

SARASOTA BALLET OF FLORIDA, INC.

FINANCIAL REPORT

MAY 31, 2024 AND 2023



MAULDIN & JENKINS

CPAs & ADVISORS

SARASOTA BALLET OF FLORIDA, INC.
FINANCIAL REPORT
MAY 31, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Sarasota Ballet of Florida, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Sarasota Ballet of Florida, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 3 to the financial statements, management discovered releases from restrictions errors that resulted in an understatement of amounts previously reported as net assets without donor restrictions. As a result, net assets without donor restrictions and net assets with donor restrictions as of May 31, 2023 have been restated to correct this error. Our opinion is not modified with respect to this matter.

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 the Organization'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 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, 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 the Organization'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 the Organization'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.

Mauldin & Jenkins, LLC

Bradenton, Florida
November 26, 2024

SARASOTA BALLET OF FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash	\$ 808,991	\$ 125,367
Designated cash	646,215	1,104,215
Investments, at fair value	3,781,747	4,007,548
Pledge receivables, current	523,304	522,310
Grants receivable	115,595	39,098
Prepaid expenses	732,301	255,008
Total current assets	<u>6,608,153</u>	<u>6,053,546</u>
Cash designated for long-term use	115,000	95,000
Long-term investments, at fair value	6,136,115	5,142,734
Property and equipment, net of accumulated depreciation	1,783,889	1,708,591
Right of use assets, operating	2,175,520	1,697,041
Pledge receivables	121,454	20,000
Prepaid expenses, long-term license fees	160,950	153,894
Other assets	16,357	16,227
	<u>10,509,285</u>	<u>8,833,487</u>
TOTAL ASSETS	<u><u>\$ 17,117,438</u></u>	<u><u>\$ 14,887,033</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 177,741	\$ 124,883
Accrued expenses	158,355	121,753
Deferred revenue	1,109,359	1,060,056
Lease liability - operating leases, current portion	362,551	255,657
Total current liabilities	<u>1,808,006</u>	<u>1,562,349</u>
Lease liability - operating leases, less current portion	1,949,733	1,544,874
Deferred compensation	115,000	95,000
Total liabilities	<u>3,872,739</u>	<u>3,202,223</u>
Net assets		
Without donor restrictions		
Undesignated	3,532,341	3,293,732
Board designated (See Note 4)	761,215	1,199,215
Board designated - endowment (See Note 12)	5,785,399	4,833,621
With donor restrictions		
Time or purpose	2,525,758	1,807,448
Perpetual	639,986	550,794
TOTAL NET ASSETS	<u>13,244,699</u>	<u>11,684,810</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,117,438</u></u>	<u><u>\$ 14,887,033</u></u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2024

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Support, revenue and releases				
Revenues				
Ticket sales	\$ 1,541,103	\$ -	\$ -	\$ 1,541,103
Tuition and school revenues	1,619,666	-	-	1,619,666
Fundraising revenues	25,485	-	-	25,485
Program book revenues	2,785	-	-	2,785
Investment return, net	1,185,036	30,351	89,192	1,304,579
FSB revenues	67,313	-	-	67,313
Rental income	104,850	-	-	104,850
Other	300	-	-	300
	<u>4,546,538</u>	<u>30,351</u>	<u>89,192</u>	<u>4,666,081</u>
Public support				
Contributions	3,911,363	2,259,574	-	6,170,937
Contributions - nonfinancial assets	285,258	-	-	285,258
	<u>4,196,621</u>	<u>2,259,574</u>	<u>-</u>	<u>6,456,195</u>
Governmental support	<u>231,189</u>	<u>-</u>	<u>-</u>	<u>231,189</u>
Net assets released from restrictions (see Note 11)	<u>1,571,615</u>	<u>(1,571,615)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,545,963</u>	<u>718,310</u>	<u>89,192</u>	<u>11,353,465</u>
Functional expenses				
Program services				
Production and company	5,551,055	-	-	5,551,055
School	350,348	-	-	350,348
Margaret Barbieri Conservatory	499,365	-	-	499,365
The Nutcracker	151,738	-	-	151,738
Dance the Next Generation	545,190	-	-	545,190
Summer programs	531,603	-	-	531,603
	<u>7,629,299</u>	<u>-</u>	<u>-</u>	<u>7,629,299</u>
Supporting services				
Management and general	1,171,361	-	-	1,171,361
Fundraising	992,916	-	-	992,916
Total functional expenses	<u>9,793,576</u>	<u>-</u>	<u>-</u>	<u>9,793,576</u>
Change in net assets	<u>752,387</u>	<u>718,310</u>	<u>89,192</u>	<u>1,559,889</u>
Net assets, beginning of year, restated (See note 3)	<u>9,326,568</u>	<u>1,807,448</u>	<u>550,794</u>	<u>11,684,810</u>
Net assets, end of year	<u>\$ 10,078,955</u>	<u>\$ 2,525,758</u>	<u>\$ 639,986</u>	<u>\$ 13,244,699</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2023

	Restated			Total
	Without Donor Restrictions	With Donor Time or Purpose	Restrictions Perpetual	
Support, revenue and releases				
Revenues				
Ticket sales	\$ 1,579,640	\$ -	\$ -	\$ 1,579,640
Tuition and school revenues	1,405,878	-	-	1,405,878
Fundraising revenues	36,162	-	-	36,162
Program book revenues	21,849	-	-	21,849
Investment return, net	53,368	6,667	(13,674)	46,361
FSB revenues	64,936	-	-	64,936
Rental income	43,175	-	-	43,175
Other	34,111	-	-	34,111
	<u>3,239,119</u>	<u>6,667</u>	<u>(13,674)</u>	<u>3,232,112</u>
Public support				
Contributions	4,060,034	1,550,735	6,656	5,617,425
Contributions - nonfinancial assets	113,534	-	-	113,534
	<u>4,173,568</u>	<u>1,550,735</u>	<u>6,656</u>	<u>5,730,959</u>
Governmental support	<u>238,196</u>	<u>-</u>	<u>-</u>	<u>238,196</u>
Net assets released from restrictions (see Note 11)	<u>2,574,787</u>	<u>(2,574,787)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,225,670</u>	<u>(1,017,385)</u>	<u>(7,018)</u>	<u>9,201,267</u>
Functional expenses				
Program services				
Production and company	5,196,242	-	-	5,196,242
Touring	358,962	-	-	358,962
School	243,803	-	-	243,803
Margaret Barbieri Conservatory	412,793	-	-	412,793
The Nutcracker	144,052	-	-	144,052
Dance the Next Generation	323,500	-	-	323,500
Summer programs	506,190	-	-	506,190
	<u>7,185,542</u>	<u>-</u>	<u>-</u>	<u>7,185,542</u>
Supporting services				
Management and general	1,024,024	-	-	1,024,024
Fundraising	1,019,550	-	-	1,019,550
Total functional expenses	<u>9,229,116</u>	<u>-</u>	<u>-</u>	<u>9,229,116</u>
Other				
Loss on disposal of assets	<u>7,261</u>	<u>-</u>	<u>-</u>	<u>7,261</u>
Change in net assets	989,293	(1,017,385)	(7,018)	(35,110)
Net assets, beginning of year, restated (See Note 3)	<u>8,337,275</u>	<u>2,824,833</u>	<u>557,812</u>	<u>11,719,920</u>
Net assets, end of year, restated (See Note 3)	<u>\$ 9,326,568</u>	<u>\$ 1,807,448</u>	<u>\$ 550,794</u>	<u>\$ 11,684,810</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2024

	Program Services						Supporting Services			
	Production and Company	School	Margaret Barbieri Conservatory	The Nutcracker	Dance the Next Generation	Summer Programs	Total Program Expenses	Management and General	Fundraising	Total Program and Supporting Services
Salaries and benefits	\$ 3,065,998	\$ 217,209	\$ 262,459	\$ -	\$ 376,853	\$ 177,644	\$ 4,100,163	\$ 699,532	\$ 474,028	\$ 5,273,723
Professional services and fees	63,906	-	-	-	-	-	63,906	68,091	2,295	134,292
Office expense	13,263	6,530	9,550	384	8,580	2,941	41,248	246,464	14,065	301,777
Telephone	9,579	5,164	4,114	-	4,304	900	24,061	21,607	2,650	48,318
Postage and shipping	34,876	-	-	2,855	-	-	37,731	1,763	17,931	57,425
Rental and maintenance	229,978	59,377	138,560	41,247	80,085	8,490	557,737	8,954	-	566,691
Advertising and marketing	689,022	31,583	7,128	11,001	4,624	44,050	787,408	1,111	61,762	850,281
Travel	88,768	-	2,141	352	22,187	27,399	140,847	6,410	6,317	153,574
Dues and subscriptions	1,415	45	45	-	478	-	1,983	6,994	1,976	10,953
Insurance	9,076	-	-	-	-	-	9,076	75,906	-	84,982
Miscellaneous	23,973	664	2,523	1,578	12,690	2,193	43,621	20,714	3,566	67,901
Live music	175,568	-	-	28,027	-	-	203,595	-	-	203,595
Costumes and sets	106,235	6,880	11,604	17,972	12,779	6,949	162,419	-	-	162,419
Box office expense	6,243	-	-	-	-	-	6,243	-	-	6,243
Shoe expense	129,684	-	-	-	-	-	129,684	-	-	129,684
Catering and refreshments	36,600	-	-	-	-	-	36,600	-	157,833	194,433
Gala expenses	-	-	-	-	-	-	-	-	204,614	204,614
Scholarships	-	9,357	50,947	-	6,840	51,710	118,854	-	-	118,854
Contracted services	412,042	-	450	48,322	-	1,647	462,461	-	-	462,461
License fees and royalties	261,772	-	-	-	-	-	261,772	-	-	261,772
Room and board	-	-	-	-	-	207,680	207,680	-	-	207,680
Friends of Ballet expenses	-	-	-	-	-	-	-	-	44,793	44,793
Physical therapy and medical expenses	20,919	-	-	-	-	-	20,919	59	-	20,978
Total expenses before depreciation	5,378,917	336,809	489,521	151,738	529,420	531,603	7,418,008	1,157,605	991,830	9,567,443
Depreciation	172,138	13,539	9,844	-	15,770	-	211,291	13,756	1,086	226,133
Total expenses	<u>\$ 5,551,055</u>	<u>\$ 350,348</u>	<u>\$ 499,365</u>	<u>\$ 151,738</u>	<u>\$ 545,190</u>	<u>\$ 531,603</u>	<u>\$ 7,629,299</u>	<u>\$ 1,171,361</u>	<u>\$ 992,916</u>	<u>\$ 9,793,576</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2023

	Program Services								Supporting Services		
	Production and Company	Touring	School	Margaret Barbieri Conservatory	The Nutcracker	Dance the Next Generation	Summer Programs	Total Program Expenses	Management and General	Fundraising	Total Program and Supporting Services
Salaries and benefits	\$ 2,702,550	\$ 177,634	\$ 136,872	\$ 252,143	\$ 3,200	\$ 176,040	\$ 190,537	\$ 3,638,976	\$ 659,324	\$ 443,823	\$ 4,742,123
Professional services and fees	72,303	-	-	-	-	23	-	72,326	52,064	1,029	125,419
Office expense	16,069	-	5,185	7,693	-	7,712	5,089	41,748	188,571	13,245	243,564
Telephone	8,576	-	4,621	3,996	-	3,296	900	21,389	20,628	2,800	44,817
Postage and shipping	99,877	9,350	-	-	3,612	-	-	112,839	1,902	12,762	127,503
Rental and maintenance	240,503	106	60,972	73,086	37,492	73,772	16,268	502,199	6,172	-	508,371
Advertising and marketing	395,533	375	13,336	5,775	9,335	6,781	34,654	465,789	1,240	42,430	509,459
Travel	96,101	83,058	856	1,366	393	14,588	22,688	219,050	5,967	8,459	233,476
Dues and subscriptions	1,842	-	48	48	-	348	-	2,286	5,874	5,104	13,264
Insurance	8,826	-	-	-	-	-	-	8,826	69,667	-	78,493
Miscellaneous	73,605	-	554	189	1,584	12,404	1,394	89,730	-	8,183	97,913
Live music	329,496	-	-	-	27,800	-	-	357,296	-	-	357,296
Costumes and sets	101,917	13,452	5,658	19,969	8,738	11,324	7,898	168,956	-	-	168,956
Box office expense	5,512	-	-	-	-	-	-	5,512	-	-	5,512
Shoe expense	115,297	-	-	-	-	-	-	115,297	-	-	115,297
Catering and refreshments	16,276	-	-	-	-	-	-	16,276	-	201,284	217,560
Gala expenses	-	-	-	-	-	-	-	-	-	235,413	235,413
Scholarships	-	-	3,285	39,500	-	2,750	50,275	95,810	-	-	95,810
Contracted services	452,699	61,356	-	-	51,898	-	8,298	574,251	-	-	574,251
License fees and royalties	284,375	8,281	-	-	-	-	-	292,656	-	-	292,656
Room and board	-	-	-	-	-	-	168,189	168,189	-	-	168,189
Friends of Ballet expenses	-	-	-	-	-	-	-	-	-	44,022	44,022
Physical therapy and medical expenses	17,022	5,350	-	-	-	-	-	22,372	-	-	22,372
Total expenses before depreciation	5,038,379	358,962	231,387	403,765	144,052	309,038	506,190	6,991,773	1,011,409	1,018,554	9,021,736
Depreciation	157,863	-	12,416	9,028	-	14,462	-	193,769	12,615	996	207,380
Total expenses	\$ 5,196,242	\$ 358,962	\$ 243,803	\$ 412,793	\$ 144,052	\$ 323,500	\$ 506,190	\$ 7,185,542	\$ 1,024,024	\$ 1,019,550	\$ 9,229,116

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 1,559,889	\$ (35,110)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	226,133	207,380
Realized and unrealized (gain) loss on investments	(1,023,041)	97,880
Loss on disposal of assets	-	7,261
Change in operating assets and liabilities		
Accounts receivable	-	1,682
Pledge receivables	(102,448)	5,370
Grant receivables	(76,497)	(950)
Prepaid expenses	(484,349)	(16,761)
Operating leases, net	33,274	19,398
Other assets	(130)	(2,240)
Accounts payable	52,858	(7,556)
Accrued expenses	36,602	22,211
Deferred revenue	49,303	38,100
Deferred compensation	20,000	20,000
Net cash provided by operating activities	<u>291,594</u>	<u>356,665</u>
Cash flows from investing activities		
Purchases of property and equipment	(301,431)	(287,677)
Purchases of investments	(987,440)	(1,688,146)
Sales of investments	1,242,901	234,428
Net cash (used in) investing activities	<u>(45,970)</u>	<u>(1,741,395)</u>
 Net increase (decrease) in cash	 245,624	 (1,384,730)
Cash, beginning of year	<u>1,324,582</u>	<u>2,709,312</u>
Cash, end of year	<u>\$ 1,570,206</u>	<u>\$ 1,324,582</u>
 Cash and cash equivalents		
Cash, unrestricted	\$ 808,991	\$ 125,367
Cash, Board designated	761,215	1,199,215
	<u>\$ 1,570,206</u>	<u>\$ 1,324,582</u>
 Supplemental disclosure of cash flow information		
Initial recognition of operating lease right of use asset, at adoption and new	\$ 721,407	\$ 1,874,163
Initial recognition of operating lease liability, at adoption and new	721,407	1,958,255

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 nonrecurring 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.

Net Assets

Net assets, gains, and 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 nonrecurring 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.

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 fundraising/special events are recognized in the year in which the event occurs.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Promises to Give)

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.

Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of goods and professional services utilized in operations and are recorded at estimated fair value when received by the Organization. The fair value of contributed goods is estimated based on retail prices of similar items. The fair value of contributed professional services is estimated based on current rates for similar services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, which is not reflected in the financial statements as these tasks do not meet the requirements for recognition.

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.

**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.

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, 2024 and 2023, advertising costs totaled \$850,281 and \$509,459, respectively.

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

NOTE 3 RESTATEMENT OF PRIOR YEAR BALANCES

The ending balances for the year ended May 31, 2023 have been updated to reflect a reclassification of donor-restricted funds. Management identified an error in reporting restricted balances and identified additional funds that should have been released in prior years. As a result, funds that were due for release in prior years have been reclassified from net assets with donor restrictions to net assets without donor restrictions. The impact of this reclassification is detailed below:

	Net Assets Without Donor Restrictions	Net Asset with Donor Restrictions		
		Time or Purpose	Perpetual	Total
May 31, 2022, as previously stated	\$ 7,372,646	\$ 3,789,462	\$ 557,812	\$ 11,719,920
Adjustment to donor restricted releases	964,629	(964,629)	-	-
May 31, 2022, as restated	8,337,275	2,824,833	557,812	11,719,920
Change in net assets	270,182	(298,274)	(7,018)	(35,110)
Adjustment to donor restricted releases	719,111	(719,111)	-	-
May 31, 2023, as restated	<u>\$ 9,326,568</u>	<u>\$ 1,807,448</u>	<u>\$ 550,794</u>	<u>\$ 11,684,810</u>

NOTE 4. DESIGNATED CASH

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

	2024	2023
Board designated		
Operations reserve	\$ 646,215	\$ 1,104,215
Deferred compensation	<u>115,000</u>	<u>95,000</u>
	<u>\$ 761,215</u>	<u>\$ 1,199,215</u>

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

NOTE 5. 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 following table reflects the Organization's financial assets as of May 31, 2024 and 2023 which could be made available within 12 months to meet operating expenditures:

	2024	Restated 2023
Cash and equivalents	\$ 144,613	\$ 1,051,608
Grants receivable	115,595	39,098
Pledges for operating expenditures due in one year or less	478,986	502,483
Investments not encumbered by donor or Board restrictions	2,992,198	3,533,629
Financial assets available to meet operating expenditures	<u>\$ 3,731,392</u>	<u>\$ 5,126,818</u>

Although not listed in the table above, the Organization can access Board designated funds and the line of credit, subject to Board approval, to address operational needs.

NOTE 6. PLEDGE RECEIVABLES

Pledge receivables are due to be collected as follows at May 31, 2024 and 2023:

	2024	2023
Gross amounts due in		
One year	\$ 523,304	\$ 522,310
One to four years	121,454	20,000
Total pledge receivables	<u>\$ 644,758</u>	<u>\$ 542,310</u>

The Organization evaluates the collectability of its promises to give annually. Management believes all pledges are collectible as of May 31, 2024.

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

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment for the years ended May 31, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</u>
Costumes and scenery	\$ 2,034,896	\$ 1,762,637
Management equipment	468,964	459,238
Production equipment	420,325	288,357
Vehicles	154,117	154,119
Website	185,000	67,000
Office equipment: school build out CIP	-	230,519
Leasehold improvements	361,614	361,614
Total property and equipment	<u>3,624,916</u>	<u>3,323,484</u>
Less: accumulated depreciation	<u>(1,841,027)</u>	<u>(1,614,893)</u>
Net property and equipment	<u><u>\$ 1,783,889</u></u>	<u><u>\$ 1,708,591</u></u>

Depreciation expense was \$226,133 and \$207,380, for the years ended May 31, 2024 and 2023, respectively.

NOTE 8. INVESTMENTS

Investments for the years ended May 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 282,109	\$ 451,561
Mutual funds		
Equities	4,897,908	4,126,733
Fixed income	4,673,665	4,514,003
Pooled investments	<u>64,180</u>	<u>57,985</u>
	<u><u>\$ 9,917,862</u></u>	<u><u>\$ 9,150,282</u></u>

For the years ended May 31, 2024 and 2023 net investment income consisted of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 439,978	\$ 168,723
Fees	(27,133)	(24,482)
Net realized/unrealized gain (loss)	<u>891,734</u>	<u>(97,880)</u>
	<u><u>\$ 1,304,579</u></u>	<u><u>\$ 46,361</u></u>

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

NOTE 9. 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 7.89% for the year ending May 31, 2024. The line of credit is secured by the general assets of the Organization and matures in January 2025. There was no outstanding balance on the line of credit as of May 31, 2024 and 2023.

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.

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

NOTE 10. FAIR VALUE MEASUREMENTS (CONTINUED)

The following represents assets carried at fair value as of May 31, 2024 and 2023 by ASC 820 valuation hierarchy (as described above):

May 31, 2024				
Description	Level 1	Level 2	Level 3	Total
Money markets	\$ 282,109	\$ -	\$ -	\$ 282,109
Equities	4,897,908	-	-	4,897,908
Taxable bonds/non-taxable bonds	1,590,881	3,082,784	-	4,673,665
Pooled investment	64,180	-	-	64,180
Total assets at fair value	\$ 6,835,078	\$ 3,082,784	\$ -	\$ 9,917,862

May 31, 2023				
Description	Level 1	Level 2	Level 3	Total
Money markets	\$ 451,561	\$ -	\$ -	\$ 451,561
Equities	4,126,733	-	-	4,126,733
Taxable bonds/non-taxable bonds	1,959,609	2,554,394	-	4,514,003
Pooled investment	57,985	-	-	57,985
Total assets at fair value	\$ 6,595,888	\$ 2,554,394	\$ -	\$ 9,150,282

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS – TIME OR PURPOSE

Net assets with donor restrictions for time or purpose for the years ended May 31, 2024 and 2023 are available for the following programs or uses:

	2024	Restated 2023
Operations - Time restricted for 2024/2025 Season	\$ 1,091,451	\$ 791,219
Live Music Program	205,057	168,881
Touring	675,785	315,248
Youth	8,865	-
Lectures, Teaching, Tickets	1,011	1,011
Building the Future	-	33,275
Dance the Next Generation	155,793	143,584
Silver Swan	86	373
DFA	33,779	11,028
Parkinsons	6,103	2,790
Capital Projects	292,394	292,394
Community Foundation:		
Dance the Next Generation	27,450	24,116
Operating	27,984	23,529
	\$ 2,525,758	\$ 1,807,448

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

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS – TIME OR PURPOSE (CONTINUED)

Net assets with donor restrictions for time or purpose are included in the statement of financial position for the years ended May 31, 2024 and 2023 as follows:

	2024	Restated 2023
Cash	\$ 664,378	\$ 272,974
Investments	1,216,622	992,164
Pledge Receivables	644,758	542,310
	<u>\$ 2,525,758</u>	<u>\$ 1,807,448</u>

Net assets were released from donor restrictions during fiscal years 2024 and 2023 by incurring expenses satisfying the restricted purpose specified by the donors.

	2024	Restated 2023
Operations - Time restricted for 2023/2024 season	\$ 791,219	\$ 1,559,068
Live Music Program	139,949	118,950
Touring	-	358,963
Youth	1,135	-
Conservatory	129,198	79,262
DFA	-	54,689
Buiding the Future	33,275	-
Lectures, Teaching, Tickets	-	26
Parkinsons	938	283
Silver Swan	284	180
Community Performances	1,350	3,078
Nutcracker	41,650	70,000
Dance the Next Generation	322,624	243,429
Retirement	15,000	20,000
School	90,980	62,898
Community Foundation:		
Dance the Next Generation	2,699	2,663
Operating	1,314	1,298
	<u>\$ 1,571,615</u>	<u>\$ 2,574,787</u>

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

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 with donor restrictions - perpetual, is to be classified as with donor restrictions – time or purpose until it is appropriated for expenditure.

As a result of this interpretation, the Organization classifies 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 or 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.

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

NOTE 12. ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of May 31, 2024 and 2023 consists of the following:

May 31, 2024				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 187,432	\$ 639,986	\$ 827,418
Board designated endowment funds	5,785,399	-	-	5,785,399
	<u>\$ 5,785,399</u>	<u>\$ 187,432</u>	<u>\$ 639,986</u>	<u>\$ 6,612,817</u>
May 31, 2023				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 168,881	\$ 550,794	\$ 719,675
Board designated endowment funds	4,833,621	-	-	4,833,621
	<u>\$ 4,833,621</u>	<u>\$ 168,881</u>	<u>\$ 550,794</u>	<u>\$ 5,553,296</u>

Changes in the endowments by net asset class for the years ended May 31, 2024 and 2023 are as follows:

May 31, 2024				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Balance June 1, 2023	\$ 4,833,621	\$ 168,881	\$ 550,794	\$ 5,553,296
Contributions	250,000	-	-	250,000
Dividends and interest	140,333	18,551	-	158,884
Unrealized gain	577,587	-	89,192	666,779
Investment fees	(16,142)	-	-	(16,142)
Ending balance May 31, 2024	<u>\$ 5,785,399</u>	<u>\$ 187,432</u>	<u>\$ 639,986</u>	<u>\$ 6,612,817</u>
May 31, 2023				
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Balance June 1, 2022	\$ 4,273,464	\$ 154,646	\$ 557,812	\$ 4,985,922
Contributions	510,649	-	6,656	517,305
Dividends and interest	97,120	14,235	-	111,355
Realized loss	-	-	-	-
Unrealized (loss)	(33,480)	-	(13,674)	(47,154)
Investment fees	(14,132)	-	-	(14,132)
Ending balance May 31, 2023	<u>\$ 4,833,621</u>	<u>\$ 168,881</u>	<u>\$ 550,794</u>	<u>\$ 5,553,296</u>

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

NOTE 12. ENDOWMENTS (CONTINUED)

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, 2024 and 2023.

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.

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.

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

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, 2024 and 2023, the balance included in investments on the statement of financial position was \$64,180 and \$57,985, respectively. Fees related to the administration of the fund paid by the Organization were \$56 and \$44, for the years ended May 31, 2024 and 2023, 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 is 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, 2024 and 2023, the balance in the fund was \$190,834 and \$172,697, respectively. For the years ended May 31, 2024 and 2023, a scholarship of \$7,849 and \$8,012, respectively, was awarded to a recipient.

NOTE 14. LEASE COMMITMENTS

Operating leases recognized in the financial statements.

The Organization entered into a ten-year lease agreement for the Dance the Next Generation program and the Margaret Barbieri Conservatory that will expire in February 2032. The monthly base rent is \$16,254 and has annual rent escalation of 3%. This is a related party lease.

The Organization entered into a nine-year lease agreement for additional studio space that will expire February 2032. The monthly base rent is \$8,195 and has annual rent escalation of 8%. This is a related party lease.

The Organization entered into a ten-year lease agreement for dance studio space for the school. The lease expires on September 30, 2028. Monthly rent is \$3,333 and has rent escalation years two, three and five.

The Organization entered into a three-year lease agreement for additional storage space. The lease expires in August 2025. Monthly rent is \$1,570 and has annual rent escalation of either 4%, or the official published CPI for the prior year, whichever is greater.

The Organization entered into a five-year lease agreement for a copier. The monthly base rent is \$178 and expires July 1, 2026.

At May 31, 2024, the weighted-average remaining lease term was 7.44 years, and the weighted-average discount rate was 5.776% for operating leases recognized in the financial statements.

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

NOTE 14. LEASE COMMITMENTS (CONTINUED)

The following table displays a maturity analysis of the undiscounted cash flows related to operating leases as of May 31, 2024, along with a reconciliation to the discounted amount recorded on the state of financial position:

Year ending May 31:	
2025	\$ 362,551
2026	362,127
2027	370,069
2028	380,426
2029	363,971
Thereafter	<u>1,019,977</u>
Total undiscounted lease payments	2,859,121
Less: imputed interest	<u>546,837</u>
Net lease liability	<u><u>\$ 2,312,284</u></u>

Other leases not recognized in the financial statements.

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 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.

Total rent expense included in operations for the years ended May 31, 2024 and 2023 was \$542,668 and \$486,792, respectively.

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

NOTE 15. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets 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. Contributions of nonfinancial assets consisted of the following for the years ended May 31:

	<u>Program or Support</u>	<u>2024</u>	<u>2023</u>
Legal services	Administration	\$ 7,205	\$ 1,241
Printing and advertising	Ballet company	229,097	69,414
Goods and services	Ballet company	9,117	25,030
Hospitality food	Fundraising	39,839	17,850
		<u>\$ 285,258</u>	<u>\$ 113,535</u>

NOTE 16. 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, 2024 and 2023, the employer made a contribution to the plan of \$20,000. For the years ended May 31, 2024 and 2023, the deferred compensation balance was \$115,000 and \$95,000, respectively. All employee and employer contributions are 100% vested at time of deposit.

NOTE 17. RECENTLY ADOPTED ACCOUNTING STANDARDS

On June 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss that is referred to as the current credit loss (“CECL”) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including contract receivables.

The Organization adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after June 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new methodology did not have a financial impact on the Organization.

NOTE 18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 26, 2024, the date which the financial statements were available to be issued.