

**SARASOTA BALLET OF FLORIDA, INC.**  
**FINANCIAL REPORT**  
**May 31, 2018**

**SARASOTA BALLET OF FLORIDA, INC.**

**FINANCIAL REPORT  
MAY 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Sarasota Ballet of Florida, Inc. (a non-profit organization) which comprise the statements of financial position as of May 31, 2018 and 2017, 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, 2018 and 2017, 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.

Bradenton, Florida  
October 25, 2018

*Mauldin & Jenkins, LLC*

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	ASSETS	May 31,	
		2018	2017
Current assets			
Cash		\$ 1,649,300	\$ 1,352,604
Investments, at fair value		3,222,177	3,081,593
Accounts receivable		181,451	215,424
Pledge receivables, current		14,890	-
Prepaid expenses		169,465	208,871
Total current assets		<u>5,237,283</u>	<u>4,858,492</u>
Property and equipment, net of accumulated depreciation		975,303	1,079,228
Pledge receivables		25,571	-
Prepaid expenses, long term license fees		92,675	76,734
Other assets		12,824	5,625
<b>TOTAL ASSETS</b>		<u><u>\$ 6,343,656</u></u>	<u><u>\$ 6,020,079</u></u>
	<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities			
Accounts payable		\$ 64,000	\$ 62,616
Accrued expenses		84,282	60,289
Deferred revenue		671,065	704,104
Total current liabilities		<u>819,347</u>	<u>827,009</u>
Deferred compensation		15,000	-
Total liabilities		<u>834,347</u>	<u>827,009</u>
Net Assets			
Unrestricted		2,776,604	2,587,070
Temporarily restricted		2,132,506	1,996,208
Permanently restricted		600,199	609,792
Total net assets		<u>5,509,309</u>	<u>5,193,070</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 6,343,656</u></u>	<u><u>\$ 6,020,079</u></u>

See notes to the financial statements.

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES**

	For the year ended May 31,	
	2018	2017
Changes in unrestricted net assets		
Revenues		
Ticket sales	\$ 1,772,733	\$ 1,961,240
Tuition and school revenues	598,379	486,965
Fundraising revenues	124,718	208,489
Program book revenues	85,064	83,607
Investment return, net	148,586	123,096
FSB revenues	39,863	42,161
Rental income	42,497	42,462
Other income	-	383,289
	<u>2,811,840</u>	<u>3,331,309</u>
Public support		
Contributions - in kind	314,056	359,040
Contributions	3,296,887	2,782,058
	<u>3,610,943</u>	<u>3,141,098</u>
Governmental support	<u>139,103</u>	<u>213,208</u>
Total unrestricted revenues and support	6,561,886	6,685,615
Functional expenses		
Program services		
Production and company	4,622,680	4,990,418
School	221,865	302,697
Margaret Barbieri Conservatory	319,513	292,847
Dance the Next Generation	340,613	325,578
Summer programs	222,014	229,724
Supporting services		
Management and general	593,288	486,219
Fundraising	573,806	730,952
	<u>6,893,779</u>	<u>7,358,435</u>
Net assets released from restrictions	<u>521,427</u>	<u>686,679</u>
Increase in unrestricted net assets	189,534	13,859
Changes in temporarily restricted net assets		
Contributions	570,786	1,538,485
Write off of pledge receivable	-	(500,000)
Return of pledge received	-	(400,000)
Investment return, net	86,939	47,092
Net assets released from restrictions	(521,427)	(686,679)
	<u>136,298</u>	<u>(1,102)</u>
Increase (decrease) in temporarily restricted net assets		
Changes in permanently restricted net assets		
Investment return, net	(9,593)	9,792
	<u>(9,593)</u>	<u>9,792</u>
Change in net assets	316,239	22,549
Net assets, beginning of year	<u>5,193,070</u>	<u>5,170,521</u>
Net assets, end of year	<u>\$ 5,509,309</u>	<u>\$ 5,193,070</u>

See notes to the financial statements.

**SARASOTA BALLET OF FLORIDA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2018**

	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	\$ 2,264,984	\$ 143,844	\$ 147,033	\$ 168,506	\$ 65,428	\$ 2,789,795	\$ 347,155	\$ 219,330	\$ 3,356,280	
Professional services and fees	44,511	-	-	-	-	44,511	39,177	32,500	116,188	
Office expense	6,356	3,513	6,938	16,297	409	33,513	125,283	4,737	163,533	
Telephone	5,488	750	1,120	1,814	300	9,472	11,081	1,300	21,853	
Postage and shipping	37,331	-	-	14	622	37,967	2,735	20,498	61,200	
Rental and maintenance	191,611	34,483	81,679	64,458	2,365	374,596	5,694	8,900	389,190	
Advertising and marketing	419,256	14,472	7,589	184	20,027	461,528	4,945	33,808	500,281	
Travel	146,727	1,945	395	15,664	11,212	175,943	3,787	13,344	193,074	
Dues and subscriptions	2,397	2,858	44	89	-	5,388	7,001	3,359	15,748	
Insurance	4,981	-	-	-	-	4,981	27,359	-	32,340	
Miscellaneous	42,339	378	15,730	9,247	1,250	68,944	5,172	2,425	76,541	
Live music	267,213	-	-	-	336	267,549	-	145	267,694	
Costumes and sets	152,099	12,618	13,715	10,143	1,713	190,288	-	2,402	192,690	
Box office expense	32,472	-	-	-	-	32,472	-	-	32,472	
Shoe expense	76,994	-	-	-	-	76,994	-	-	76,994	
Catering and refreshments	13,687	47	-	-	375	14,109	3,465	203,782	221,356	
Scholarships	-	-	39,452	46,440	31,075	116,967	-	-	116,967	
Contracted services	591,601	-	600	800	7,676	600,677	-	11,144	611,821	
License fees and royalties	150,041	-	-	-	-	150,041	-	480	150,521	
Room and board	-	-	-	-	74,008	74,008	-	-	74,008	
Friends of Ballet expenses	26,658	-	-	-	-	26,658	-	-	26,658	
Physical therapy and medical expenses	22,453	-	-	-	-	22,453	-	-	22,453	
Total expenses before depreciation	4,499,199	214,908	314,295	333,656	216,796	5,578,854	582,854	558,154	6,719,862	
Depreciation	123,481	6,957	5,218	6,957	5,218	147,831	10,434	15,652	173,917	
Total expenses	\$ 4,622,680	\$ 221,865	\$ 319,513	\$ 340,613	\$ 222,014	\$ 5,726,685	\$ 593,288	\$ 573,806	\$ 6,893,779	

See notes to the financial statements.

**SARASOTA BALLET OF FLORIDA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2017**

	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	\$ 2,550,160	\$ 225,763	\$ 152,733	\$ 159,277	\$ 97,635	\$ 3,185,568	\$ 273,542	\$ 206,612	\$ 3,665,722	
Professional services and fees	97,603	-	580	-	-	98,183	33,870	3,968	136,021	
Office expense	8,348	3,435	7,574	19,416	639	39,412	96,266	3,985	139,663	
Telephone	5,553	1,600	1,854	2,557	300	11,864	9,865	850	22,579	
Postage and shipping	53,197	6	283	-	606	54,092	2,683	30,520	87,295	
Rental and maintenance	194,817	28,508	82,554	65,349	1,588	372,816	4,825	5,617	383,258	
Advertising and marketing	448,960	18,745	7,114	1,257	40,197	516,273	770	63,821	580,864	
Travel	274,836	1,049	2,719	2,401	4,539	285,544	7,013	71,412	363,969	
Dues and subscriptions	1,450	2,488	1,310	-	-	5,248	6,708	275	12,231	
Insurance	2,520	-	-	7,716	-	10,236	21,252	-	31,488	
Miscellaneous	11,924	2,036	1,300	972	1,570	17,802	2,359	13,719	33,880	
Live music	312,576	-	280	-	605	313,461	-	6,095	319,556	
Costumes and sets	105,562	10,885	4,455	18,357	-	139,259	-	1,313	140,572	
Box office expense	38,573	-	-	-	-	38,573	50	148	38,771	
Shoe expense	101,733	-	-	-	-	101,733	-	-	101,733	
Catering and refreshments	3,176	248	-	11,712	-	15,136	-	244,519	259,655	
Scholarships	-	-	19,610	28,020	-	47,630	-	-	47,630	
Contracted services	472,818	1,137	5,372	1,790	1,916	483,033	-	61,321	544,354	
License fees and royalties	141,175	43	43	-	-	141,261	-	1,580	142,841	
Room and board	-	-	-	-	75,063	75,063	-	-	75,063	
Friends of Ballet expenses	45,809	-	-	-	-	45,809	-	-	45,809	
Physical therapy and medical expenses	16,628	-	-	-	-	16,628	-	-	16,628	
Total expenses before depreciation	4,887,418	295,943	287,781	318,824	224,658	6,014,624	459,203	715,755	7,189,582	
Depreciation	103,000	6,754	5,066	6,754	5,066	126,640	27,016	15,197	168,853	
Total expenses	\$ 4,990,418	\$ 302,697	\$ 292,847	\$ 325,578	\$ 229,724	\$ 6,141,264	\$ 486,219	\$ 730,952	\$ 7,358,435	

See notes to the financial statements.



**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENTS OF CASH FLOWS**

	For the year ended May 31,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 316,239	\$ 22,549
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	173,917	168,853
Realized and unrealized gain on investments	(151,579)	(160,361)
Loss on disposal of assets	34,799	5,640
Write off of pledge receivable	-	500,000
Change in operating assets and liabilities		
Accounts receivable	33,973	(98,698)
Pledge receivable	(40,461)	40,000
Prepaid expenses	23,465	(23,532)
Other assets	(7,199)	1,819
Accounts payable	1,384	11,988
Accrued expenses	23,993	(6,581)
Deferred revenue	(33,039)	(196,106)
Deferred compensation	15,000	-
Net cash provided by operating activities	<u>390,492</u>	<u>265,571</u>
Cash flows from investing activities		
Purchase of property and equipment	(104,791)	(77,599)
Purchases of investments	(330,502)	(20,186)
Sales of investments	341,497	1,182
Net cash used in investing activities	<u>(93,796)</u>	<u>(96,603)</u>
Net increase in cash	296,696	168,968
Cash, beginning of year	<u>1,352,604</u>	<u>1,183,636</u>
Cash, end of year	<u>\$ 1,649,300</u>	<u>\$ 1,352,604</u>

See notes to the 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. (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 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.

**Allowance for Doubtful Accounts**

The Organization uses the allowance method to account for uncollectible receivables. As of May 31, 2018 and 2017, 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.

**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 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.

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

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

**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 Summer Intensive classes held in the summer subsequent to the fiscal year end May 31, 2018.

**Donated Services**

During the years ended May 31, 2018 and 2017, 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.

**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 year ended May 31, 2018, the Organization incurred \$4,070 in tax expense. There was no tax expense for the year ended May 31, 2017.

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.

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

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

**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 years ended May 31, 2018 and 2017, advertising costs totaled \$500,281 and \$580,864, respectively.

**NOTE C – PLEDGE RECEIVABLES**

Pledge receivables are due to be collected as follows at May 31, 2018:

Gross amounts due in		
One year	\$	14,890
One to four years		<u>25,571</u>
Total pledge receivables	\$	<u><u>40,461</u></u>

During the year ended May 31, 2017, the Organization determined it would be unable to fulfill a donor imposed restriction to build a new studio. Therefore, a pledge that was established in a prior year was written off. The cumulative effect of this pledge receivable writeoff resulted in a reduction of ending net assets in the amount of \$500,000.

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

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**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment for the years ended May 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Costumes and scenery	\$ 976,502	\$ 974,132
Production equipment	327,376	382,079
Management equipment	349,872	342,855
Vehicles	154,118	131,046
Website	67,000	67,000
CIP - School Build Out	25,732	-
Total property and equipment	<u>1,900,600</u>	<u>1,897,112</u>
Less: accumulated depreciation	<u>(925,297)</u>	<u>(817,884)</u>
Net property and equipment	<u>\$ 975,303</u>	<u>\$ 1,079,228</u>

Depreciation expense was \$173,917 and \$168,853 for the years ended May 31, 2018 and 2017, respectively.

**NOTE E – INVESTMENTS**

Investments for the years ended May 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 62,694	\$ 460,844
Mutual Funds		
Equities	1,569,866	1,077,419
Fixed Income	1,536,088	1,493,175
Pooled investments	<u>53,529</u>	<u>50,155</u>
	<u>\$ 3,222,177</u>	<u>\$ 3,081,593</u>

For the years ended May 31, 2018 and 2017, net investment income consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 86,069	\$ 40,022
Fees	(11,716)	(20,403)
Net realized gain	4,383	3,454
Net unrealized gain	<u>147,196</u>	<u>156,907</u>
	<u>\$ 225,932</u>	<u>\$ 179,980</u>

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

**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);

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, 2018 and 2017, by ASC 820 valuation hierarchy (as described above):

Description	2018			Total
	Level 1	Level 2	Level 3	
Money markets	\$ 62,694	\$ -	\$ -	\$ 62,694
Mutual funds				
Equities	1,569,866	-	-	1,569,866
Fixed income	725,852	810,236	-	1,536,088
Pooled investment	50,028	-	3,501	53,529
Total assets at fair value	<u>\$ 2,408,440</u>	<u>\$ 810,236</u>	<u>\$ 3,501</u>	<u>\$ 3,222,177</u>

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

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

Description	2017			Total
	Level 1	Level 2	Level 3	
Money markets	\$ 460,844	\$ -	\$ -	\$ 460,844
Mutual funds				
Equities	1,077,419	-	-	1,077,419
Fixed income	592,637	900,538	-	1,493,175
Pooled investment	45,696	-	4,459	50,155
Total assets at fair value	<u>\$ 2,176,596</u>	<u>\$ 900,538</u>	<u>\$ 4,459</u>	<u>\$ 3,081,593</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, 2018.

	Level 3
Beginning Balance	\$ 4,459
Change in value	<u>(958)</u>
Ending Balance	<u>\$ 3,501</u>

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets for the year ended May 31, 2018 and 2017, are available for the following programs or uses:

	2018	2017
Live Music Program	\$ 801,223	\$ 721,177
Operations	145,000	82,297
Touring	834,430	854,465
Building The Future	288,114	288,114
Capital Projects	10,200	-
Community Foundation:		
Dance The Next Generation	29,154	27,717
Operating	24,385	22,438
Total temporarily restricted net assets	<u>\$ 2,132,506</u>	<u>\$ 1,996,208</u>



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

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**NOTE G – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Temporarily restricted net assets are included in the Statement of Financial Position for the year ended May 31, 2018 and 2017, as follows:

	2018	2017
Cash	\$ 1,277,744	\$ 1,224,876
Investments	854,762	771,332
Total temporarily restricted net assets	\$ 2,132,506	\$ 1,996,208

Net assets were released from donor restrictions during fiscal year 2018 and 2017, by incurring expenses satisfying the restricted purpose specified by donees.

	2018	2017
Live Music Program	\$ 141,576	\$ 2,241
Operations	82,297	-
Touring	46,135	233,560
Capital Projects	-	100,000
Conservatory	6,810	37,200
Dance The Next Generation	243,426	313,678
Community Foundation:		
Dance The Next Generation	1,183	-
Total temporarily restricted net assets	\$ 521,427	\$ 686,679

**NOTE H – ENDOWMENT**

The Organization's endowment consists 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.

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

**NOTE H – ENDOWMENT (CONTINUED)**

As a result of this interpretation, the Organization classifies as permanently restricted net assets: (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. These funds are maintained in an investment account.

Endowment net asset composition by type of fund as of May 31, 2018 and 2017, consists of the following:

2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 221,038	\$ 600,199	\$ 821,237
	-	221,038	600,199	821,237

2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 262,702	\$ 609,792	\$ 872,494
	-	262,702	609,792	872,494

Changes in the endowment by net asset class for the years ended May 31, 2018 and 2017, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance June 1, 2017	\$ 262,702	\$ 609,792	\$ 872,494
Contributions	41,000	-	41,000
Releases from restrictions	(124,036)	-	(124,036)
Dividends and interest	25,012	-	25,012
Unrealized gain(loss)	17,304	(9,593)	7,711
Investment fees	(944)	-	(944)
Ending Balance May 31, 2018	\$ 221,038	\$ 600,199	\$ 821,237

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

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**NOTE H – ENDOWMENT (CONTINUED)**

	Temporarily Restricted	Permanently Restricted	Total
Balance June 1, 2016	\$ 219,760	\$ 600,000	\$ 819,760
Dividends and interest	9,541	-	9,541
Unrealized gain(loss)	36,441	10,592	47,033
Investment fees	(3,040)	(800)	(3,840)
	<u>262,702</u>	<u>609,792</u>	<u>872,494</u>
Ending Balance May 31, 2017	<u>\$ 262,702</u>	<u>\$ 609,792</u>	<u>\$ 872,494</u>

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, 2018.

**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.

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

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**NOTE H – ENDOWMENT (CONTINUED)**

**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 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. As of May 31, 2018 and 2017, the balance included in Investments on the Statement of Financial Position was \$53,529 and \$50,155, respectively.

**NOTE J – 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.

In August 2017, 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 \$10,025.

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

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**NOTE J – LEASE COMMITMENTS (CONTINUED)**

Future minimum lease payments are as follows:

Year ending May 31:	
2019	\$ 12,789
2020	13,045
2021	13,306
2022	13,572
2023	<u>3,410</u>
Total future minimum lease payments	<u>\$ 56,122</u>

The Organization rents theatre space for dance performances at two separate locations. These rental agreements are negotiated per performance and each performance has its own separate rental terms. Rental expense related to these leases total \$171,027 and \$184,515 for the years ended May 31, 2018 and 2017, respectively.

**NOTE K – RELATED PARTY LEASES**

The Organization has a lease agreement with a member of the Board of Directors, to provide space for the Dance the Next Generation program and the Margaret Barbieri Conservatory. Rental expense related to this lease was \$111,124 and \$107,888 for the years ended May 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

Year ending May 31:	
2019	\$ 114,736
2020	118,178
2021	121,724
2022	125,375
2023	129,137
Thereafter	<u>270,012</u>
Total future minimum lease payments	<u>\$ 879,162</u>

**NOTE L – 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, 2018 and 2017, was \$314,056 and \$359,040, respectively.

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

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**NOTE M – DEFERRED COMPENSATION**

During 2017, 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, 2018 the employer made a contribution to the plan of \$15,000 and is reflected as deferred compensation on the Statement of Financial Position. There were no employee contributions for the year ending May 31, 2018. All Employee and Employer contributions are 100% vested at time of deposit.

**NOTE N – SETTLEMENT GAIN**

The Organization received a financial settlement during the year ended May 31, 2017, related to the British Petroleum oil spill. The net settlement amount was \$327,129, which consisted of the total settlement of \$383,289 less amounts due to others \$56,160. No further amounts are expected to be collected in relation to this settlement.

**NOTE O – RECENTLY ISSUED ACCOUNTING STANDARDS**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The guidance simplifies the current net asset classification requirements from three net assets classifications to two. This amendment also improves the information presented in the financial statements and notes regarding liquidity, financial performance, and cash flows. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2017. We are currently evaluating the standard and do not anticipate it will have a material impact on the Organization’s financial statement.

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 in fiscal years that begin after December 31, 2018. We are currently evaluating the magnitude and other potential impacts on the Organizations financial statements.

In May 2014, FASB issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. The amendments in this update require changes to the way not-for-profit entities record revenue. ASU 2014-09 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the effects of ASU 2014-09.

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

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**NOTE P – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 25, 2018, the date which the financial statements were available to be issued.

The Organization entered into a ten year lease agreement for space for a dance studio for the school that expires on July 1, 2028. Terms include rent abatement for one year and rent escalation year two, three and five. Total base rent for the term of the contract is \$315,000.

The Organization entered into a construction contract for the build out of the dance studio noted above. Total construction cost per the contract is \$249,742 with anticipated completion in December 2018.

The Organization established a designated fund of \$166,667 at the Community Foundation of Sarasota County for the Margaret Barbieri Conservatory Program. This fund will be used to fund an annual scholarship of no less than \$7,500 to a senior level dancer for participation in the program. The money was transferred into the fund in July 2018.