

**SARASOTA BALLET OF FLORIDA, INC.**

**FINANCIAL STATEMENTS**

**MAY 31, 2014**

**Menzel, Keitel &  
Associates, CPAs, PA**  
*Certified Public Accountants*

Walter E. Menzel, Jr., CPA, CMA  
walt@menzelkeitelcpas.com

Laura T. Keitel, CPA  
laura@menzelkeitelcpas.com

Barbara G. Diederich, CPA  
barbara@menzelkeitelcpas.com

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Sarasota Ballet of Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

**Auditors' 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 of 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 auditors' 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.

## **Independent Auditors' Report (Continued)**

### **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, 2014 and 2013, 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.

*Menzel, Keitel & Associates, CPAs, PA*

**Menzel, Keitel & Associates, CPAs, PA  
Sarasota, Florida  
December 12, 2014**

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MAY 31, 2014**

	<b>2014</b>			<b>Total</b>	<b>2013</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>		
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 2,453,656	\$ 326,618	\$ -	\$ 2,780,274	\$ 2,683,880
Investments, at Fair Value	-	348,372	600,000	948,372	862,336
Accounts Receivable	125,242	-	-	125,242	54,869
Promises to Give	-	600,000	-	600,000	625,000
Prepaid Expenses	3,340	-	-	3,340	3,248
<b>TOTAL CURRENT ASSETS</b>	<b>2,582,238</b>	<b>1,274,990</b>	<b>600,000</b>	<b>4,457,228</b>	<b>4,229,333</b>
<b>PROPERTY &amp; EQUIPMENT</b>					
Management Equipment	121,005	-	-	121,005	99,865
Production Equipment	1,269,115	-	-	1,269,115	1,186,703
Accumulated Depreciation	(774,233)	-	-	(774,233)	(690,256)
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>615,887</b>	<b>-</b>	<b>-</b>	<b>615,887</b>	<b>596,312</b>
<b>OTHER ASSETS</b>					
Deposits	259,612	-	-	259,612	62,560
Due From Employees	119	-	-	119	1,706
Long-term Promises to Give (Net)	-	1,153,043	-	1,153,043	1,710,706
Long-term License Fees	97,040	-	-	97,040	115,730
Intangible (Net of Amortization of \$69,306)	180,194	-	-	180,194	196,828
<b>TOTAL OTHER ASSETS</b>	<b>536,965</b>	<b>1,153,043</b>	<b>-</b>	<b>1,690,008</b>	<b>2,087,530</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,735,090</b>	<b>\$ 2,428,033</b>	<b>\$ 600,000</b>	<b>\$ 6,763,123</b>	<b>\$ 6,913,175</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 38,129	\$ -	\$ -	\$ 38,129	\$ 51,464
Accrued Expenses	42,905	-	-	42,905	64,183
Deferred Revenue - Grants	-	-	-	-	12,500
Deferred Revenue - Performances	588,539	-	-	588,539	722,483
Deferred Revenue - Program Sponsors	11,990	-	-	11,990	12,215
Deferred Revenue - Tuition	55,050	-	-	55,050	68,675
<b>TOTAL CURRENT LIABILITIES</b>	<b>736,613</b>	<b>-</b>	<b>-</b>	<b>736,613</b>	<b>931,520</b>
<b>LONG TERM LIABILITIES</b>					
<b>NET ASSETS</b>	<b>2,998,477</b>	<b>2,428,033</b>	<b>600,000</b>	<b>6,026,510</b>	<b>5,981,655</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,735,090</b>	<b>\$ 2,428,033</b>	<b>\$ 600,000</b>	<b>\$ 6,763,123</b>	<b>\$ 6,913,175</b>

The accompanying notes are an integral part of these financial statements.

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MAY 31, 2014**

	<b>2014</b>			<b>2013</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>		<b>Total</b>
<b><u>REVENUE AND OPERATING SUPPORT</u></b>					
Ticket Sales	\$ 1,505,454	\$ -	\$ -	\$ 1,505,454	\$ 1,246,543
Tuition and School Revenues	451,678	-	-	451,678	317,311
Fundraising Revenues	299,746	-	-	299,746	155,591
Program Book Revenues	125,453	-	-	125,453	73,384
FSB Boutique Sales	5,805	-	-	5,805	14,415
FSB Dues	24,349	-	-	24,349	10,195
FSB Special Events	7,601	-	-	7,601	4,465
Miscellaneous Revenues	30,006	-	-	30,006	27,156
Investment Income	24,533	1,045	-	25,578	22,987
Investment Realized Gain (Loss)	-	1,242	-	1,242	731
Investment Unrealized Gain (Loss)	-	64,475	-	64,475	47,403
<b>TOTAL OPERATING SUPPORT</b>	<b>2,474,625</b>	<b>66,762</b>	<b>-</b>	<b>2,541,387</b>	<b>1,920,181</b>
<b><u>PUBLIC SUPPORT</u></b>					
Contributions - In Kind	1,249,400	-	-	1,249,400	196,642
Contributions	2,162,266	434,718	-	2,596,984	1,837,926
<b>TOTAL PUBLIC SUPPORT</b>	<b>3,411,666</b>	<b>434,718</b>	<b>-</b>	<b>3,846,384</b>	<b>2,034,568</b>
<b><u>GOVERNMENTAL SUPPORT</u></b>					
Sarasota County	89,309	-	-	89,309	91,823
State of Florida	34,575	-	-	34,575	30,541
<b>TOTAL GOVERNMENTAL SUPPORT</b>	<b>123,884</b>	<b>-</b>	<b>-</b>	<b>123,884</b>	<b>122,364</b>
Net Assets Released from Restrictions	671,307	(671,307)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>\$ 6,681,482</b>	<b>\$ (169,827)</b>	<b>\$ -</b>	<b>\$ 6,511,655</b>	<b>\$ 4,077,113</b>
<b><u>PROGRAM AND SUPPORT</u></b>					
Program Services	\$ 5,690,138	\$ -	\$ -	\$ 5,690,138	\$ 3,360,113
Management and General	548,120	182	-	548,302	404,045
Fundraising	228,360	-	-	228,360	299,371
<b>TOTAL PROGRAM AND SUPPORT</b>	<b>6,466,618</b>	<b>182</b>	<b>-</b>	<b>6,466,800</b>	<b>4,063,529</b>
<b>CHANGE IN NET ASSETS</b>	<b>214,864</b>	<b>(170,009)</b>	<b>-</b>	<b>44,855</b>	<b>13,584</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,783,613</b>	<b>2,598,042</b>	<b>600,000</b>	<b>5,981,655</b>	<b>5,968,071</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,998,477</b>	<b>\$ 2,428,033</b>	<b>\$ 600,000</b>	<b>\$ 6,026,510</b>	<b>\$ 5,981,655</b>

The accompanying notes are an integral part of these financial statements.

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MAY 31, 2014**

**2014**

<b>FUNCTIONAL EXPENSES</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>2013</b>
Leased Employees	\$ 1,826,807	\$ 340,384	\$ 90,014	\$ 2,257,205	\$ 1,673,640
Payroll Taxes and Fees	119,182	72,865	6,742	198,789	185,366
Contract Services	560,716	-	16,301	577,017	372,494
Accounting and Audit	-	10,000	-	10,000	10,000
Advertising	1,415,689	-	-	1,415,689	177,117
Automobile Lease and Insurance	3,524	-	-	3,524	7,767
Bank Service Charges	-	6,407	-	6,407	3,473
Box Office Expenses	-	22,941	-	22,941	17,714
Catering	23,811	-	85,740	109,551	164,643
Computer Software and Support	8,246	60	90	8,396	8,200
Credit Card Processing Fees	-	45,588	-	45,588	41,716
Depreciation and Amortization	89,636	9,070	1,904	100,610	70,778
DNG Scholarships	75,520	-	-	75,520	33,735
Donor cultivation	-	-	6,777	6,777	-
Dues and Subscriptions	-	7,761	3,683	11,444	2,076
Friends of Sarasota Ballet	34,126	-	-	34,126	25,459
Graphics for Program Book	16,680	-	-	16,680	23,195
Insurance Health and Life	67,877	24,009	3,931	95,817	73,766
Insurance Workers Compensation	51,207	-	-	51,207	40,098
Insurance General Liability	15,403	-	-	15,403	10,694
Interest	-	2	-	2	2,952
Investment Expenses	-	182	-	182	475
Leases of Equipment	-	3,733	-	3,733	3,691
Legal	6,589	-	-	6,589	7,785
License and Royalties	128,544	-	-	128,544	130,342
Live Music	178,332	-	-	178,332	133,495
Meals and Entertainment	10,585	496	2,910	13,991	11,106
Medical Expenses	15,506	-	-	15,506	8,579
Merchandise	-	-	7,144	7,144	18,343
Miscellaneous	5,794	-	-	5,794	7,731
Nutcracker - other	9,514	-	-	9,514	-
Photography/Video	21,152	-	-	21,152	18,700
Postage	13,758	-	-	13,758	11,312
Printing	57,476	-	-	57,476	53,411
Promotions	-	-	-	-	15,155
Recognition/Gifts/Flowers	8,993	-	-	8,993	7,043
Rentals	154,934	-	-	154,934	128,931
School Expenses	214,675	-	-	214,675	156,778
Seminars and conferences	-	2,199	-	2,199	-
Set, Scenery and Props	193,434	-	-	193,434	117,573
Shoes and Costumes	99,988	-	-	99,988	106,604
Supplies	16,584	2,605	-	19,189	14,473
Telephone	12,031	-	-	12,031	7,641
Ticket donations	4,090	-	-	4,090	-
Transportation/Shipping	33,726	-	-	33,726	40,525
Travel and Lodging	196,009	-	-	196,009	112,781
Website	-	-	3,124	3,124	6,172
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 5,690,138</b>	<b>\$ 648,302</b>	<b>\$ 228,360</b>	<b>\$ 6,466,800</b>	<b>\$ 4,063,529</b>

The accompanying notes are an integral part of these financial statements.

**SARASOTA BALLET OF FLORIDA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MAY 31, 2014**

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Change in Net Assets	\$ 214,864	\$ (170,009)	\$ -	\$ 44,855	\$ 13,584
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:					
Depreciation	100,610	-	-	100,610	70,778
Discount on Promises to Give	-	(42,338)	-	(42,338)	(97,756)
Unrealized (Gain) Loss on Investments	-	(64,475)	-	(64,475)	(47,403)
(Increase) Decrease in:					
Accounts Receivable	(70,373)	-	-	(70,373)	(42,795)
Employee Receivable	1,587	-	-	1,587	(1,706)
Promises to Give	-	625,000	-	625,000	2,625,000
Prepaid Expenses	(92)	-	-	(92)	(3,248)
Long-term Licenses	18,690	-	-	18,690	(105,055)
Deposits	(197,052)	-	-	(197,052)	(44,765)
Increase (Decrease) in:					
Accounts Payable	(13,335)	-	-	(13,335)	23,582
Accrued Expenses	(21,278)	-	-	(21,278)	26,563
Deferred Revenue - Grants	(12,500)	-	-	(12,500)	2,500
Deferred Revenue - Performances	(133,944)	-	-	(133,944)	(93,300)
Deferred Revenue - Program Sponsors	(225)	-	-	(225)	1,187
Deferred Revenue - Tuition	(13,624)	-	-	(13,624)	34,325
<b>TOTAL ADJUSTMENTS</b>	<b>(341,536)</b>	<b>518,187</b>	<b>-</b>	<b>176,651</b>	<b>2,347,907</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (126,672)</b>	<b>\$ 348,178</b>	<b>\$ -</b>	<b>\$ 221,506</b>	<b>\$ 2,361,491</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of Property and Equipment	(103,552)	-	-	(103,552)	(393,174)
Sale (Purchase) of Investments	-	(21,560)	-	(21,560)	(48,739)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>\$ (103,552)</b>	<b>\$ (21,560)</b>	<b>\$ -</b>	<b>\$ (125,112)</b>	<b>\$ (441,913)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from Loans	-	-	-	-	52,760
Payments on Loans	-	-	-	-	(200,062)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (147,302)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (230,224)</b>	<b>\$ 326,618</b>	<b>\$ -</b>	<b>\$ 96,394</b>	<b>\$ 1,772,276</b>
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,683,880</b>	<b>-</b>	<b>-</b>	<b>2,683,880</b>	<b>911,604</b>
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,453,656</b>	<b>\$ 326,618</b>	<b>\$ -</b>	<b>\$ 2,780,274</b>	<b>\$ 2,683,880</b>

The accompanying notes are an integral part of these financial statements.

## **Sarasota Ballet of Florida, Inc.**

### **Notes to Financial Statements May 31, 2014**

#### **Note 1 – Organization and Summary of Significant Accounting Policies:**

The Sarasota Ballet of Florida, Inc. (“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. The Sarasota Ballet of Florida, Inc. is a Florida nonprofit corporation chartered on April 10, 1989.

#### **Financial Statement Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its statement of financial position and statement of activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, depending on the existence or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the restrictions are satisfied. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **Cash and Cash Equivalents**

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments with remaining maturities of three months or less to be cash equivalents.

#### **Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue in the year the promise is received. Conditional promises to give are not included as support until the conditions are substantially met.



**Sarasota Ballet of Florida, Inc.**

**Notes to Financial Statements  
May 31, 2014**

**Note 1- Organization and Summary of Significant Accounting Policies: -  
Continued**

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the lives of the assets ranging from five to fifteen years. The Organization capitalizes all asset purchases with a useful life more than one year and a cost greater than \$500.

**Donation of Collection Items**

The Organization does not recognize as revenues or gains or capitalize donated artifacts. Such donations are not recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collection.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contributions and Recognition of Donor Restrictions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Donated Services and Facilities**

The Organization receives donated services from a variety of unpaid volunteers, however these donated services are not reflected in the financial statement since the services do not require special skill and the criteria for recognition of such volunteer efforts under SFAS No. 116 have not been satisfied. Donated professional services and use of facilities are reflected in the financial statements at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

**Sarasota Ballet of Florida, Inc.**

**Notes to Financial Statements  
May 31, 2014**

**Note 1 – Organization and Summary of Significant Accounting Policies: -  
Continued**

**Income Tax Status**

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization files an exempt organization return in the U.S. federal jurisdiction. The federal returns for tax years 2011 and beyond remain subject to examination by the taxing authorities.

**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. Realized and unrealized appreciation and depreciation on investments are included in investment income (loss) on the Statement of Activities. The Live Music Endowment investments are managed by the Investment Policy Committee of the Finance Committee. The Dance Next Generation and Operating Endowment investments are managed by the Community Foundation of Sarasota and are included in funds pooled with other organizations. The change in investments is shown at a net amount on the Statement of Cash Flows as the gross amounts are not available due to the pooling of funds from many organizations by the Community Foundation of Sarasota. The Live Music Endowment investments had a fair market value of \$903,227 as of May 31, 2014 of which \$600,000 is permanently restricted. The Dance Next Generation and Operating Endowment had a fair market value of \$25,967 and \$19,178, respectively, as of May 31, 2014.

**Deferred Revenue**

Deferred Revenue consists primarily of ticket sales and program book advertising for the upcoming season and tuition for ballet school classes held in the summer subsequent to the fiscal year end May 31, 2014.

**Expense Allocation**

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

**Sarasota Ballet of Florida, Inc.**

**Notes to Financial Statements  
May 31, 2014**

**Note 2 – Property and Equipment:**

Property and equipment for the year ended May 31, 2014 consists of the following:

Costumes and scenery	\$ 833,004
Production equipment	337,480
Management equipment	121,005
Vehicles	44,131
Website	<u>54,500</u>
Total property and equipment	1,390,120
Less: accumulated depreciation	<u>(774,233)</u>
Net Property & Equipment	<u>\$ 615,887</u>

**Note 3 – Intangibles:**

An agreement with Robert deWarren, the former Creative Director allowed for unlimited use of all his choreography by the Organization. Payments to Robert deWarren totaled \$249,500 over a three year period thereby creating an intangible asset for the Organization that is amortized over a period of fifteen years. Accumulated amortization as of May 31, 2014 was \$69,306.

**Note 4 – Investments:**

During the year the Organization adopted Statement of Financial Accounting Standards (SFAS) 157 Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Organization uses the market approach to value the investments. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets.

**Note 5 – 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

**Sarasota Ballet of Florida, Inc.**

**Notes to Financial Statements  
May 31, 2014**

**Note 5 – Fair Value Measurements - Continued:**

principal market for the asset 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 equity securities);

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 the determination of fair value require significant management judgment (examples include certain private equity securities and hedge funds).

The following presents assets carried at fair value as of May 31, 2014 by ASC 820 valuation hierarchy (as described above).

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled Investments	\$ 45,145	-	-	\$ 45,145
Mutual Funds	903,227	-	-	903,227
<b>Total assets at fair value</b>	<b>\$948,372</b>	<b>-</b>	<b>-</b>	<b>\$ 948,372</b>

**Note 6 – Temporarily Restricted Net Assets:**

Temporarily restricted net assets for the year ended May 31, 2014 are available for the following programs or uses:

Live Music Program	\$ 303,227
Community Foundation:	
Dance the Next Generation	25,967
Operating	19,178
Operating	<u>326,618</u>
<b>Total</b>	<b><u>\$ 674,990</u></b>

## Sarasota Ballet of Florida, Inc.

### Notes to Financial Statements May 31, 2014

#### **Note 7 – Permanently Restricted Assets:**

Permanently restricted assets include the Sarasota Ballet of Florida Live Music Endowment Fund of the Florida Fine Arts Endowment Program. The Keating Family Foundation and the Florida Fine Arts Endowment Program established the Sarasota Ballet of Florida Live Music Endowment Fund of the Florida Fine Arts Endowment Program in 1991. They have matched contributions to that fund which was established to provide income to pay for live music at performances of the Ballet. On July 17, 2012 the Live Music fund was withdrawn from the Gulf Coast Community Foundation and placed in a Vanguard account now with Commonwealth Financial Network which is managed by the investment policy committee which is a subcommittee of the finance committee and appointed by the Finance Chair. The principal balance of the fund at May 31, 2014 was \$600,000. The income portion of the fund only is available for use and was \$303,227 at May 31, 2014.

#### **Note 8 – 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 term of the lease is from the first day of July, 1996 through 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 anytime during the current term with a 90 day written notice.

Scenery not currently being utilized for performances is stored off location at a warehouse location that is provided free of charge by a member of the Board of Directors. Studio 20, located in downtown Sarasota, has also been provided free of charge by a member of the Board of Directors.

On June 1, 2013, the Organization entered into a lease agreement with Aldina, L.C., a Partnership managed by Mark Famiglio who is a member of the Board of Directors to provide space for the Dance Next Generation lessons and rehearsals. Rental expense related to this lease was \$26,250 of In-kind contributions for the year ended May 31, 2014.

Future minimum lease payments are as follows:

Year ending May 31:	
2015	\$ 45,000
2016	45,000
2017	45,000
2018	45,000
2019 and beyond	<u>90,000</u>
Total future minimum lease payments	<u>\$ 270,000</u>

**Sarasota Ballet of Florida, Inc.**

**Notes to Financial Statements  
May 31, 2014**

**Note 8 – Lease Commitments - Continued:**

On August 1, 2011, the Organization entered into a lease agreement for a copier. Rental expense related to this lease was \$1,548 year ended May 31, 2014.

Future minimum lease payments are as follows:

Year ending May 31:	
2015	\$ 1,548
2016	1,548
2017	1,548
2018	645
Total future minimum lease payments	<u>\$ 5,289</u>

**Note 9 – Concentrations of Credit Risk:**

The Organization maintains its cash balances at several financial institutions and brokerage firms located in Sarasota, Florida. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and \$500,000 for the investments. At times, balances may be in excess of insured limits. Management considers this risk to be minimal. As of May 31, 2014 cash balances in the bank exceeded the FDIC insured amounts by \$170,916 while investments exceeded the FDIC insured amounts by \$1,903,547. Pledges and accounts receivable are unsecured and also subject the Organization to concentrations of credit risk; however, the risk is limited due to the diversification of the sources of support.

**Note 10 – Promises to Give:**

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of 2.67% at May 31, 2012. Promises to give are measured at the historical rate used and consist of the following at May 31, 2014:

Promises to give in less than one year	\$ 600,000
Promises to give in one to five years	1,200,000
Promises to give more than five years	-
Total unconditional promises to give	<u>\$ 1,800,000</u>
Less discount to present value	<u>(46,957)</u>
Fair Value Promises to Give	<u>\$ 1,753,043</u>

No reserve for uncollectible accounts was required at May 31, 2014.

**Sarasota Ballet of Florida, Inc.**

**Notes to Financial Statements  
May 31, 2014**

**Note 11 – Subsequent Events:**

The Organization evaluated its May 31, 2014 financial statements for subsequent events through December 12, 2014, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.