

**SARASOTA BALLET OF FLORIDA, INC.**  
**FINANCIAL REPORT**  
**MAY 31, 2020**

**SARASOTA BALLET OF FLORIDA, INC.**

**FINANCIAL REPORT  
MAY 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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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 statements of financial position as of May 31, 2020 and 2019, 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.

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**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, 2020 and 2019, 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  
November 5, 2020

*Mauldin & Jenkins, LLC*

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2020**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 1,265,400	\$ 936,611
Designated cash	666,979	-
Investments, at fair value	2,436,173	2,264,967
Accounts receivable	10,810	12,828
Grants receivable	92,628	-
Pledge receivables, current	144,229	58,392
Prepaid expenses	300,562	267,971
Total current assets	<u>4,916,781</u>	<u>3,540,769</u>
Cash designated for long-term use	45,000	30,000
Long-term investments, at fair value	613,461	603,224
Property and equipment, net of accumulated depreciation	1,414,525	1,425,601
Pledge receivables	67,808	12,833
Prepaid expenses, long-term license fees	105,749	88,410
Other assets	13,247	11,842
	<u>2,259,790</u>	<u>2,171,910</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 7,176,571</b></u>	<u><b>\$ 5,712,679</b></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 62,929	\$ 87,604
Accrued expenses	70,324	60,395
Deferred rent	48,902	26,250
Line of credit	500,000	-
Loan payable	671,300	-
Deferred revenue	393,918	747,167
Total current liabilities	<u>1,747,373</u>	<u>921,416</u>
Deferred compensation	45,000	30,000
Total liabilities	<u>1,792,373</u>	<u>951,416</u>
Net assets		
Without donor restrictions		
Undesignated	2,134,493	2,680,248
Board Designated	711,979	30,000
With donor restrictions		
Time or purpose	1,924,265	1,447,791
Perpetual	613,461	603,224
<b>TOTAL NET ASSETS</b>	<u><b>5,384,198</b></u>	<u><b>4,761,263</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 7,176,571</b></u>	<u><b>\$ 5,712,679</b></u>

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Support, revenue and releases				
Revenues				
Ticket sales	\$ 1,851,395	\$ -	\$ -	\$ 1,851,395
Tuition and school revenues	581,732	-	-	581,732
Fundraising revenues	122,451	-	-	122,451
Program book revenues	92,716	-	-	92,716
Investment return, net	20,934	53,225	3,025	77,184
FSB revenues	28,894	-	-	28,894
Rental income	25,617	-	-	25,617
Other	8,990	-	-	8,990
	<u>2,732,729</u>	<u>53,225</u>	<u>3,025</u>	<u>2,788,979</u>
Public support				
Contributions - in kind	289,971	-	-	289,971
Contributions	3,013,310	638,895	-	3,652,205
	<u>3,303,281</u>	<u>638,895</u>	<u>-</u>	<u>3,942,176</u>
Governmental support	<u>103,295</u>	<u>-</u>	<u>-</u>	<u>103,295</u>
Net assets released from restrictions (see Note 8)	<u>1,376,835</u>	<u>(1,376,835)</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>
Functional expenses				
Program services				
Production and company	4,998,808	-	-	4,998,808
School	242,886	-	-	242,886
Margaret Barbieri Conservatory	521,494	-	-	521,494
Dance the Next Generation	348,804	-	-	348,804
Summer programs	205,247	-	-	205,247
	<u>6,317,239</u>	<u>-</u>	<u>-</u>	<u>6,317,239</u>
Supporting services				
Management and general	632,552	-	-	632,552
Fundraising	581,326	-	-	581,326
Total functional expenses	<u>7,531,117</u>	<u>-</u>	<u>-</u>	<u>7,531,117</u>
Other				
Loss on disposal of assets	<u>51,379</u>	<u>-</u>	<u>-</u>	<u>51,379</u>
Change in net assets	(66,356)	(684,715)	3,025	(748,046)
Net assets, beginning of year	<u>2,776,604</u>	<u>2,132,506</u>	<u>600,199</u>	<u>5,509,309</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>

See Notes to Financial Statements.

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

	Program Services					Supporting Services			Total Program and Supporting Services
	Production and Company	School	Margaret Barbieri Conservatory	Dance the Next Generation	Summer Programs	Total Program Expenses	Management and General	Fundraising	
Salaries and benefits	\$ 2,516,464	\$ 135,901	\$ 173,087	\$ 155,012	\$ 85,803	\$ 3,066,277	\$ 304,070	\$ 450,211	\$ 3,820,556
Professional services and fees	10,404	-	-	33	-	10,437	32,306	3,370	46,113
Office expense	6,572	5,249	8,450	16,578	3,748	40,597	198,641	12,962	252,200
Telephone	4,893	3,699	823	1,756	300	11,471	12,548	2,250	26,269
Postage and shipping	25,906	-	-	-	-	25,906	2,790	8,981	37,677
Rental and maintenance	126,768	43,938	65,078	65,506	2,146	303,436	7,141	-	310,577
Advertising and marketing	413,956	27,535	15,736	580	26,054	483,861	1,494	37,215	522,570
Travel	94,673	134	926	13,943	9,234	118,910	11,660	4,933	135,503
Dues and subscriptions	1,005	863	73	73	-	2,014	7,949	1,942	11,905
Insurance	7,613	-	-	-	-	7,613	21,405	-	29,018
Miscellaneous	3,158	1,099	18,183	1,088	443	23,971	1,953	9,250	35,174
Live music	125,856	-	-	-	-	125,856	-	-	125,856
Costumes and sets	46,127	8,708	7,130	5,914	3,434	71,313	-	-	71,313
Box office expense	32,680	-	-	-	-	32,680	-	-	32,680
Shoe expense	97,000	-	-	-	-	97,000	-	-	97,000
Catering and refreshments	2,388	-	-	-	-	2,388	-	88,798	91,186
Gala expenses	-	-	-	-	-	-	-	165,823	165,823
Scholarships	-	795	36,143	56,090	41,827	134,855	-	-	134,855
Contracted services	384,547	1,345	-	575	1,843	388,310	-	-	388,310
License fees and royalties	159,353	-	-	-	-	159,353	-	-	159,353
Room and board	-	-	-	-	77,198	77,198	-	-	77,198
Friends of Ballet expenses	33,345	-	-	-	-	33,345	-	-	33,345
Physical therapy and medical expenses	47,083	-	-	-	-	47,083	-	-	47,083
Total expenses before depreciation	4,139,791	229,266	325,639	317,148	252,030	5,263,874	601,957	785,735	6,651,566
Depreciation	133,101	7,499	5,624	7,499	5,624	159,346	11,248	16,872	187,466
Total expenses	\$ 4,272,892	\$ 236,765	\$ 331,263	\$ 324,647	\$ 257,654	\$ 5,423,220	\$ 613,205	\$ 802,607	\$ 6,839,032

See Notes to Financial Statements.



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

	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	\$ 7,197	\$ 159,869	\$ 179,890	\$ 175,992	\$ 84,216	\$ 3,154,853	\$ 367,635	\$ 163,915	\$	\$ 3,686,403
Professional services and fees	6,035	705	-	35	-	7,937	58,837	18,559		85,333
Office expense	4,254	4,715	6,183	16,398	1,699	35,030	135,908	2,578		173,516
Telephone	58,275	2,311	1,228	2,139	200	10,132	9,812	2,100		22,044
Postage and shipping	198,048	-	82,562	66,615	2,143	388,324	2,972	3,737		64,984
Rental and maintenance	470,308	38,956	5,669	2,060	20,262	512,342	7,241	783		396,348
Advertising and marketing	174,348	14,043	7,346	13,036	5,906	200,656	1,577	14,836		528,755
Travel	975	20	-	98	-	3,608	5,954	38,256		244,866
Dues and subscriptions	7,141	2,232	303	-	-	7,141	7,225	5,244		16,077
Insurance	4,903	-	-	-	-	7,141	22,568	-		29,709
Miscellaneous	257,590	255	181,374	6,299	376	193,207	667	2,600		196,474
Live music	165,886	-	-	-	-	257,590	-	-		257,590
Costumes and sets	29,100	12,819	20,858	10,972	3,835	214,370	-	-		214,370
Box office expense	99,378	-	-	-	-	29,100	31	-		29,131
Shoe expense	11,576	151	-	-	-	99,378	-	-		99,378
Catering and refreshments	-	-	-	-	-	11,727	1,411	-		129,209
Gala expenses	-	-	-	-	-	-	-	116,071		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.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 622,935	\$ (748,046)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	187,466	170,252
Realized and unrealized (gain)/loss on investments	(93,327)	8,786
Loss on disposal of assets	217	51,379
Change in operating assets and liabilities		
Accounts receivable	2,018	168,623
Pledge receivables	(140,812)	(30,764)
Grant receivables	(92,628)	-
Prepaid expenses	(49,930)	(94,241)
Other assets	(1,405)	982
Accounts payable	(24,675)	23,604
Accrued expenses	9,929	(23,887)
Deferred revenue	(353,249)	76,102
Deferred rent	22,652	26,250
Deferred compensation	15,000	15,000
Net cash provided by (used in) operating activities	<u>104,191</u>	<u>(355,960)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(176,608)	(671,929)
Purchases of investments	(658,752)	(467,167)
Sales of investments	570,637	812,367
Net cash (used in) investing activities	<u>(264,723)</u>	<u>(326,729)</u>
<b>Cash flows from financing activities</b>		
Proceeds from note payable	671,300	-
Proceeds from line of credit	500,000	-
Net cash provided by financing activities	<u>1,171,300</u>	<u>-</u>
Net increase (decrease) in cash	1,010,768	(682,689)
Cash, beginning of year	<u>966,611</u>	<u>1,649,300</u>
Cash, end of year	<u>\$ 1,977,379</u>	<u>\$ 966,611</u>
<b><u>Cash and Cash equivalents</u></b>		
Cash, unrestricted	1,265,400	936,611
Cash, Board designated	711,979	30,000
	<u>\$ 1,977,379</u>	<u>\$ 966,611</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for interest	<u>\$ 2,617</u>	<u>\$ -</u>
Cash payments for taxes	<u>\$ 3,566</u>	<u>\$ 2,318</u>

**See Notes to Financial Statements.**

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

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**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**

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**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, 2020 and 2019, all receivables are considered fully collectible.

**Net Assets**

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

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

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

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

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**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.

**Donated Services**

During the years ended May 31, 2020 and 2019, 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.

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

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2020 and 2019, the Organization incurred tax expense of \$3,566 and \$2,318, 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, 2020 and 2019, advertising costs totaled \$522,570 and \$528,755, respectively.

**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.

**Change 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 as of June 1, 2018, and has adjusted the presentation in these financial statements accordingly.

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

**NOTE 3. DESIGNATED CASH AND NET ASSETS**

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

	2020	2019
<b>Board Designated</b>		
Operations reserve	\$ 666,979	\$ -
Deferred compensation	45,000	30,000
	\$ 711,979	\$ 30,000

**NOTE 4. LIQUIDITY AND AVAILABILITY**

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

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

	2020	2019
Financial assets at year-end		
Cash and cash equivalents	\$ 1,977,379	\$ 966,611
Accounts receivable	10,810	12,828
Grants receivable	92,628	-
Pledges receivable	212,037	71,225
Investments	3,049,634	2,868,191
Total financial assets at year-end	\$ 5,342,488	\$ 3,918,855
Financial assets available to meet operating expenditures over the next 12 months		
Cash and equivalents	\$ 985,139	\$ 270,025
Accounts receivable	10,810	12,828
Grants receivable	92,628	-
Pledges for operating expenditure due in one year or less	144,229	58,392
Investments not encumbered by donor or Board restrictions	2,072,609	2,086,986
Financial assets available to meet operating expenditures	\$ 3,305,415	\$ 2,428,231

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

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**NOTE 5. PLEDGE RECEIVABLES**

Pledge receivables are due to be collected as follows at May 31, 2020:

Gross amounts due in	
One year	\$ 144,229
One to four years	<u>67,808</u>
Total pledge receivables	<u><u>\$ 212,037</u></u>

**NOTE 6. PROPERTY AND EQUIPMENT**

Property and equipment for the years ended May 31, 2020 and 2019, consists of the following:

	2020	2019
Costumes and scenery	\$ 1,294,706	\$ 1,166,965
Production equipment	379,625	289,226
Management equipment	286,595	357,462
Vehicles	154,118	154,118
Website	67,000	67,000
Leasehold improvements	<u>335,360</u>	<u>324,207</u>
Total property and equipment	<u>2,517,404</u>	<u>2,358,978</u>
Less: accumulated depreciation	<u>(1,102,879)</u>	<u>(933,377)</u>
Net property and equipment	<u><u>\$ 1,414,525</u></u>	<u><u>\$ 1,425,601</u></u>

Depreciation expense was \$187,466 and \$170,252, for the years ended May 31, 2020 and 2019, respectively.

**NOTE 7. INVESTMENTS**

Investments for the years ended May 31, 2020 and 2019, consisted of the following:

	2020	2019
Money market funds	\$ 451,304	\$ 296,055
Mutual funds		
Equities	1,134,118	1,170,490
Fixed income	1,412,517	1,347,866
Pooled investments	<u>51,695</u>	<u>53,780</u>
	<u><u>\$ 3,049,634</u></u>	<u><u>\$ 2,868,191</u></u>



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

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**NOTE 7. INVESTMENTS (CONTINUED)**

For the years ended May 31, 2020 and 2019, net investment income consisted of the following:

	2020	2019
Interest and dividends	\$ 86,026	\$ 97,777
Fees	(10,465)	(11,807)
Net realized gain	231	48
Net unrealized gain (loss)	93,096	(8,834)
	\$ 168,888	\$ 77,184

**NOTE 8. LINE OF CREDIT**

During the year ended May 31, 2020, the Organization entered into a revolving line of credit with a financial institution for \$500,000. The line is revolving and bears interest at a floating rate per annum equal to 0.11% less than the rate of interest per annum established from time to time by the institution as its "Prime Rate". The rate was 3.14% for the year ending May 31, 2020). The line of credit is secured by the general assets of the Organization and matures in January 2021. There is an outstanding balance of \$500,000 on the line of credit as of May 31, 2020.

**NOTE 9. LOAN PAYABLE**

In May of 2020, the Organization received \$671,300 in funding through the Small Business Administration (SBA) Payroll Protection Program. The term of the loan is 24 months with an annual fixed rate of 1%. As of May 31, 2020, the Organization has reported the loan balance as a current liability as it expects to meet the requirements of the program as stipulated by the SBA to have the balance of the loan forgiven in the subsequent fiscal year.

**NOTE 10. FAIR VALUE MEASUREMENTS**

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

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

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

**NOTE 10. FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2020 and 2019, by ASC 820 valuation hierarchy (as described above):

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

  

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
<b>Total assets at fair value</b>	<b>\$ 2,140,710</b>	<b>\$ 724,685</b>	<b>\$ 2,796</b>	<b>\$ 2,868,191</b>

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, 2020:

	<u>Level 3</u>
Beginning balance	\$ 2,796
Change in value	<u>(2,002)</u>
Ending balance	<u>\$ 794</u>

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

**NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions for time or purpose for the years ended May 31, 2020 and 2019, are available for the following programs or uses:

	<u>2020</u>	<u>2019</u>
Live Music Program	\$ 925,330	\$ 727,109
Operations	420,947	166,500
Touring	491,211	491,211
Building The Future	3,275	3,275
Dance The Next Generation	31,807	-
School	-	5,600
Community Foundation:		
Dance The Next Generation	26,808	28,886
Operating	24,887	25,210
	<u>\$ 1,924,265</u>	<u>\$ 1,447,791</u>

Net assets with donor restrictions for time and purpose are included in the Statement of Financial Position for the years ended May 31, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 947,240	\$ 666,586
Investments	977,025	781,205
	<u>\$ 1,924,265</u>	<u>\$ 1,447,791</u>

Net assets were released from donor restrictions during fiscal year 2020 and 2019, by incurring expenses satisfying the restricted purpose specified by the donors.

	<u>2020</u>	<u>2019</u>
Live Music Program	\$ 60,648	\$ 235,797
Operations	166,500	145,000
Touring	-	370,819
Building The Future	-	309,839
Capital projects	-	30,200
Conservatory	55,930	45,190
Gala	5,000	-
Friends	5,971	-
Dance The Next Generation	317,114	236,580
School	45,485	2,200
Community Foundation:		
Dance The Next Generation	2,905	1,210
	<u>\$ 659,553</u>	<u>\$ 1,376,835</u>

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

**NOTE 12. 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, 2020 and 2019, consists of the following:

	<b>May 31, 2020</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions Time and Purpose</b>	<b>With Donor Restrictions Perpetual</b>	<b>Total</b>
<b>Donor-restricted endowment funds</b>	<b>\$ -</b>	<b>\$ 120,848</b>	<b>\$ 613,461</b>	<b>\$ 734,309</b>
	<b>May 31, 2019</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions Time and Purpose</b>	<b>With Donor Restrictions Perpetual</b>	<b>Total</b>
<b>Donor-restricted endowment funds</b>	<b>\$ -</b>	<b>\$ 93,598</b>	<b>\$ 603,224</b>	<b>\$ 696,822</b>

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

**NOTE 12. ENDOWMENT (CONTINUED)**

Changes in the endowment by net asset class for the years ended May 31, 2020 and 2019, are as follows:

	May 31, 2020		
	With Donor Restrictions Time and Purpose	With Donor Restrictions Perpetual	Total
Balance June 1, 2019	\$ 93,598	\$ 603,224	\$ 696,822
Releases from restrictions	(2,905)	-	(2,905)
Dividends and interest	28,678	-	28,678
Unrealized gain	4,132	10,237	14,369
Investment fees	(2,655)	-	(2,655)
<b>Ending Balance May 31, 2020</b>	<b>\$ 120,848</b>	<b>\$ 613,461</b>	<b>\$ 734,309</b>

  

	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)
<b>Ending Balance May 31, 2019</b>	<b>\$ 93,598</b>	<b>\$ 603,224</b>	<b>\$ 696,822</b>

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, 2020.

**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**

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**NOTE 12. 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 13. COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.**

The Organization has two agency investments held with the Community Foundation of Sarasota County, Inc. The Community Foundation manages these assets as part of a pooled investment account and is responsible for any decisions to appropriate portions of this fund to the Organization. The Organization receives the sole right of benefit to the original investment and income payment streams from the earnings of the fund. As of May 31, 2020 and 2019, the balance included in Investments on the statement of financial position was \$51,695 and \$53,780, respectively. Fees related to the administration of the fund paid by the Organization were \$48 and \$66, for the years ended May 31, 2020 and 2019, respectively.

The Organization has a designated fund held at the Community Foundation of Sarasota County for the Margaret Barbieri Conservatory Program which was established in 2019. This fund will be used to provide an annual scholarship of no less than \$7,500 to a senior level dancer for participation in the program. Monies received from this fund are recorded as public support in the statement of activities. As of May 31, 2020 and 2019, the balance in the fund was \$159,965 and \$167,986, respectively. For the year ended May 31, 2020, a \$7,500 scholarship was awarded to a recipient. There were no scholarships awarded for the year ending May 31, 2019.

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

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**NOTE 14. 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 \$13,088.

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 \$31,500.

In November 2019, the Organization entered into a one year lease agreement for additional storage space. The lease expires on October 31, 2020. Total base rent for the term of the contract is \$17,880. Rent expense related to this lease was \$14,900.

Future minimum lease payments are as follows:

Year ending May 31:		
2021	\$	45,757
2022		43,573
2023		40,077
2024		40,000
2025		40,000
Thereafter		133,350
Total future minimum lease payments	\$	<u>342,757</u>

The Organization rents theater space for dance performances at two separate locations. These rental agreements are negotiated per performance and each performance has its own separate rental terms. Rental expense related to these leases total \$95,606 and \$170,561, for the years ended May 31, 2020 and 2019, respectively.

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

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**NOTE 15. 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 which expires in 2025. Rental expense related to this lease was \$117,892 and \$114,736, for the years ended May 31, 2020 and 2019, respectively.

Future minimum lease payments are as follows:

Year ending May 31:	
2021	\$ 121,724
2022	125,375
2023	129,137
2024	133,011
2025	137,011
Total future minimum lease payments	<u><u>\$ 646,258</u></u>

**NOTE 16. CONTRIBUTIONS IN-KIND**

Contributions in-kind are recorded at fair value in revenue when the item or service is provided and a corresponding expense or asset recognized at the same time. The Organization received in-kind contributions for rental space and advertising. The total amount of in-kind recognized for the years ended May 31, 2020 and 2019, was \$261,617 and \$289,971, respectively.

**NOTE 17. DEFERRED COMPENSATION**

The Organization established a nonqualified deferred compensation plan for key management and highly compensated employees. This plan is an unfunded plan that operates under Section 457(b) of the Internal Revenue Code. Participants may elect to defer a portion of their regular salary or cash bonus. The employer may make a discretionary contribution as a percentage of compensation or a flat amount. As of May 31, 2020 and 2019, the employer made a contribution to the plan of \$15,000 and \$30,000, respectively. For the years ended May 31, 2020 and 2019, the deferred compensation balance was \$45,000 and \$30,000, respectively. All employee and employer contributions are 100% vested at time of deposit.



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

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**NOTE 18. RECENTLY ADOPTED ACCOUNTING STANDARD**

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

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update requires that the statement of cash flows explain the change during the period in total cash, cash equivalents and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and cash equivalents have been included with cash and cash equivalents when reconciling the beginning of year and end of year cash total amounts shown on the accompanying statements of cash flows. The adjustment did not have an effect on total assets or net assets for the years ended May 31, 2020 and 2019.

**NOTE 19. RECENTLY ISSUED ACCOUNTING STANDARDS**

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. On May 20, 2020, FASB delayed the implementation of ASU 2014-09 until years beginning after December 15, 2019, due to the effects of the COVID-19 crisis. This deferral is applicable for any entity that had not yet issued its financial statements or made their financial statements available to be issued. The Organization's financial statements were not issued nor were they available to be issued at May 20, 2020, therefore, these financial statements do not reflect the amendments in ASU 2014-09. Management is currently considering the effects of ASU 2014-09 on its financial statements.

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

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

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**NOTE 20. RISKS AND UNCERTAINTY**

During March 2020, the World Health Organization declared the Coronavirus outbreak a global pandemic. Actions taken around the world to help mitigate the spread of the Coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The Coronavirus and actions taken to mitigate it have had, and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization has seen a decrease in revenue. As the economy continues to open throughout its geographic region, management anticipates revenue to return to normal levels. The ultimate impact of the pandemic on the Organization's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time.

**NOTE 21. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 5, 2020, the date which the financial statements were available to be issued.

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