

SARASOTA BALLET OF FLORIDA, INC.
FINANCIAL REPORT
MAY 31, 2019

SARASOTA BALLET OF FLORIDA, INC.

**FINANCIAL REPORT
MAY 31, 2019**

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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. (the "Organization") (a non-profit organization) which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, 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.

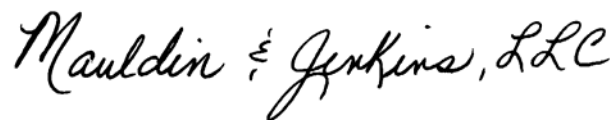
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida
October 30, 2019

SARASOTA BALLET OF FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF MAY 31, 2018)

ASSETS	2019	2018
Current assets		
Cash	\$ 966,611	\$ 1,649,300
Investments, at fair value	2,264,967	2,621,978
Accounts receivable	12,828	181,451
Pledge receivables, current	58,392	14,890
Prepaid expenses	267,971	169,465
Total current assets	<u>3,570,769</u>	<u>4,637,084</u>
Long-term investments, at fair value	603,224	600,199
Property and equipment, net of accumulated depreciation	1,425,601	975,303
Pledge receivables	12,833	25,571
Prepaid expenses, long-term license fees	88,410	92,675
Other assets	11,842	12,824
	<u>2,141,910</u>	<u>1,706,572</u>
TOTAL ASSETS	<u>\$ 5,712,679</u>	<u>\$ 6,343,656</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 87,604	\$ 64,000
Accrued expenses	60,395	84,282
Deferred rent	26,250	-
Deferred revenue	747,167	671,065
Total current liabilities	<u>921,416</u>	<u>819,347</u>
Deferred compensation	30,000	15,000
Total liabilities	<u>951,416</u>	<u>834,347</u>
Net assets		
Without donor restrictions		
Undesignated	2,680,903	2,776,604
Designated by the board for deferred compensation	29,345	-
With donor restrictions		
Time or purpose	1,447,791	2,132,506
Perpetual	603,224	600,199
TOTAL NET ASSETS	<u>4,761,263</u>	<u>5,509,309</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,712,679</u>	<u>\$ 6,343,656</u>

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED MAY 31, 2018)

	Without Donor Restrictions	With Donor Restrictions		2019	2018
		Time and Purpose	Perpetual		
Support, revenue and releases					
Revenues					
Ticket sales	\$ 1,851,395	\$ -	\$ -	\$ 1,851,395	\$ 1,772,733
Tuition and school revenues	581,732	-	-	581,732	598,379
Fundraising revenues	122,451	-	-	122,451	124,718
Program book revenues	92,716	-	-	92,716	85,064
Investment return, net	20,934	53,225	3,025	77,184	225,932
FSB revenues	28,894	-	-	28,894	39,863
Rental income	25,617	-	-	25,617	42,497
Other	8,990	-	-	8,990	-
	<u>2,732,729</u>	<u>53,225</u>	<u>3,025</u>	<u>2,788,979</u>	<u>2,889,186</u>
Public support					
Contributions - in kind	289,971	-	-	289,971	314,056
Contributions	3,013,310	638,895	-	3,652,205	3,867,673
	<u>3,303,281</u>	<u>638,895</u>	<u>-</u>	<u>3,942,176</u>	<u>4,181,729</u>
Governmental support	<u>103,295</u>	<u>-</u>	<u>-</u>	<u>103,295</u>	<u>139,103</u>
Net assets released from restrictions (see Note 8)	<u>1,376,835</u>	<u>(1,376,835)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,516,140</u>	<u>(684,715)</u>	<u>3,025</u>	<u>6,834,450</u>	<u>7,210,018</u>
Functional expenses					
Program services					
Production and company	4,998,808	-	-	4,998,808	4,587,880
School	242,886	-	-	242,886	221,865
Margaret Barbieri Conservatory	521,494	-	-	521,494	319,513
Dance the Next Generation	348,804	-	-	348,804	340,613
Summer programs	205,247	-	-	205,247	222,014
	<u>6,317,239</u>	<u>-</u>	<u>-</u>	<u>6,317,239</u>	<u>5,691,885</u>
Supporting services					
Management and general	632,552	-	-	632,552	593,288
Fundraising	581,326	-	-	581,326	573,806
Total functional expenses	<u>7,531,117</u>	<u>-</u>	<u>-</u>	<u>7,531,117</u>	<u>6,858,979</u>
Other					
Loss on disposal of assets	51,379	-	-	51,379	34,800
Change in net assets	(66,356)	(684,715)	3,025	(748,046)	316,239
Net assets, beginning of year	<u>2,776,604</u>	<u>2,132,506</u>	<u>600,199</u>	<u>5,509,309</u>	<u>5,193,070</u>
Net assets, end of year	<u>\$ 2,710,248</u>	<u>\$ 1,447,791</u>	<u>\$ 603,224</u>	<u>\$ 4,761,263</u>	<u>\$ 5,509,309</u>

See Notes to Financial Statements.

**SARASOTA BALLET OF FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2019**

	Program Services				Supporting Services				
	Production and Company	School	Margaret Barbieri Conservatory	Dance the Next Generation	Summer Programs	Total Program Expenses	Management and General	Fundraising	Total Program and Supporting Services
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and benefits	7,197	705	-	35	-	7,937	58,837	18,589	3,686,403
Professional services and fees	6,035	4,715	6,183	16,398	1,699	35,030	135,908	2,578	85,333
Office expense	4,254	2,311	1,228	2,139	200	10,132	9,812	2,100	173,516
Telephone	58,275	-	-	-	-	58,275	2,972	3,737	22,044
Postage and shipping	198,048	38,956	82,562	66,615	2,143	388,324	7,241	783	64,984
Rental and maintenance	470,308	14,043	5,689	2,060	20,262	512,342	1,577	14,836	396,348
Advertising and marketing	174,348	20	7,346	13,036	5,906	200,656	5,954	38,256	528,755
Travel	975	2,232	303	98	-	3,608	7,225	5,244	244,866
Dues and subscriptions	7,141	-	-	-	-	7,141	22,568	-	16,077
Insurance	4,903	255	181,374	6,299	376	193,207	667	2,600	29,709
Miscellaneous	257,590	-	-	-	-	257,590	-	-	196,474
Live music	165,886	12,819	20,858	10,972	3,835	214,370	-	-	257,590
Costumes and sets	29,100	-	-	-	-	29,100	31	-	214,370
Box office expense	99,378	-	-	-	-	99,378	-	-	29,131
Shoe expense	11,576	151	-	-	-	11,727	1,411	-	99,378
Catering and refreshments	-	-	-	-	-	-	-	-	129,209
Gala expenses	-	-	-	-	-	-	-	-	197,324
Scholarships	-	-	30,673	47,725	29,538	107,936	-	-	107,936
Contracted services	601,759	-	200	625	4,525	607,109	-	-	607,109
License fees and royalties	174,364	-	-	-	-	174,364	-	-	174,364
Room and board	-	-	-	-	47,399	47,399	-	-	47,399
Friends of Ballet expenses	34,212	-	-	-	-	34,212	-	-	34,212
Physical therapy and medical expenses	17,695	-	100	-	40	17,835	499	-	18,334
Total expenses before depreciation	4,877,930	236,076	516,386	341,994	200,139	6,172,525	622,337	566,003	7,360,865
Depreciation	120,878	6,810	5,108	6,810	5,108	144,714	10,215	15,323	170,252
Total expenses	\$ 4,998,808	\$ 242,886	\$ 521,494	\$ 348,804	\$ 205,247	\$ 6,317,239	\$ 632,552	\$ 581,326	\$ 7,531,117

See Notes to Financial Statements.

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

	Program Services						Supporting Services		
	Production and Company	School	Margaret Barbieri Conservatory	Dance the Next Generation	Summer Programs	Total Program Expenses	Management and General	Fundraising	Total Program and Supporting Services
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	7,539	378	15,730	9,247	1,250	34,144	5,172	2,425	41,741
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	4,464,399	214,908	314,295	333,656	216,796	5,544,054	582,854	558,154	6,685,062
Depreciation	123,481	6,957	5,218	6,957	5,218	147,831	10,434	15,652	173,917
Total expenses	\$ 4,587,880	\$ 221,865	\$ 319,513	\$ 340,613	\$ 222,014	\$ 5,691,885	\$ 593,288	\$ 573,806	\$ 6,858,979

See Notes to Financial Statements.

SARASOTA BALLET OF FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (748,046)	\$ 316,239
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	170,252	173,917
Realized and unrealized loss/(gain) on investments	8,786	(151,579)
Loss on disposal of assets	51,379	34,800
Change in operating assets and liabilities		
Accounts receivable	168,623	33,973
Pledge receivables	(30,764)	(40,461)
Prepaid expenses	(94,241)	23,465
Other assets	982	(7,199)
Accounts payable	23,604	1,384
Accrued expenses	(23,887)	23,993
Deferred revenue	76,102	(33,039)
Deferred rent	26,250	-
Deferred compensation	15,000	15,000
Net cash (used in) provided by operating activities	(355,960)	390,493
Cash flows from investing activities		
Purchase of property and equipment	(671,929)	(104,790)
Purchases of investments	(467,167)	(330,502)
Sales of investments	812,367	341,497
Net cash used in investing activities	(326,729)	(93,795)
Net (decrease) increase in cash	(682,689)	296,696
Cash, beginning of year	1,649,300	1,352,604
Cash, end of year	\$ 966,611	\$ 1,649,300
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 2,318	\$ 4,070

See Notes to Financial Statements.

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

NOTE 1 – ORGANIZATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

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

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

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

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

Allowance for Doubtful Accounts

The Organization uses the allowance method to account for uncollectible receivables. As of May 31, 2019 and 2018, all receivables are considered fully collectible.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. From time to time the Board designates certain recurring and/or non-recurring items for use on specific future projects. The Board has designated \$29,345 of net assets for future projects and capital needs.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as net assets without donor restrictions. All promises to give are considered fully collectible by management.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the lives of the assets ranging from three to 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 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, 2019.

Donated Services

During the years ended May 31, 2019 and 2018, the value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these tasks do not meet the requirements for recognition.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Income Tax Status

The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). However, the Organization is subject to income tax on unrelated business income. For the years ended May 31, 2019 and 2018, the Organization incurred tax expense of \$2,318 and \$4,070, respectively.

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

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

Fair Value of Financial Instruments

The Organization 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, 2019 and 2018, advertising costs totaled \$528,755 and \$500,281, respectively.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

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

Summarized Financial Information for 2018

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended May 31, 2018, from which the summarized information was derived.

Changes in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on the change in the Organization's net position as previously reported.

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

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

The Organization’s endowment investment policy employs the following principals: preservation of capital, risk aversion, adherence to investment discipline, and maintenance of sufficient liquidity to meet its cash needs.

The following tables reflect the Organization’s total financial assets as of May 31, 2019, and the amounts of those financial assets which could be made available within twelve months to meet operating expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 966,611
Accounts receivable	12,828
Pledges receivable	71,225
Investments	2,868,191
Total financial assets at year-end	<u>\$ 3,918,855</u>

Financial assets available to meet operating expenditures over the next 12 months	
Cash and equivalents	\$ 966,611
Accounts receivable	12,828
Pledges for operating expenditure due in one year or less	58,392
Investments not encumbered by donor or board restrictions	787,831
Financial assets available to meet operating expenditures	<u>\$ 1,825,662</u>

NOTE 4 – PLEDGE RECEIVABLES

Pledge receivables are due to be collected as follows at May 31, 2019:

Gross amounts due in	
One year	\$ 58,392
One to four years	12,833
Total pledge receivables	<u>\$ 71,225</u>

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

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment for the years ended May 31, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Costumes and scenery	\$ 1,166,965	\$ 976,502
Production equipment	289,226	327,376
Management equipment	357,462	349,872
Vehicles	154,118	154,118
Website	67,000	67,000
CIP - school build out	-	25,732
Leasehold improvements	<u>324,207</u>	<u>-</u>
Total property and equipment	<u>2,358,978</u>	<u>1,900,600</u>
Less: accumulated depreciation	<u>(933,377)</u>	<u>(925,297)</u>
Net property and equipment	<u>\$ 1,425,601</u>	<u>\$ 975,303</u>

Depreciation expense was \$170,252 and \$173,917, for the years ended May 31, 2019 and 2018, respectively.

NOTE 6 – INVESTMENTS

Investments for the years ended May 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 296,055	\$ 62,694
Mutual funds		
Equities	1,170,490	1,569,866
Fixed Income	1,347,866	1,536,088
Pooled investments	<u>53,780</u>	<u>53,529</u>
	<u>\$ 2,868,191</u>	<u>\$ 3,222,177</u>

For the years ended May 31, 2019 and 2018, net investment income consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 97,777	\$ 86,069
Fees	(11,807)	(11,716)
Net realized gain	48	4,383
Net unrealized (loss) gain	<u>(8,834)</u>	<u>147,196</u>
	<u>\$ 77,184</u>	<u>\$ 225,932</u>

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

NOTE 7 – 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 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following represents assets carried at fair value as of May 31, 2019 and 2018, by ASC 820 valuation hierarchy (as described above):

May 31, 2019				
Description	Level 1	Level 2	Level 3	Total
Money markets	\$ 296,055	\$ -	\$ -	\$ 296,055
Mutual funds				
Equities	1,170,490	-	-	1,170,490
Fixed income	623,181	724,685	-	1,347,866
Pooled investment	50,984	-	2,796	53,780
Total assets at fair value	\$ 2,140,710	\$ 724,685	\$ 2,796	\$ 2,868,191

May 31, 2018				
Description	Level 1	Level 2	Level 3	Total
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	\$ 2,408,440	\$ 810,236	\$ 3,501	\$ 3,222,177

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, 2019:

	<u>Level 3</u>
Beginning balance	\$ 3,501
Change in value	<u>(705)</u>
Ending balance	<u>\$ 2,796</u>

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

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for time or purpose for the years ended May 31, 2019 and 2018, are available for the following programs or uses:

	<u>2019</u>	<u>2018</u>
Live Music Program	\$ 727,109	\$ 801,223
Operations	166,500	145,000
Touring	491,211	834,430
Building The Future	3,275	288,114
Capital projects	-	10,200
School	5,600	-
Community Foundation:		
Dance The Next Generation	28,886	29,154
Operating	25,210	24,385
	<u>\$ 1,447,791</u>	<u>\$ 2,132,506</u>

Net assets with donor restrictions for time and purpose are included in the Statement of Financial Position for the years ended May 31, 2019 and 2018, as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 666,586	\$ 1,277,744
Investments	781,205	854,762
	<u>\$ 1,447,791</u>	<u>\$ 2,132,506</u>

Net assets were released from donor restrictions during fiscal year 2019 and 2018, by incurring expenses satisfying the restricted purpose specified by donees.

	<u>2019</u>	<u>2018</u>
Live Music Program	\$ 235,797	\$ 141,576
Operations	145,000	82,297
Touring	370,819	46,135
Building The Future	309,839	-
Capital projects	30,200	-
Conservatory	45,190	6,810
Dance The Next Generation	236,580	243,426
School	2,200	-
Community Foundation:		
Dance The Next Generation	1,210	1,183
	<u>\$ 1,376,835</u>	<u>\$ 521,427</u>

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

NOTE 9 – 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.

As a result of this interpretation, the Organization classifies as with donor restrictions-perpetuity: (1) the original value of the gift donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. These funds are maintained in an investment account.

Endowment net asset composition by type of fund as of May 31, 2019 and 2018, consists of the following:

May 31, 2019				
	Without Donor Restrictions	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	Total
Donor-restricted endowment funds	\$ -	\$ 93,598	\$ 603,224	\$ 696,822
May 31, 2018				
	Without Donor Restrictions	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	Total
Donor-restricted endowment funds	\$ -	\$ 221,038	\$ 600,199	\$ 821,237

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

NOTE 9 – ENDOWMENT (CONTINUED)

Changes in the endowment by net asset class for the years ended May 31, 2019 and 2018, are as follows:

	May 31, 2019		
	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	Total
Balance June 1, 2018	\$ 221,038	\$ 600,199	\$ 821,237
Contributions	42,742	-	42,742
Releases from restrictions	(200,419)	-	(200,419)
Dividends and interest	3,012	-	3,012
Unrealized gain	28,002	3,025	31,027
Investment fees	(777)	-	(777)
Ending Balance May 31, 2019	\$ 93,598	\$ 603,224	\$ 696,822

	May 31, 2018		
	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	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

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, 2019.

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.

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

NOTE 9 – ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

NOTE 10 – 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, 2019 and 2018, the balance included in Investments on the statement of financial position was \$53,780 and \$53,529, respectively. Fees related to the administration of the fund paid by the Organization were \$66 and \$101, for the years ended May 31, 2019 and 2018, respectively.

The Organization has a designated fund held at the Community Foundation of Sarasota County for the Margaret Barbieri Conservatory Program which was established in 2019. This fund will be used to fund an annual scholarship of no less than \$7,500 to a senior level dancer for participation in the program. Monies received from this fund will be recorded as grants received in the Statement of Activities. As of May 31, 2019, the balance in the fund was \$167,986. There were no grants issued for the year ending May 31, 2019.

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

NOTE 11 – 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 \$12,789.

In July 2018, the Organization entered into a ten year lease agreement for space for a dance studio for the school. The lease expires on September 30, 2028. Terms include rent abatement for 15 months and rent escalation year two, three and five. Total base rent for the term of the contract is \$315,000. Rent expense related to this lease was \$26,250.

Future minimum lease payments are as follows:

Year ending May 31:	
2020	\$ 26,796
2021	42,057
2022	43,573
2023	42,578
2023	40,001
Thereafter	163,350
Total future minimum lease payments	<u>\$ 358,355</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 \$170,561 and \$171,027, for the years ended May 31, 2019 and 2018, respectively.

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

NOTE 12 – 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 \$114,736 and \$111,124, for the years ended May 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

Year ending May 31:		
2020	\$	118,178
2021		121,724
2022		125,375
2023		129,137
2024		133,011
Thereafter		137,001
Total future minimum lease payments	\$	<u>764,426</u>

NOTE 13 – 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, 2019 and 2018, was \$289,971 and \$314,056, respectively.

NOTE 14 – 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, 2019, the employer made a contribution to the plan of \$30,000, and is reflected as deferred compensation on the statement of financial position. There were no employee contributions for the year ending May 31, 2019. All employee and employer contributions are 100% vested at time of deposit.

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

NOTE 15 – RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. (ASU 2016-02) replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. This will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right of use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 31, 2020. Management is currently evaluating the magnitude and other potential impacts on the Organization’s 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.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 30, 2019, the date which the financial statements were available to be issued.

In June 2019, the Organization entered into a consulting agreement and a sublicensing agreement for the implementation of the Tessitura system. This system will be used for fundraising, subscription and ticketing, marketing and customer relations functions. The initial agreements are for a three year period with total estimated costs over the three year period of approximately \$165,000.