562
Total current assets	<u>6,863,545</u>	<u>4,916,781</u>
Cash designated for long-term use	60,000	45,000
Long-term investments, at fair value	2,578,458	613,461
Property and equipment, net of accumulated depreciation	1,457,697	1,414,525
Pledge receivables	37,536	67,808
Prepaid expenses, long-term license fees	142,050	105,749
Other assets	13,845	13,247
	<u>4,289,586</u>	<u>2,259,790</u>
TOTAL ASSETS	<u>\$ 11,153,131</u>	<u>\$ 7,176,571</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 97,166	\$ 62,929
Accrued expenses	72,566	70,324
Deferred rent	56,780	48,902
Deferred revenue	536,672	393,918
Line of credit	-	500,000
Loan payable	625,383	671,300
Total current liabilities	<u>1,388,567</u>	<u>1,747,373</u>
Deferred compensation	60,000	45,000
Total liabilities	<u>1,448,567</u>	<u>1,792,373</u>
Net assets		
Without donor restrictions		
Undesignated	3,689,935	2,134,493
Board designated	1,163,769	711,979
Board designated - endowment	2,063,665	-
With donor restrictions		
Time or purpose	2,169,219	1,924,265
Perpetual	617,976	613,461
TOTAL NET ASSETS	<u>9,704,564</u>	<u>5,384,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,153,131</u>	<u>\$ 7,176,571</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Support, revenue and releases				
Revenues				
Ticket sales	\$ 579,591	\$ -	\$ -	\$ 579,591
Tuition and school revenues	397,530	-	-	397,530
Fundraising revenues	5,466	-	-	5,466
Program book revenues	21,867	-	-	21,867
Investment return, net	602,690	34,243	4,515	641,448
FSB revenues	25,375	-	-	25,375
Rental income	200	-	-	200
Other	809,354	-	-	809,354
	<u>2,442,073</u>	<u>34,243</u>	<u>4,515</u>	<u>2,480,831</u>
Public support				
Contributions	5,842,368	1,182,903	-	7,025,271
Contributions - in kind	235,862	-	-	235,862
	<u>6,078,230</u>	<u>1,182,903</u>	<u>-</u>	<u>7,261,133</u>
Governmental support	<u>130,860</u>	<u>-</u>	<u>-</u>	<u>130,860</u>
Net assets released from restrictions (see Note 11)	<u>972,192</u>	<u>(972,192)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,623,355</u>	<u>244,954</u>	<u>4,515</u>	<u>9,872,824</u>
Functional expenses				
Program services				
Production and company	3,120,212	-	-	3,120,212
School	233,690	-	-	233,690
Margaret Barbieri Conservatory	327,470	-	-	327,470
Dance the Next Generation	298,907	-	-	298,907
Summer programs	103,723	-	-	103,723
	<u>4,084,002</u>	<u>-</u>	<u>-</u>	<u>4,084,002</u>
Supporting services				
Management and general	671,637	-	-	671,637
Fundraising	796,609	-	-	796,609
Total functional expenses	<u>5,552,248</u>	<u>-</u>	<u>-</u>	<u>5,552,248</u>
Other				
Loss on disposal of assets	<u>210</u>	<u>-</u>	<u>-</u>	<u>210</u>
Change in net assets	<u>4,070,897</u>	<u>244,954</u>	<u>4,515</u>	<u>4,320,366</u>
Net assets, beginning of year	<u>2,846,472</u>	<u>1,924,265</u>	<u>613,461</u>	<u>5,384,198</u>
Net assets, end of year	<u>\$ 6,917,369</u>	<u>\$ 2,169,219</u>	<u>\$ 617,976</u>	<u>\$ 9,704,564</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Support, revenue and releases				
Revenues				
Ticket sales	\$ 1,339,446	\$ -	\$ -	\$ 1,339,446
Tuition and school revenues	673,786	-	-	673,786
Fundraising revenues	100,451	-	-	100,451
Program book revenues	108,077	-	-	108,077
Investment return, net	130,897	27,754	10,237	168,888
FSB revenues	50,329	-	-	50,329
Rental income	43,483	-	-	43,483
Other	1,701	-	-	1,701
	<u>2,448,170</u>	<u>27,754</u>	<u>10,237</u>	<u>2,486,161</u>
Public support				
Contributions	3,475,201	1,108,273	-	4,583,474
Contributions - in kind	261,617	-	-	261,617
	<u>3,736,818</u>	<u>1,108,273</u>	<u>-</u>	<u>4,845,091</u>
Governmental support	130,932	-	-	130,932
Net assets released from restrictions (see Note 11)	659,553	(659,553)	-	-
Total support and revenue	<u>6,975,473</u>	<u>476,474</u>	<u>10,237</u>	<u>7,462,184</u>
Functional expenses				
Program services				
Production and company	4,272,892	-	-	4,272,892
School	236,765	-	-	236,765
Margaret Barbieri Conservatory	331,263	-	-	331,263
Dance the Next Generation	324,647	-	-	324,647
Summer programs	257,654	-	-	257,654
	<u>5,423,220</u>	<u>-</u>	<u>-</u>	<u>5,423,220</u>
Supporting services				
Management and general	613,205	-	-	613,205
Fundraising	802,607	-	-	802,607
Total functional expenses	<u>6,839,032</u>	<u>-</u>	<u>-</u>	<u>6,839,032</u>
Other				
Loss on disposal of assets	217	-	-	217
Change in net assets	136,224	476,474	10,237	622,935
Net assets, beginning of year	<u>2,710,248</u>	<u>1,447,791</u>	<u>603,224</u>	<u>4,761,263</u>
Net assets, end of year	<u>\$ 2,846,472</u>	<u>\$ 1,924,265</u>	<u>\$ 613,461</u>	<u>\$ 5,384,198</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2021

	Program Services					Supporting Services			Total Program and Supporting Services
	Production and Company	School	Margaret Barbieri Conservatory	Dance the Next Generation	Summer Programs	Total Program Expenses	Management and General	Fundraising	
Salaries and benefits	\$ 2,095,862	\$ 131,134	\$ 184,732	\$ 107,046	\$ 57,459	\$ 2,576,233	\$ 372,705	\$ 437,805	\$ 3,386,743
Professional services and fees	10,325	-	-	-	-	10,325	41,453	1,432	53,210
Office expense	7,833	5,152	5,114	4,614	901	23,614	167,910	2,876	194,400
Telephone	5,540	3,517	1,403	1,486	150	12,096	16,558	2,500	31,154
Postage and shipping	23,467	-	-	-	-	23,467	1,553	14,803	39,823
Rental and maintenance	35,620	52,609	65,051	75,878	7,249	236,407	5,199	-	241,606
Advertising and marketing	380,291	24,079	7,361	-	22,505	434,236	1,473	69,108	504,817
Travel	13,704	-	329	13,420	6,825	34,278	4,942	1,596	40,816
Dues and subscriptions	32	604	74	74	-	784	5,697	2,949	9,430
Insurance	7,421	-	-	-	-	7,421	32,586	-	40,007
Miscellaneous	11,719	3,876	3,936	272	-	19,803	7,885	4,844	32,532
Costumes and sets	28,866	3,249	3,297	26,669	903	62,984	-	-	62,984
Box office expense	1,543	-	-	-	-	1,543	-	-	1,543
Shoe expense	67,047	-	-	-	-	67,047	-	-	67,047
Catering and refreshments	-	-	-	-	-	-	-	67,508	67,508
Gala expenses	-	-	-	-	-	-	-	186,553	186,553
Scholarships	-	-	47,100	34,530	6,966	88,596	-	-	88,596
Contracted services	130,913	-	-	-	765	131,678	-	-	131,678
License fees and royalties	158,395	-	-	-	-	158,395	-	-	158,395
Friends of Ballet expenses	6,269	-	-	-	-	6,269	-	-	6,269
Physical therapy and medical expenses	3,829	-	-	-	-	3,829	31	-	3,860
Total expenses before depreciation	2,988,676	224,220	318,397	263,989	103,723	3,899,005	657,992	791,974	5,348,971
Depreciation	131,536	9,470	9,073	34,918	-	184,997	13,645	4,635	203,277
Total expenses	<u>\$ 3,120,212</u>	<u>\$ 233,690</u>	<u>\$ 327,470</u>	<u>\$ 298,907</u>	<u>\$ 103,723</u>	<u>\$ 4,084,002</u>	<u>\$ 671,637</u>	<u>\$ 796,609</u>	<u>\$ 5,552,248</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2020

	Program Services					Supporting Services			Total Program and Supporting Services
	Production and Company	School	Margaret Barbieri Conservatory	Dance the Next Generation	Summer Programs	Total Program Expenses	Management and General	Fundraising	
Salaries and benefits	\$ 2,516,464	\$ 135,901	\$ 173,097	\$ 155,012	\$ 85,803	\$ 3,066,277	\$ 304,070	\$ 450,211	\$ 3,820,558
Professional services and fees	10,404	-	-	33	-	10,437	32,306	3,370	46,113
Office expense	6,572	5,249	8,450	16,578	3,748	40,597	198,641	12,962	252,200
Telephone	4,893	3,699	823	1,756	300	11,471	12,548	2,250	26,269
Postage and shipping	25,906	-	-	-	-	25,906	2,790	8,981	37,677
Rental and maintenance	126,768	43,938	65,078	65,506	2,146	303,436	7,141	-	310,577
Advertising and marketing	413,956	27,535	15,736	580	26,054	483,861	1,494	37,215	522,570
Travel	94,673	134	926	13,943	9,234	118,910	11,660	4,933	135,503
Dues and subscriptions	1,005	863	73	73	-	2,014	7,949	1,942	11,905
Insurance	7,613	-	-	-	-	7,613	21,405	-	29,018
Miscellaneous	3,158	1,099	18,183	1,088	443	23,971	1,953	9,250	35,174
Live music	125,856	-	-	-	-	125,856	-	-	125,856
Costumes and sets	46,127	8,708	7,130	5,914	3,434	71,313	-	-	71,313
Box office expense	32,680	-	-	-	-	32,680	-	-	32,680
Shoe expense	97,000	-	-	-	-	97,000	-	-	97,000
Catering and refreshments	2,388	-	-	-	-	2,388	-	88,798	91,186
Gala expenses	-	-	-	-	-	-	-	165,823	165,823
Scholarships	-	795	36,143	56,090	41,827	134,855	-	-	134,855
Contracted services	384,547	1,345	-	575	1,843	388,310	-	-	388,310
License fees and royalties	159,353	-	-	-	-	159,353	-	-	159,353
Room and board	-	-	-	-	77,198	77,198	-	-	77,198
Friends of Ballet expenses	33,345	-	-	-	-	33,345	-	-	33,345
Physical therapy and medical expenses	47,083	-	-	-	-	47,083	-	-	47,083
Total expenses before depreciation	4,139,791	229,266	325,639	317,148	252,030	5,263,874	601,957	785,735	6,651,566
Depreciation	133,101	7,499	5,624	7,499	5,624	159,346	11,248	16,872	187,466
Total expenses	\$ 4,272,892	\$ 236,765	\$ 331,263	\$ 324,647	\$ 257,654	\$ 5,423,220	\$ 613,205	\$ 802,607	\$ 6,839,032

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 4,320,366	\$ 622,935
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	203,277	187,466
Realized and unrealized (gain) on investments	(587,992)	(93,327)
Loss on disposal of assets	210	217
Forgiveness of debt	(671,300)	-
Change in operating assets and liabilities		
Accounts receivable	5,621	2,018
Pledge receivables	37,368	(140,812)
Grant receivables	(25,232)	(92,628)
Prepaid expenses	87,303	(49,930)
Other assets	(598)	(1,405)
Accounts payable	34,237	(24,675)
Accrued expenses	2,242	9,929
Deferred revenue	142,754	(353,249)
Deferred rent	7,878	22,652
Deferred compensation	15,000	15,000
Net cash provided by operating activities	<u>3,571,134</u>	<u>104,191</u>
Cash flows from investing activities		
Purchase of property and equipment	(246,659)	(176,608)
Purchases of investments	(2,194,973)	(658,752)
Sales of investments	126,792	570,637
Net cash (used in) investing activities	<u>(2,314,840)</u>	<u>(264,723)</u>
Cash flows from financing activities		
Proceeds from note payable	775,383	671,300
Proceeds from line of credit	-	500,000
Repayment of note payable	(150,000)	-
Repayment of line of credit	(500,000)	-
Net cash provided by financing activities	<u>125,383</u>	<u>1,171,300</u>
Net increase in cash	1,381,677	1,010,768
Cash, beginning of year	<u>1,977,379</u>	<u>966,611</u>
Cash, end of year	<u>\$ 3,359,056</u>	<u>\$ 1,977,379</u>
Cash and cash equivalents		
Cash, unrestricted	\$ 2,195,287	\$ 1,265,400
Cash, Board-designated	1,163,769	711,979
	<u>\$ 3,359,056</u>	<u>\$ 1,977,379</u>
Supplemental disclosure of cash flow information		
Cash payments for interest	<u>\$ 9,057</u>	<u>\$ 2,617</u>
Cash payments for taxes	<u>\$ 9,706</u>	<u>\$ 3,566</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

The Sarasota Ballet of Florida, Inc. (the "Organization") is a Florida non-profit corporation chartered on April 10, 1989. The Organization is committed to artistic excellence in classical and contemporary dance, encouragement of choreographic talent, expansion of education and outreach programs, and participation in joint ventures with other arts organizations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, net assets are reported in each of the following two classes: (1) net assets without donor restrictions, and (2) net assets with donor restrictions.

Net assets with donor restrictions are created only by donor-imposed restrictions on their use. All other net assets, including Board-designated or appropriated amounts, are legally unrestricted and are reported as part of net assets without donor restrictions. From time to time the Board designates certain recurring and/or non-recurring items for use on specific future projects.

Management 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at their fair values. Donated marketable securities are recorded at their fair values at the date of donation and are immediately sold upon receipt. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these fluctuations. The Dance the Next Generation and operating investments are managed by the Community Foundation of Sarasota and are included in funds pooled with other organizations.

Investments are exposed to various risks, such as interest rate risk and credit conditions. Due to the level of risk associated with investments and the level of uncertainty related to the change in the value of investments, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the statement of financial position.

Allowance for Doubtful Accounts

The Organization uses the allowance method to account for uncollectible receivables. As of May 31, 2021 and 2020, all receivables are considered fully collectible.

Net Assets

Net assets, gains, losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. From time to time the Board designates certain recurring and/or non-recurring items for use on specific future projects.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources must be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Ticket sales and program revenue are recorded in the fiscal year the performances are completed. Tuition and room and board payments received are recorded as revenue when the class is held. Revenue earned in connection with special events are recognized in the year in which the event occurs.

Contributions

Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets 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), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as net assets without donor restrictions. All promises to give are considered fully collectible by management.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the lives of the assets ranging from three to 20 years. The Organization capitalizes all asset purchases with a useful life more than one year and a cost greater than \$500. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized.

Deferred Revenue

Deferred revenue consists primarily of ticket sales and fees for the upcoming season, as well as tuition and room and board for the Organization's summer intensive classes held in the summer subsequent to the fiscal year-end.

Donated Services

During the years ended May 31, 2021 and 2020, the value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these tasks do not meet the requirements for recognition.

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated among the programs and supporting services in reasonable ratios determined by management for salaries and depreciation.

Income Tax Status

The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). However, the Organization is subject to income tax on unrelated business income. For the years ended May 31, 2021 and 2020, the Organization incurred tax expense of \$9,706 and \$3,566, respectively.

It is the Organization's policy to account for any uncertainties in income tax law in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 clarifies the accounting for uncertain income tax positions and requires that the Organization recognize the impact of such a tax position in its financial statements if, upon ultimate settlement, that position is more-likely-than-not to be sustained.

The Organization files a 990 Return of Organization Exempt from Income Tax and a 990-T Exempt Organization Business Income Tax Return to the U.S. Federal Government and an F-1120 Florida Corporate Income/Franchise Tax Return to the State of Florida.

Fair Value of Financial Instruments

The Organization follows current guidance on fair value measurements, which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

Advertising

The Organization expenses advertising costs in the period incurred. For the years ended May 31, 2021 and 2020, advertising costs totaled \$504,817 and \$522,570, respectively.

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

The Organization records rent expense on a straight-line basis on a lease which contains rent abatement and fixed rental increases in future years. The difference between rent expense and payments made under the lease is reflected as deferred rent.

NOTE 3. DESIGNATED CASH AND NET ASSETS

The Board has designated a portion of the Organization's net assets which are available for certain emergencies and the deferred compensation plan. Below is a summary of the breakdown of cash for these items:

	2021	2020
Board designated		
Operations reserve	\$ 1,103,769	\$ 666,979
Deferred compensation	60,000	45,000
	\$ 1,163,769	\$ 711,979

NOTE 4. LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for ticket sales and tuition, special events, investment income and a concentration of sponsorships received near fiscal year-end. The Organization manages liquidity during the year by utilizing the following strategies: operating with a balanced budget which assumes collection of sufficient revenue via contributions, grants, and ticket revenue to cover operating expenditures not covered by donor-restricted resources, regular analysis of actual operating results versus budget and timing of annual endowment transfers. The Organization may also draw upon Board-designated funds and the line of credit with Board approval.

The following table reflects the Organization's total financial assets as of May 31, 2021 and 2020 and the amounts of those financial assets which could be made available within 12 months to meet operating expenditures:

	2021	2020
Financial assets available to meet operating expenditures over the next 12 months		
Cash and equivalents	\$ 2,162,187	\$ 985,139
Accounts receivable	5,189	10,810
Grants receivable	117,860	92,628
Pledges for operating expenditure due in one year or less	137,133	144,229
Investments not encumbered by donor or Board restrictions	2,094,999	1,459,148
Financial assets available to meet operating expenditures	\$ 4,517,368	\$ 2,691,954

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5. PLEDGE RECEIVABLES

Pledge receivables are due to be collected as follows at May 31, 2021:

Gross amounts due in	
One year	\$ 137,133
One to four years	<u>37,536</u>
Total pledge receivables	<u><u>\$ 174,669</u></u>

The Organization evaluates the collectability of its promises to give annually. Management believes all pledges are collectible as of May 31, 2021.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment for the years ended May 31, 2021 and 2020 consists of the following:

	2021	2020
Costumes and scenery	\$ 1,478,163	\$ 1,294,706
Management equipment	409,826	379,625
Production equipment	297,714	286,595
Vehicles	154,118	154,118
Website	67,000	67,000
Leasehold improvements	347,547	335,360
Total property and equipment	<u>2,754,368</u>	<u>2,517,404</u>
Less: accumulated depreciation	<u>(1,296,671)</u>	<u>(1,102,879)</u>
Net property and equipment	<u>\$ 1,457,697</u>	<u>\$ 1,414,525</u>

Depreciation expense was \$203,277 and \$187,466, for the years ended May 31, 2021 and 2020, respectively.

NOTE 7. INVESTMENTS

Investments for the years ended May 31, 2021 and 2020 consisted of the following:

	2021	2020
Money market funds	\$ 296,938	\$ 451,304
Mutual funds		
Equities	2,962,251	1,134,118
Fixed income	2,384,845	1,412,517
Pooled investments	61,773	51,695
	<u>\$ 5,705,807</u>	<u>\$ 3,049,634</u>

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. INVESTMENTS (CONTINUED)

For the years ended May 31, 2021 and 2020 net investment income consisted of the following:

	2021	2020
Interest and dividends	\$ 72,376	\$ 86,026
Fees	(18,920)	(10,465)
Net realized gain	829	231
Net unrealized gain	587,163	93,096
	\$ 641,448	\$ 168,888

NOTE 8. LINE OF CREDIT

The Organization has an automatically renewing, revolving line of credit with a financial institution for \$500,000. The line bears interest at a floating rate per annum equal to 0.11% less than the rate of interest per annum established from time to time by the institution as its “Prime Rate”. The rate was 3.14% for the year ending May 31, 2021. The line of credit is secured by the general assets of the Organization and matures in January 2022. There is no outstanding balance on the line of credit as of May 31, 2021. As of May 31, 2020, the balance was \$500,000.

NOTE 9. LOAN PAYABLE

In May of 2020, the Organization received \$671,300 in funding through the Small Business Administration (SBA) Payroll Protection Program (PPP). The term of the loan is 24 months with an annual fixed rate of 1%. The loan was forgiven in March 2021.

In January of 2021, the Organization received a second loan of \$625,383 through the SBA PPP. The term of the loan is 60 months with an annual fixed rate of 1%. As of May 31, 2021, the Organization has reported the loan balance as a current liability as it expects to meet the requirements of the program as stipulated by the SBA to have the balance of the loan forgiven in the subsequent fiscal year.

In June of 2020, the Organization entered into an Economic Injury Disaster Loan agreement with the Small Business Administration (SBA) for \$150,000. The term of the loan is 30 years and interest will accrue at a rate of 2.75% per annum and will only accrue on funds actually advanced from the date of each advance. The Organization paid off the balance on this loan in January 2021.

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (ASC 820) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the assets or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value into three broad levels as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include corporate or municipal bonds);

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to determine of fair value require significant management judgement (examples include certain private equity securities and hedge funds). Pooled separate accounts are valued at the unit value calculated based on the price of the underlying investment received from the fund manager.

The following represents assets carried at fair value as of May 31, 2021 and 2020 by ASC 820 valuation hierarchy (as described above):

Description	May 31, 2021			Total
	Level 1	Level 2	Level 3	
Money markets	\$ 296,938	\$ -	\$ -	\$ 296,938
Mutual funds				
Equities	2,962,251	-	-	2,962,251
Fixed income	251,076	2,133,769	-	2,384,845
Pooled investment	61,773	-	-	61,773
Total assets at fair value	\$ 3,572,038	\$ 2,133,769	\$ -	\$ 5,705,807

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10. FAIR VALUE MEASUREMENTS (CONTINUED)

Description	May 31, 2020			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 451,304	\$ -	\$ -	\$ 451,304
Mutual funds				
Equities	1,134,118	-	-	1,134,118
Fixed income	17,317	1,395,200	-	1,412,517
Pooled investment	50,901	-	794	51,695
Total assets at fair value	<u>\$ 1,653,640</u>	<u>\$ 1,395,200</u>	<u>\$ 794</u>	<u>\$ 3,049,634</u>

The table below represents a summary of change in the fair value of the Organization's Level 3 assets for the year ended May 31, 2021:

	<u>Level 3</u>
Beginning balance	<u>\$ 794</u>
Change in value	<u>(794)</u>
Ending balance	<u>\$ -</u>

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for time or purpose for the years ended May 31, 2021 and 2020 are available for the following programs or uses:

	<u>2021</u>	<u>2020</u>
Live Music Program	\$ 967,872	\$ 925,330
Operations	467,260	420,947
Touring	491,211	491,211
Building the Future	33,275	3,275
Dance the Next Generation	134,930	31,807
Gala	10,193	-
Community Foundation:		
Dance the Next Generation	33,294	26,808
Operating	31,184	24,887
	<u>\$ 2,169,219</u>	<u>\$ 1,924,265</u>

Net assets with donor restrictions for time and purpose are included in the statement of financial position for the years ended May 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,136,869	\$ 947,240
Investments	1,032,350	977,025
	<u>\$ 2,169,219</u>	<u>\$ 1,924,265</u>

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions during fiscal years 2021 and 2020 by incurring expenses satisfying the restricted purpose specified by the donors.

	<u>2021</u>	<u>2020</u>
Live Music Program	\$ -	\$ 60,648
Operations	420,947	166,500
Conservatory	48,208	55,930
Gala	201,726	5,000
Friends	-	5,971
Dance the Next Generation	263,990	317,114
School	34,943	45,485
Community Foundation:		
Dance the Next Generation	1,264	2,905
Operating	1,114	-
	<u><u>\$ 972,192</u></u>	<u><u>\$ 659,553</u></u>

NOTE 12. ENDOWMENTS

The Organization has endowment funds established for the needs of the Organization. The endowments include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. These endowments are managed by the investment committee, which is a subcommittee of the Board of Trustees.

Endowment funds consist of the following:

Sarasota Ballet of Florida Live Music Endowment Fund – This fund is to support the live music to accompany classically oriented ballet performances in Sarasota County and Manatee County, Florida. The Organization has unrestricted use of the interest income.

Sarasota Ballet Endowment Fund – This fund is to support long range planning, special artistic projects and provide operational stability. The endowment allows for an annual draw of up to 5% of the market value. This percentage may be increased or decreased at the discretion of the Board of Trustees.

Interpretation of Relevant Law

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the perpetual corpus to be maintained at fair value. Any portion of the endowment, including investment income, which is not classified as permanently restricted net assets, is to be classified as temporarily restricted net assets until it is appropriated for expenditure.

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

As a result of this interpretation, the Organization classifies as with donor restrictions-perpetuity: (1) the original value of the gift donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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-perpetual is classified as net assets without donor restrictions-time and purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA. These funds are maintained in an investment account.

Endowment net asset composition by type of fund as of May 31, 2021 and 2020 consists of the following:

May 31, 2021				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 139,930	\$ 617,976	\$ 757,906
Board-designated endowment funds	2,063,665	-	-	-
	\$ 2,063,665	\$ 139,930	\$ 617,976	\$ 757,906
May 31, 2020				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 120,848	\$ 613,461	\$ 734,309

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12. ENDOWMENTS (CONTINUED)

Changes in the endowments by net asset class for the years ended May 31, 2021 and 2020, are as follows:

May 31, 2021				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Balance June 1, 2020	\$ -	\$ 120,848	\$ 613,461	\$ 734,309
Contributions	2,000,000	-	-	2,000,000
Disbursements	-	-	-	-
Dividends and interest	3,554	21,811	-	25,365
Unrealized gain	62,797	-	4,515	67,312
Investment fees	(2,686)	(2,729)	-	(5,415)
Ending balance May 31, 2021	\$ 2,063,665	\$ 139,930	\$ 617,976	\$ 2,821,571
May 31, 2020				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Balance June 1, 2019	\$ -	\$ 93,598	\$ 603,224	\$ 696,822
Disbursements	-	(2,905)	-	(2,905)
Dividends and interest	-	28,678	-	28,678
Unrealized gain	-	4,132	10,237	14,369
Investment fees	-	(2,655)	-	(2,655)
Ending balance May 31, 2020	\$ -	\$ 120,848	\$ 613,461	\$ 734,309

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2021.

Return Objective and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to meet or exceed the following objectives: (1) exceed the compound annual return of a "risk-free" portfolio, (2) achieve competitive investment results that meet or exceed a market index agreed upon by the investment committee, and (3) provide consistent investment returns.

**SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12. ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity or equity-like investments to achieve its long-term objectives within prudent risk constraints. Other asset classes may be added to enhance returns, reduce volatility through diversification and offer broader investment opportunity set. These may include but not be limited to domestic equity, domestic fixed income, international equity, international fixed income, alternative assets and cash.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Policy establishes a percentage rate payout of the various funds total return without distinction between income and capital gains. The Investment Committee shall consider the percentage of the market value of the investment accounts in the funds to be allocated to expenses for the upcoming fiscal year. This is subject to annual review and is set so as to reasonably ensure the funds do not diminish in real value. Minimum and maximum asset allocation limits and strategic ranges for each asset class have been established to control risk and allow funds to grow.

NOTE 13. COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.

The Organization has two agency investments held with the Community Foundation of Sarasota County, Inc. The Community Foundation manages these assets as part of a pooled investment account and is responsible for any decisions to appropriate portions of this fund to the Organization. The Organization receives the sole right of benefit to the original investment and income payment streams from the earnings of the fund. As of May 31, 2021 and 2020, the balance included in Investments on the statement of financial position was \$61,775 and \$51,695, respectively. Fees related to the administration of the fund paid by the Organization were \$57 and \$48, for the years ended May 31, 2021 and 2020, respectively.

The Organization has a designated fund held at the Community Foundation of Sarasota County for the Margaret Barbieri Conservatory Program which was established in 2019. This fund will be used to provide an annual scholarship of no less than \$7,500 to a senior level dancer for participation in the program. Monies received from this fund are recorded as public support in the statement of activities. As of May 31, 2021 and 2020, the balance in the fund was \$201,749 and \$159,965, respectively. For the years ended May 31, 2021 and 2020, a \$7,500 scholarship was awarded to a recipient.

SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. LEASE COMMITMENTS

The Organization entered into a lease agreement with Florida State University to lease a portion of the Florida State University Center for the Performing Arts. The rent is \$1 per year due on the first of July each year. The lease expires the sixth day of October 2042. The landlord will make its best good faith effort to extend the lease to the sixth day of October 2091. The Organization can terminate the lease at any time during the current term with a 90 day written notice.

The Organization entered into a five year lease agreement that will expire August 15, 2022. The monthly base rent is \$1,050 and has annual rent escalation of either 2% or the official published CPI for the prior year, whichever is greater, up to a maximum of 3%. Rent expense related to this lease was \$13,657.

The Organization entered into a ten-year lease agreement for space for a dance studio for the school. The lease expires on September 30, 2028. Terms include rent abatement for 15 months and rent escalation year two, three and five. Total base rent for the term of the contract is \$312,000. Rent expense related to this lease was \$30,439.

In November 2020, the Organization entered into a one-year lease agreement for additional storage space. The lease expires on October 31, 2021. Total base rent for the term of the contract is \$17,880. Rent expense related to this lease was \$17,880.

Future minimum lease payments are as follows:

Year ending May 31:		
2022	\$	51,023
2023		40,077
2024		40,001
2025		40,001
2026		40,001
Thereafter		93,350
Total future minimum lease payments	\$	<u>304,453</u>

The Organization rents theater space for dance performances at two separate locations. These rental agreements are negotiated per performance and each performance has its own separate rental terms. For the year ended May 31, 2021, the Organization had no rental expenses related to the theater space. Rental expense for the year ended May 31, 2020 totaled \$95,606.

SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. RELATED PARTY LEASES

The Organization has a lease agreement with a member of the Board of Trustees, to provide space for the Dance the Next Generation program and the Margaret Barbieri Conservatory which expires in 2025. Rental expense related to this lease was \$118,178 and \$117,892, for the years ended May 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

Year ending May 31:	
2022	\$ 125,375
2023	129,137
2024	133,011
2025	137,011
Total future minimum lease payments	<u>\$ 524,534</u>

NOTE 16. CONTRIBUTIONS IN-KIND

Contributions in-kind are recorded at fair value in revenue when the item or service is provided and a corresponding expense or asset recognized at the same time. The Organization received in-kind contributions for rental space and advertising. The total amount of in-kind recognized for the years ended May 31, 2021 and 2020, was \$235,862 and \$261,617, respectively.

NOTE 17. DEFERRED COMPENSATION

The Organization established a nonqualified deferred compensation plan for key management and highly compensated employees. This plan is an unfunded plan that operates under Section 457(b) of the Internal Revenue Code. Participants may elect to defer a portion of their regular salary or cash bonus. The employer may make a discretionary contribution as a percentage of compensation or a flat amount. As of May 31, 2021 and 2020, the employer made a contribution to the plan of \$15,000 and \$15,000, respectively. For the years ended May 31, 2021 and 2020, the deferred compensation balance was \$60,000 and \$45,000, respectively. All employee and employer contributions are 100% vested at time of deposit.

NOTE 18. RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or contributions. The Organization adopted the new guidance as of June 1, 2019, with no significant impact on the way the Organization recognized revenue from contributions or grants.

SARASOTA BALLET OF FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. RECENTLY ADOPTED ACCOUNTING STANDARDS (CONTINUED)

In May 2014, FASB issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. This ASU's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The Organization adopted the new guidance as of June 1, 2020, with no significant impact on the way the Organization recognized revenue.

NOTE 19. RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. (ASU 2016-02) replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. This will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding "right of use" assets. The standard is effective for annual reporting periods beginning after December 31, 2021. Management is currently considering the effects of ASU 2016-02 on its financial statements.

NOTE 20. RISKS AND UNCERTAINTY

The COVID-19 pandemic continues to have an unprecedented impact on global and North American economic conditions. It is reasonably possible that estimates made in the financial statements have been, or will be, adversely impacted in the near-term as a result of these conditions, including collectability of receivables. The ultimate impact of COVID-19 on the Organization's financial position and results of operations is dependent upon future developments, including the duration of the pandemic and the associated length of its impact on the global economy, which cannot be predicted at this time.

NOTE 21. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 16, 2021, the date which the financial statements were available to be issued.

In July 2021 and October 2021, the Organization received \$680,670 and \$653,025, respectively, from the U.S. Small Business Administration under the Shuttered Venue Operators Grant.

In September 2021, the Organization received forgiveness for the \$671,300 in funding it received through the Small Business Administration (SBA) Payroll Protection Program (PPP).