

**SARASOTA BALLET OF FLORIDA, INC.**  
**FINANCIAL REPORT**  
**MAY 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of Sarasota Ballet of Florida, Inc. (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of May 31, 2016, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The prior period financial statements were audited by a predecessor auditor who issued an unmodified opinion dated October 14, 2015. As discussed in Note N to these financial statements, the previous issued financial statements have been restated for the correction of material misstatements identified during the current audit. We have audited these adjustments, and in our opinion such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
October 11, 2016

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MAY 31, 2016**

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ASSETS	
Current assets	
Cash	\$ 1,183,636
Investments, at fair value	2,902,228
Pledges receivable	140,000
Accounts receivable	116,726
Prepaid expenses	<u>213,202</u>
Total current assets	<u>4,555,792</u>
Property and equipment, net of accumulated depreciation	1,176,122
Pledge receivables	400,000
Prepaid expenses, long term license fees	48,871
Other assets	<u>7,444</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,188,229</u></b>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	50,628
Accrued expenses	66,870
Deferred revenue	<u>900,210</u>
Total current liabilities	<u>1,017,708</u>
Net Assets	
Unrestricted	2,573,211
Temporarily restricted	1,997,310
Permanently restricted	<u>600,000</u>
Total net assets	<u>5,170,521</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,188,229</u></b>

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See Notes to Financial Statements.

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MAY 31, 2016**

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Changes in unrestricted net assets	
Operating revenues	
Ticket sales	\$ 1,724,715
Tuition and school revenues	536,661
Fundraising revenues	31,051
Program book revenues	61,026
Investment returns, net	(5,377)
SBA dues revenues	29,805
Rental income	21,847
	2,399,728
Public support	
Contributions - in kind	462,202
Contributions	2,837,072
	3,299,274
Governmental support	
	163,930
Total operating revenues and support	5,862,932
Expenses	
Program services	6,219,255
Management and general	724,499
Fundraising	254,820
	7,198,574
Total operating deficit	(1,335,642)
Net assets released from restrictions	887,496
Decrease in unrestricted net assets	(448,146)
Changes in temporarily restricted net assets	
Contributions	2,133,493
Investment returns, net	(7,175)
Net assets released from restrictions	(887,496)
	1,238,822
Change in net assets	790,676
Net assets, beginning of year as previously reported	4,474,748
Adjustments to beginning net assets	(94,903)
Net assets, beginning of year, restated	4,379,845
Net assets, end of year	\$ 5,170,521

See notes to the financial statements

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MAY 31, 2016**

	Program Services	Management and General	Fundraising	Total
Leased Employees	2,429,378	448,618	157,545	3,035,541
Payroll Taxes and fees	177,595	105,404	11,104	294,103
Contract Services	486,007	-	-	486,007
Accounting and Audit	-	9,999	-	9,999
Advertising and Promotions	376,742	-	-	376,742
Automobile Insurance	2,739	-	-	2,739
Bank Service Charges	-	5,008	-	5,008
Box Office Expenses	27,779	-	-	27,779
Catering	159,811	-	59,143	218,954
Computer Software and Support	10,448	24	3,050	13,522
Credit Card Processing Fees	-	77,542	-	77,542
Depreciation	111,983	23,416	-	135,399
DNG Scholarships	247,426	-	-	247,426
Dues and Subscriptions	-	11,222	-	11,222
Friends of Sarasota Ballet	30,256	-	-	30,256
Program Book Expense	650	-	-	650
Insurance Health and Life	120,294	24,418	7,647	152,359
Insurance Workers Compensation	114,116	-	-	114,116
Insurance General Liability	20,583	-	-	20,583
Leases of Equipment	-	6,194	-	6,194
Legal	44,998	-	-	44,998
License and Royalties	110,566	-	-	110,566
Live Music	404,567	-	-	404,567
Loss on Disposal of Assets	180,751	-	-	180,751
Margaret Barbieri Conservatory	143,043	-	-	143,043
Meals and Entertainment	4,721	10,208	1,865	16,794
Medical Expenses	14,465	-	-	14,465
Miscellaneous	7,851	-	-	7,851
Outreach	11,140	-	-	11,140
Photography/Video	19,330	-	-	19,330
Postage	10,597	-	6,368	16,965
Presenting Fee	45,000	-	-	45,000
Printing	80,163	-	-	80,163
Recognition/Gifts/Flowers	6,596	-	-	6,596
School Expenses	242,465	-	-	242,465
Set, Scenery and Props	138,877	-	-	138,877
Shoes and Costumes	116,642	-	-	116,642
Staff Development	6,488	-	-	6,488
Summer Intensive	68,810	-	-	68,810
Supplies	17,052	2,440	-	19,492
Telephone	14,311	6	-	14,317
Ticket Donations	8,733	-	-	8,733
Transportation/Shipping	41,707	-	-	41,707
Travel and Lodging	157,942	-	-	157,942
Website and Social Media	6,633	-	8,098	14,731
<b>Total Functional Expenses</b>	<b>6,219,255</b>	<b>724,499</b>	<b>254,820</b>	<b>7,198,574</b>

See Notes to Financial Statements

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MAY 31, 2016**

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Cash flows from operating activities	
Change in net assets	790,676
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	135,399
Realized and unrealized loss on investments	67,255
Loss on disposal of assets	17,191
Write-off of intangible asset	163,561
Change in operating assets and liabilities:	
Pledges receivables	(540,000)
Accounts receivable	(15,375)
Prepaid expenses	(105,697)
Other assets	11,310
Accounts payable	22,213
Accrued expenses	(42,249)
Deferred revenue	224,665
Net cash provided by operating activities	<u>728,949</u>
 Cash flows from investing activities	
Purchase of property and equipment	(538,234)
Net change in investments	<u>(539,775)</u>
Net cash used in investing activities	<u>(1,078,009)</u>
 Net decrease in cash	(349,060)
 Cash, beginning of year, restated	<u>1,532,696</u>
 Cash, end of year	<u><u>1,183,636</u></u>

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See Notes to Financial Statements.



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

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**NOTE A – ORGANIZATION**

The Sarasota Ballet of Florida, Inc. is a Florida non-profit corporation chartered on April 10, 1989. The Ballet 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 B – 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 three classes: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

Net assets of the two restricted classes 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 the unrestricted class.

**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**

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**NOTE B – 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.

**Pledges Receivable**

Pledges made by donors are initially considered to temporarily restricted and become unrestricted upon satisfaction of such restriction, which is typically a stipulated time restriction or purpose restriction.

**Allowance for Doubtful Accounts**

The Organization uses the allowance method to account for uncollectible receivables. As of May 31, 2016, all receivables are considered fully collectible.

**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 either temporarily or permanently restricted support 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), temporarily restricted net assets are reclassified as unrestricted net assets 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 unrestricted support. All promises to give that are due within the next twelve months are considered fully collectible by management.

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

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 five to twenty 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 program book advertising for the upcoming season and tuition for ballet school classes held in the summer subsequent to the fiscal year end May 31, 2016.

**Donated services**

During the year ended May 31, 2016, 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 Ballet, but these tasks do not meet the requirements for recognition.

**Functional Allocation of Expenses**

Expenses are charged directly to the program or management and general categories based on specific identification. Indirect expenses have been allocated to management and general expenses or fund raising. Accordingly, certain expenses may have been allocated among the programs and supporting services in reasonable ratios determined by management.

**Income Tax Status**

The Organization is a nonprofit 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 year ended May 31, 2016, the Organization incurred no income tax expense.

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.

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

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 for the Ballet.

**Fair Value of Financial Instruments**

The Organization has adopted FASB's fair value measurement and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

**Advertising**

The Organization expenses advertising costs in the period incurred. For the year ended May 31, 2016 advertising costs totaled \$376,742.

**NOTE C – PLEDGES RECEIVABLE**

Pledges receivable are due to be collected as follows as of May 31, 2016:

Gross amounts due in	
One year	\$ 140,000
Two to five years	<u>400,000</u>
	<u>\$ 540,000</u>

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment for the year ended May 31, 2016 consists of the following:

Costumes and scenery	\$ 964,829
Production equipment	371,835
Management equipment	351,136
Vehicles	131,047
Website	<u>67,000</u>
Total property and equipment	<u>1,885,847</u>
Less: accumulated depreciation	<u>(709,725)</u>
Net property and equipment	<u>\$ 1,176,122</u>

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

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**NOTE E – INVESTMENTS**

Investments for the year ended May 31, 2016 consists of the following:

Money market funds	\$ 39,444
Mutual Funds	
Equities	1,791,176
Fixed Income	1,025,603
Pooled investments	<u>46,005</u>
	<u><u>\$ 2,902,228</u></u>

During the year ended May 31, 2016, net investment income consisted of the following:

Interest and dividends	\$ 68,831
Net realized loss	(885)
Net unrealized loss	<u>(66,370)</u>
	<u><u>\$ 1,576</u></u>

Investment fees of \$14,128 are netted with investment returns on the statement of activities.

**NOTE F - FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FSB) 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);

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

**NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2016 by ASC 820 valuation hierarchy (as described above)

Description	Level 1	Level 2	Level 3	Total
Money markets	\$ 39,444	-	-	\$ 39,444
Mutual funds				
Equities	1,791,176	-	-	1,791,176
Fixed income	1,025,603	-	-	1,025,603
Pooled Investment	41,824	-	4,181	46,005
Total assets at fair value	<u>\$ 2,898,047</u>	<u>-</u>	<u>4,181</u>	<u>\$ 2,902,228</u>

**NOTE G - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets for the year ended May 31, 2016 are available for the following programs or uses:

Live Music Program	\$ 508,911
Operations 2016-2017	30,997
Touring	14,850
Building the Future	265,614
Capital Campaign	1,000,000
Dance the Next Generation	130,933
Community Foundation:	
Dance the Next Generation	25,959
Operating	20,046
Total temporarily restricted net assets	<u>\$ 1,997,310</u>

Temporarily restricted net assets are maintained in cash, money market and investment accounts. \$500,000 of the capital campaign funds represents a pledge receivable.

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

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**NOTE H – ENDOWMENT**

The Organization’s endowment consist of funds established for a variety of purposes from donor-restricted funds. 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 Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. This endowment is managed by the investment committee which is a subcommittee of the finance committee and appointed by the Finance Chair.

**Interpretation of Relevant Law**

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the 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.

As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. These funds are maintained in an investment account.

Endowment net asset composition by type of fund as of May 31, 2016 consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	219,760	600,000	\$ 819,760

Changes in the endowment by net asset class for the year ended May 31, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance June 1, 2015	\$ 226,113	600,000	\$ 826,113
Dividends and interest	18,349	-	18,349
Change in market value	(20,738)	-	(20,738)
Investment fees	(3,964)	-	(3,964)
Ending Balance May 31, 2016	\$ 219,760	600,000	\$ 819,760

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

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**NOTE H – ENDOWMENT (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, 2016.

**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 agency funds. Under this policy, as approved by the Board of Directors, 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**

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**NOTE I - 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.

**NOTE J – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions during fiscal year 2016, by incurring expenses satisfying the restricted purpose specified by donees.

**NOTE K - LEASE COMMITMENTS**

On July 1, 1996, 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.

**NOTE L – RELATED PARTY LEASES**

The Organization has a lease agreement with a member of the Board of Directors, to provide space for the Dance Next Generation program and the Margaret Barbieri Conservatory. Rental expense related to this lease was \$105,000 for the year ended May 31, 2016.

Future minimum lease payments are as follows:

Year ending May 31:		
2017	\$	108,150
2018		111,395
2019		114,736
2020		118,178
2021		121,724
Thereafter		524,524
Total future minimum lease payments	\$	<u>1,098,707</u>

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

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**NOTE M – 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 year ended May 31, 2016 was \$462,202.

**NOTE N - PRIOR PERIOD ADJUSTMENTS**

Beginning unrestricted net assets of the Ballet as of May 31, 2015, were restated for three prior period adjustments. The overall net effect was a decrease of \$94,903 to unrestricted net assets.

The following summarizes the prior period adjustments referred to above:

Unrestricted net assets as previously reported, May 31, 2015	\$ 4,474,748
Recording of discretionary cash expenses	(26,062)
Accrual of compensated absences	(40,091)
Expensing of feasibility study	<u>(28,750)</u>
Unrestricted net assets, restated May 31, 2015	<u>\$ 4,379,845</u>

**NOTE O - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 11, 2016, the date which the financial statements were available to be issued.

The Ballet has entered into an agreement through May 2017 with Sarasota Contemporary Dance to provide box office services for their performances. This agreement may be renewed by mutual agreement and must be in writing. The Ballet will earn \$3.00 per ticket sold plus \$50.00 per hour for time over and above its normal operating hours on performance days.