

THE FLORIDA ORCHESTRA, INC.

**Financial Statements
and
Supplementary Financial Information**

**June 30, 2018 and 2017
(With Independent Auditor's Report Thereon)**

THE FLORIDA ORCHESTRA, INC.

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Independent Auditor's Report

The Board of Directors
The Florida Orchestra, Inc.
St. Petersburg, Florida:

We have audited the accompanying financial statements of The Florida Orchestra, Inc. (the "Orchestra") (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 The Florida Orchestra, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MAYER HOFFMAN MCCANN P.C.

December 17, 2018
Clearwater, Florida

THE FLORIDA ORCHESTRA, INC.

Statements of Financial Position

June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 736,421	524,382
Accounts receivable	497,356	69,966
Promises to give, net	570,190	717,070
Bequests receivable	257,768	-
Investments, at fair value	11,086,828	9,297,043
Beneficial interest in remainder trusts	-	78,353
Beneficial interest in perpetual trusts	3,372,420	3,214,614
Beneficial interest in assets held by others	439,409	444,871
Prepaid expenses	164,871	155,254
Property and equipment, net	73,497	87,542
	<u>17,198,760</u>	<u>14,589,095</u>
Total assets	\$ <u>17,198,760</u>	<u>14,589,095</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 897,898	576,997
Capital lease obligations	28,370	41,774
Note payable	11,074	-
Advance ticket sales	1,415,187	1,405,352
	<u>2,352,529</u>	<u>2,024,123</u>
Total liabilities	2,352,529	2,024,123
Net assets:		
Unrestricted:		
Unrestricted operating deficit	(1,317,169)	(1,589,562)
Unrestricted - board-designated endowment funds	2,538,176	1,513,176
	<u>1,221,007</u>	<u>(76,386)</u>
Temporarily restricted	4,099,206	3,275,573
Permanently restricted	9,526,018	9,365,785
	<u>14,846,231</u>	<u>12,564,972</u>
Total net assets	14,846,231	12,564,972
Total liabilities and net assets	\$ <u>17,198,760</u>	<u>14,589,095</u>

THE FLORIDA ORCHESTRA, INC.

Statement of Activities

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Private support	\$ 6,302,557	859,354	2,427	7,164,338
Governmental and other grants	213,856	-	-	213,856
Guild activities, net	124,280	-	-	124,280
Contributed services and in-kind	188,976	-	-	188,976
	<hr/>	<hr/>	<hr/>	<hr/>
Total support	6,829,669	859,354	2,427	7,691,450
Revenue:				
Admissions	4,143,669	-	-	4,143,669
Other performance revenue	576,121	-	-	576,121
Investment income	-	1,335,009	-	1,335,009
Other	477,852	-	-	477,852
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	5,197,642	1,335,009	-	6,532,651
Net assets released from restrictions	954,323	(954,323)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	12,981,634	1,240,040	2,427	14,224,101
Expenses:				
Program services:				
Artistic	6,568,220	-	-	6,568,220
Box office	232,110	-	-	232,110
Education	180,722	-	-	180,722
Marketing	1,228,319	-	-	1,228,319
Operations	1,820,058	-	-	1,820,058
	<hr/>	<hr/>	<hr/>	<hr/>
Total program services	10,029,429	-	-	10,029,429
Supporting services:				
General and administrative	1,338,368	-	-	1,338,368
Development	736,669	-	-	736,669
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	12,104,466	-	-	12,104,466
Change in net assets before other changes	877,168	1,240,040	2,427	2,119,635
Other changes:				
Gain in value - perpetual trust	-	-	157,806	157,806
Net appreciation of assets held by others	-	3,818	-	3,818
Investment return appropriated for expenditure	420,225	(420,225)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	1,297,393	823,633	160,233	2,281,259
Net assets (deficit), beginning of year	(76,386)	3,275,573	9,365,785	12,564,972
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 1,221,007	4,099,206	9,526,018	14,846,231
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See accompanying independent auditor's report and notes to financial statements.

THE FLORIDA ORCHESTRA, INC.

Statement of Activities

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Private support	\$ 4,600,776	808,633	2,100	5,411,509
Governmental and other grants	1,073,383	-	-	1,073,383
Guild activities, net	79,722	-	-	79,722
Contributed services and in-kind	180,060	-	-	180,060
	<hr/>	<hr/>	<hr/>	<hr/>
Total support	5,933,941	808,633	2,100	6,744,674
Revenue:				
Admissions	3,462,500	-	-	3,462,500
Other performance revenue	235,549	-	-	235,549
Investment income	-	1,717,215	-	1,717,215
Other	82,294	-	-	82,294
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	3,780,343	1,717,215	-	5,497,558
Net assets released from restrictions	623,570	(623,570)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	10,337,854	1,902,278	2,100	12,242,232
Expenses:				
Program services:				
Artistic	6,035,672	-	-	6,035,672
Box office	197,904	-	-	197,904
Education	147,487	-	-	147,487
Marketing	1,252,252	-	-	1,252,252
Operations	1,888,884	-	-	1,888,884
	<hr/>	<hr/>	<hr/>	<hr/>
Total program services	9,522,199	-	-	9,522,199
Supporting services:				
General and administrative	1,093,217	-	-	1,093,217
Development	623,787	-	-	623,787
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	11,239,203	-	-	11,239,203
Change in net assets before other changes	(901,349)	1,902,278	2,100	1,003,029
Other changes:				
Gain in value - perpetual trust	-	-	186,427	186,427
Net appreciation of assets held by others	-	22,347	-	22,347
Investment return appropriated for expenditure	395,151	(395,151)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(506,198)	1,529,474	188,527	1,211,803
Net assets, beginning of year	429,812	1,746,099	9,177,258	11,353,169
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets end of year	\$ (76,386)	3,275,573	9,365,785	12,564,972
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THE FLORIDA ORCHESTRA, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 2,281,259	1,211,803
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	27,570	27,479
Amortization of lease prepayment	46,250	92,500
Realized and unrealized gains on investments	(1,133,845)	(1,545,238)
Net decrease in receivable from remainder trusts	78,353	85,390
Contributions and grants restricted for permanent endowment	(2,427)	(2,100)
Change in beneficial interest in perpetual trust	(157,806)	(186,427)
Change in beneficial interest in assets held by others	5,462	(11,712)
Changes in operating assets and liabilities:		
Increase in receivables and promises to give, net	(280,510)	(130,353)
(Increase) decrease in bequests receivable	(257,768)	148,291
(Increase) decrease in prepaid expenses	(55,867)	2,015
Increase in accounts payable and accrued expenses	320,901	263,022
Increase (decrease) in advance ticket sales	9,835	(18,697)
Net cash provided by (used in) operating activities	881,407	(64,027)
Cash flows from investing activities:		
Property and equipment purchases	-	(4,711)
Purchases of investments	(1,854,501)	(1,410,467)
Proceeds from sale of investments	1,198,561	1,086,504
Net cash used in investing activities	(655,940)	(328,674)
Cash flows from financing activities:		
Proceeds received from contributions and grants restricted for permanent endowment	2,427	2,100
Principal payments on capital lease obligations	(13,404)	(14,625)
Principal payments on note payable	(2,451)	-
Net cash used in financing activities	(13,428)	(12,525)
Net increase (decrease) in cash and cash equivalents	212,039	(405,226)
Cash and cash equivalents at beginning of year	524,382	929,608
Cash and cash equivalents at end of year	\$ 736,421	524,382
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 14,718	12,346
Property and equipment acquired through a capital lease	\$ -	43,714
Property and equipment acquired through a note payable	\$ 13,525	-

See accompanying independent auditor's report and notes to financial statements.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) Description of Organization

The Florida Orchestra, Inc. (the “Orchestra”) was incorporated for the purpose of administering and sponsoring an orchestra as a community educational facility and to obtain supplemental supporting funds, over and above operating income, required for such operations. The Orchestra’s activities include stage performances, special concerts, and other educational programs and endeavors to promote the cultural life in the Tampa Bay community.

(b) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Orchestra as a whole. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets consist of net assets not subject to donor-imposed stipulations, including contributions that have been designated by the Board.

Temporarily restricted net assets consist of net assets subject to donor-imposed stipulations that may or will be met by actions of the Orchestra and/or the passage of time.

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that the assets be maintained in perpetuity. All permanently restricted net assets are endowment funds.

When a donor 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. Donor-restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

(c) Estimates in Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes to the financial statements. Actual results could differ from those estimates.

(d) Cash Equivalents

For purposes of the statement of cash flows, the Orchestra considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(e) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Orchestra that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When donor-imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Promises to give which are due in more than one year are recorded at estimated fair value by discounting future cash flows using current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected contribution collection period.

The Orchestra records an allowance for potential uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

(f) Bequests Receivable

The Orchestra recognizes a receivable and revenue for their interest in bequests based on the inventories of estate assets and conditions contained in the respective wills. Amounts expected to be received in future years are discounted to provide estimates in current year dollars. The Orchestra records bequests receivable (when the court declares the related will valid) as either temporarily restricted net assets, as these assets will not be available until future years, or as permanently restricted net assets. As funds from an estate (other than permanently restricted) are collected, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Bequests receivable were approximately \$258,000 and \$0 for the years ended June 30, 2018 and 2017, respectively.

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in investment income in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(h) Property and Equipment

Property and equipment are recorded at cost, or in the event of contributed property, at fair value at the date of the contribution. Property contributions are reported as unrestricted support unless the donor restricts the donated asset to a specific purpose. Property and equipment are depreciated over their estimated useful lives using the straight-line method. Expenditures for property and equipment in excess of \$2,500 and with a useful life of at least one year are capitalized.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(i) Advance Ticket Sales

Income from season subscription sales is recognized at the time of the performance. The performance season generally runs from October to May. Advance season ticket sales amounted to \$1,415,187 at June 30, 2018 for the 2018-2019 season and \$1,405,352 at June 30, 2017 for the 2017-2018 season.

(j) Contributed Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

(k) Income Taxes

The Orchestra is a not-for-profit corporation organized under the laws of the State of Florida and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Orchestra believes that it has no liability for taxes with respect to unrelated business income. However, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

The Orchestra follows Accounting Standards Codification Topic 740, *Income Taxes* ("ASC 740"). A component of this standard prescribes a recognition and measurement threshold of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Orchestra's policy is to recognize interest and penalties associated with tax positions under this standard as a component of tax expense, and none were recognized since there was no material impact of the application of this standard for the years ended June 30, 2018 and 2017. The Orchestra's information returns are open to IRS examination for the 2014 tax year ended June 30, 2015, and all subsequent years.

(l) Advertising

Advertising costs are expensed as incurred, except when the advertising is directly related to probable future benefits. Advertising costs expensed were approximately \$683,000 and \$715,000 for the years ended June 30, 2018 and 2017, respectively.

(m) Barter Transactions

The Orchestra trades its tickets for other goods and services used in its normal course of business. Revenue and expense recognized under those barter transactions were \$134,055 and \$179,795 for the years ended June 30, 2018 and 2017, respectively.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(n) Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

(2) Promises to Give

Unconditional promises to give consist of the following at June 30, 2018 and 2017:

	2018	2017
Unrestricted promises	\$ 584,077	715,598
Restricted for endowment	6,497	19,372
Total unconditional promises to give	590,574	734,970
Less unamortized discount	(368)	(1,045)
Less allowance for uncollectibles	(20,016)	(16,855)
Net unconditional promises to give	\$ 570,190	717,070
Amounts due in:		
Less than one year	\$ 590,574	722,095
One to five years	-	12,875
	\$ 590,574	734,970

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6%.

Of total promises to give of \$590,574 and \$734,970 at June 30, 2018 and 2017, respectively, there were no individual donor amounts that exceeded 10%. Approximately 6% and 4% of total private support was provided by one donor for the years ended June 30, 2018 and 2017, respectively.

Under separate agreements, the Orchestra has received conditional promises to give based on the condition that the Orchestra will continue operations. These conditional promises to give are not recorded in the accompanying statements of financial position. As of June 30, 2018 and 2017, the conditional promises were approximately \$797,000 and \$1,078,000, respectively.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(3) Investments

Investments are stated at fair value and consist of the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	\$ 895,498	895,498	73,792	73,792
Common stocks	4,336,002	7,707,415	4,268,948	6,918,347
Fixed-income securities and funds	2,453,856	2,429,944	2,145,127	2,187,700
Other assets	60,362	53,971	104,760	117,204
	\$ 7,745,718	11,086,828	6,592,627	9,297,043

The long-term investment portfolio is restricted as a permanent endowment. At June 30, 2018 and 2017, the permanently restricted endowment includes two contributions of \$240,000 from the State of Florida. The related funding agreements required the Orchestra to designate an additional \$360,000 to supplement each of the State endowment contributions. Both of the \$240,000 contributions will revert back to the State of Florida if the Orchestra ceases operations, files for bankruptcy protection, or willfully expends any portion of the \$600,000 related to each contribution. Earnings from the endowment fund are available to fund the Orchestra's operating activities.

As of June 30, 2018 and 2017, the balance that the Orchestra owed to the endowment fund was approximately \$629,000 and \$207,000, respectively. All amounts owed at June 30, 2018 and 2017 represent timing relating to transfer of board-designated bequests.

The following schedule summarizes investment income for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends (net of investment management expenses of \$64,316 and \$53,909, respectively)	\$ 201,164	171,977
Realized and unrealized gains	1,133,845	1,545,238
Total investment income	\$ 1,335,009	1,717,215

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(4) Beneficial Interest in Remainder Trusts

The Orchestra has been named as a remainder beneficiary in various charitable remainder trusts. Certain trust instruments require quarterly payments to the donors at percentages ranging from 7% to 9% of the fair value of the trust assets as of the beginning of each year. Each of the remainder trusts terminates upon the death of the donor(s). The Orchestra's financial statements reflect receivables from the remainder trusts at present value. The trusts are stated at the actuarial present value of the estimated future benefits to be received when the trust assets are distributed. A discount rate of 5% is used in computing present values. The receivables will be adjusted in future periods to reflect accretion of the original present value discount. The receivable balance at June 30, 2018 and 2017 was \$0 and \$78,353, respectively. The decrease from June 30, 2017 was due to the Orchestra collecting its remainder interest in one trust during fiscal year 2018.

(5) Property and Equipment

Property and equipment consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 195,705	182,180
Computer equipment	94,935	94,935
Vehicles	56,185	56,185
Leasehold improvements	6,647	6,647
Sound system	4,433	4,433
Musical equipment	179,375	179,375
	<u>537,280</u>	<u>523,755</u>
Less accumulated depreciation	<u>(463,783)</u>	<u>(436,213)</u>
	<u>\$ 73,497</u>	<u>87,542</u>

Depreciation charged to operations amounted to \$27,570 and \$27,479 for the years ended June 30, 2018 and 2017, respectively.

(6) Beneficial Interest in Perpetual Trusts

The Orchestra is the income beneficiary of an irrevocable perpetual trust. The net income derived from this trust is to be distributed 50% to the Orchestra and 50% to another organization. The Orchestra's interest in the trust is recorded at 50% of the fair value of the trust assets that produce the income. Distributions from this trust for the years ended June 30, 2018 and 2017 were approximately \$133,000 and \$132,000, respectively. These amounts are included as a component of Private Support in the accompanying Statements of Activities. As of June 30, 2018, the balance of \$3,310,566 was comprised of: equities - 72%, fixed income - 8%, hedge funds - 14%, real estate - 5%, and other - 1%. As of June 30, 2017 the balance of \$3,153,571 was comprised of: equities - 74%, fixed income - 12%, hedge funds - 11%, real estate - 1%, and other - 2%. During fiscal year 2014, the Orchestra was named as an income beneficiary in a smaller irrevocable perpetual trust valued at \$61,854 and \$61,043 at June 30, 2018 and 2017, respectively.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(6) **Beneficial Interest in Perpetual Trusts - Continued**

Under a separate perpetual trust, the Orchestra has also been named as an income beneficiary. The Orchestra is entitled to one-sixth of the income earned by the trust. The trust distributes a percentage of income annually in accordance with IRS guidelines. Earnings distributed from the trust for the years ended June 30, 2018 and 2017 were approximately \$149,000 and \$147,000, respectively. The Orchestra's interest in this perpetual trust is not considered to be an asset as the trustee has the ability to modify the charitable beneficiaries. These amounts are included as a component of Private Support in the accompanying Statement of Activities.

(7) **Beneficial Interest in Assets Held by Others**

In fiscal year 1998, the Orchestra established an account at the Community Foundation of Tampa Bay (the "Foundation") with a payment of \$20,000. Since 1998, the Orchestra has deposited additional funds with the Foundation. The amounts deposited are considered to be an asset of the Orchestra and are included in beneficial interest in assets held by others in the accompanying statements of financial position as of June 30, 2018 and 2017, in the amounts of \$350,155 and \$346,337, respectively. In addition, at June 30, 2018 and 2017, the Foundation was holding a balance of approximately \$3,345,000 and \$3,274,000, respectively, representing contributions made directly to the Foundation for the benefit of the Orchestra. Earnings on these funds are earmarked to be distributed on a periodic basis to the Orchestra. The Foundation has been granted variance power over these funds which provide the Foundation the unilateral power to redirect the use of the funds to other beneficiaries. Because the Foundation has been granted variance power, funds contributed by donors to the Foundation on behalf of the Orchestra are not considered to be an asset of the Orchestra. Distributions from the Foundation for the years ended June 30, 2018 and 2017 were approximately \$173,000 and \$142,000, respectively. These amounts are included in private support in the accompanying statements of activities for the years ended June 30, 2018 and 2017.

In addition, the Orchestra has funds held under a separate foundation. The amounts held are considered to be an asset of the Orchestra and are included in beneficial interest in assets held by others in the accompanying statement of financial position as of June 30, 2018 and 2017, in the amount of \$89,254 and \$98,534, respectively.

(8) **Fair Value Measurements**

The Orchestra follows ASC Topic 820, *Fair Value Measurement* ("ASC 820"). ASC 820 establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price).

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(8) Fair Value Measurements - Continued

Under ASC 820, a fair value measurement should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. ASC 820 requires disclosures that stratify balance sheet amounts measured at fair value based on inputs the Orchestra used to derive fair value measurements. These strata include:

- Level 1: Valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the counter markets with sufficient volume);
- Level 2: Valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market;
- Level 3: Valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Organization-specific data. These unobservable assumptions reflect the Organization's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2018 is as follows:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at June 30, 2018</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Short-term investments	\$ 895,498	895,498	-	-
Common stocks	7,707,415	7,707,415	-	-
Fixed-income securities and funds	2,429,944	-	2,429,944	-
Other assets	53,971	53,971	-	-
	<u>11,086,828</u>	<u>8,656,884</u>	<u>2,429,944</u>	<u>-</u>
Beneficial interest in perpetual trusts	3,372,420	-	3,372,420	-
Beneficial interest in assets held by others	439,409	-	439,409	-
	<u>\$ 14,898,657</u>	<u>8,656,884</u>	<u>6,241,773</u>	<u>-</u>

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(8) Fair Value Measurements - Continued

Fair value of assets measured on a recurring basis at June 30, 2017 is as follows:

<u>Description</u>	<u>Assets Measured at Fair Value at June 30, 2017</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Short-term investments	\$ 73,792	73,792	-	-
Common stocks	6,918,347	6,918,347	-	-
Fixed-income securities and funds	2,187,700	-	2,187,700	-
Other assets	117,204	117,204	-	-
	<u>9,297,043</u>	<u>7,109,343</u>	<u>2,187,700</u>	<u>-</u>
Beneficial interest in remainder trusts	78,353	-	-	78,353
Beneficial interest in perpetual trust	3,214,614	-	3,214,614	-
Beneficial interest in assets held by others	444,871	-	444,871	-
	<u>\$ 13,034,881</u>	<u>7,109,343</u>	<u>5,847,185</u>	<u>78,353</u>

Fair values for short-term investments and common stocks are determined by reference to quoted market prices for identical assets. Fair values for fixed-income securities and mutual funds and certificates of deposit are based on quoted prices for similar assets in markets that may not be active.

The methods used by the Orchestra in determining fair values for the beneficial interest in remainder trusts, perpetual trusts, and beneficial interest in assets held by others are as previously described in Notes 4, 6 and 7, respectively.

The following table sets forth a summary of changes in fair value of assets using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 78,353	163,743
Settlements	<u>(78,353)</u>	<u>(85,390)</u>
Balance, end of year	<u>\$ -</u>	<u>78,353</u>

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(8) Fair Value Measurements - Continued

The Orchestra estimates the fair value of its beneficial interest in remainder trusts by using an income approach based on calculating the present value of the future distributions expected to be received. This approach takes into account the Orchestra's determination of an appropriate risk-adjusted discount rate, expected appreciation of the trust investments, and donor life expectancy information published in the Annuity Mortality Tables. The Orchestra re-measures the fair value of its beneficial interest in remainder trusts annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data. The Orchestra did not have any beneficial interests in remainder trusts at June 30, 2018.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets are available as follows at June 30, 2018 and 2017:

	2018	2017
Unappropriated endowment investment return	\$ 3,122,621	2,204,019
Subsequent year operations	718,817	993,201
Bequests receivable	257,768	-
Interest in charitable remainder trusts	-	78,353
	\$ 4,099,206	3,275,573

(10) Leases

The Orchestra is obligated under capital leases for office equipment. These leases expire at various dates through May, 2022. At June 30, 2018 and 2017, the gross amount of office equipment recorded under the capital leases was \$85,638. The net book value of the office equipment at June 30, 2018, after deducting accumulated amortization of \$50,503, was \$35,135. The net book value of the office equipment at June 30, 2017, after deducting accumulated amortization of \$41,311, was \$44,327.

The present value of future minimum capital lease payments as of June 30, 2018 is as follows:

<u>Year Ending June 30,</u>		
2019	\$	15,136
2020		6,359
2021		5,696
2022		5,220
Total future minimum lease payments		32,411
Less amount representing interest		(4,041)
Present value of minimum capital lease payments	\$	28,370

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(10) Leases - Continued

In March 2007, the Orchestra entered into a lease agreement with St. Petersburg College (the "College"). Under the terms of the agreement, the Orchestra began occupying space at a new office at the College Downtown Center in St. Petersburg in January 2008. The lease term commenced on the first day of the month following the issuance of a certificate of occupancy. The lease term is for forty years; however, each party has the option to terminate the lease after ten years or anytime thereafter. In connection with the lease agreement, the Orchestra was required to make an original prepayment of \$925,000 to the College. Funding for the prepayment was provided by a donor in a prior fiscal period. The prepayment is being amortized over the initial ten year term of the lease. The remaining unamortized portion was \$46,250 as of June 30, 2017 and was fully amortized as of June 30, 2018. This amount is included in prepaid expenses in the accompanying statements of financial position. Amortization of the prepayment was \$46,250 and \$92,500 for the years ended June 30, 2018 and 2017, respectively, and is included in rent expense. Annual payments required under the lease consist of a \$1 base rental plus an "operating fee" to cover utilities, maintenance and other services. The operating fee is subject to annual changes and was approximately \$75,000 for each of the years ended June 30, 2018 and 2017.

Rent expense for operating leases, including month-to-month rentals, for the years ended June 30, 2018 and 2017 was approximately \$127,000 and \$175,000, respectively.

(11) Contributed Services and Contributions In-Kind

The Orchestra recognizes contribution revenue for certain services and in-kind donations received at fair value. Contributed services are reported as support and as an expense when the services are provided. Contributions in-kind (real or tangible property) are reported as support and as an asset or expense in the period received at estimated fair value. Contributions and in-kind donations (excluding capitalized items) are summarized as follows for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program services:		
Catering services	\$ 11,250	11,250
Advertising and marketing	126,026	117,110
Venue rental	38,000	38,000
Supporting services:		
Payroll services	<u>13,700</u>	<u>13,700</u>
	<u>\$ 188,976</u>	<u>180,060</u>

The Orchestra recognized \$134,055 and \$179,795 in admissions revenue for the years ended June 30, 2018 and 2017, respectively, for tickets sold in exchange for contributed services.

In addition, for each of the years ended June 30, 2018 and 2017, approximately 5,100 hours were volunteered for various administrative functions. No value has been assigned to the volunteer administrative services as they do not meet the criteria for recognition in the financial statements.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(12) Employee Retirement Benefits

The Orchestra sponsors a tax deferred retirement savings plan qualified under Section 403(b) of the Internal Revenue Code, covering all full-time employees. The plan allows for employee contributions through salary reductions, subject to certain restrictions. The Orchestra contributes 100% up to 3% of an employee's deferral into the Plan. The expense related to this plan for the years ended June 30, 2018 and 2017 was \$44,351 and \$39,074, respectively.

Beginning in January 1996, pension fund contributions for musicians were made to the American Federation of Musicians and Employees' Pension Fund, with the Orchestra contributing 6.5% of the musicians' gross wages for the years ended June 30, 2018 and 2017. The expense for this pension plan for the years ended June 30, 2018 and 2017 was \$224,087 and \$219,673, respectively.

(13) Contract with Musicians

The Orchestra's primary base of performers is musicians employed by the Orchestra under a collective bargaining agreement. The Orchestra entered into a three-year collective bargaining agreement with the musicians in October 2015. A new three-year contract was finalized in May 2018 that will expire in August 2021.

(14) Endowment Funds

The Orchestra's endowment consists of several individual funds established for a variety of purposes. Its endowment consists of donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Effective July 1, 2012, the State of Florida adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and in accordance with ASC Topic 958, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("ASC 958"), the Orchestra classifies investment earnings on endowments as a component of temporarily restricted net assets if not appropriated for expenditure in the period earned. Once investment earnings are appropriated for expenditure, the Orchestra reclassifies the amount appropriated as a component of unrestricted net assets.

Interpretation of Relevant Law: The Orchestra's Board of Directors has interpreted the wishes of donors and state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Orchestra classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(14) Endowment Funds - Continued

Investment Return Objectives, Risk Parameters and Strategies: The Orchestra has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed-income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to provide a high level of cash distribution, while growing the funds if possible. Therefore, the Orchestra expects its endowment assets, over time, to produce an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Orchestra’s endowment distribution policy is intended to maintain the purchasing power of the endowment while providing distributions to support the Orchestra’s operations. The distribution formula is intended to distribute an amount approximately equal to the endowment’s long-term expected total return.

The distribution amount and policy are reviewed annually by the Investment Committee, or in lieu of an Investment Committee, by the Finance Committee, and the policy or distribution amount is adjusted as necessary. For the fiscal year ended June 30, 2018, the Board of Directors authorized the distribution to the operating fund of \$420,225 or 5.78% of the endowment assets’ 12-quarter average as of December 31, 2016. For the fiscal year ended June 30, 2017, the Board of Directors authorized the distribution to the operating fund of \$395,151 or 5.45% of the endowment assets’ 12-quarter average as of December 31, 2015.

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 2,538,176	-	-	2,538,176
Donor-restricted endowment funds	-	3,380,389	9,526,018	12,906,407
	<u>\$ 2,538,176</u>	<u>3,380,389</u>	<u>9,526,018</u>	<u>15,444,583</u>

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(14) Endowment Funds - Continued

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 1,513,176	2,204,019	9,365,785	13,082,980
Contributions	1,025,000	257,768	2,427	1,285,195
Investment income, net of fees	-	1,338,827	-	1,338,827
Change in value of beneficial interest	-	-	157,806	157,806
Amount appropriated for expenditure	-	(420,225)	-	(420,225)
Balance, end of year	<u>\$ 2,538,176</u>	<u>3,380,389</u>	<u>9,526,018</u>	<u>15,444,583</u>

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 1,513,176	-	-	1,513,176
Donor-restricted endowment funds	-	2,204,019	9,365,785	11,569,804
	<u>\$ 1,513,176</u>	<u>2,204,019</u>	<u>9,365,785</u>	<u>13,082,980</u>

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 1,275,393	1,007,896	9,177,258	11,460,547
Contributions	89,495	-	2,100	91,595
Investment income, net of fees	-	1,739,562	-	1,739,562
Change in value of beneficial interest	-	-	186,427	186,427
Releases of restrictions	148,288	(148,288)	-	-
Amount appropriated for expenditure	-	(395,151)	-	(395,151)
Balance, end of year	<u>\$ 1,513,176</u>	<u>2,204,019</u>	<u>9,365,785</u>	<u>13,082,980</u>

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(15) Short-Term Borrowing Arrangement

During fiscal 2017 the Orchestra executed a short-term borrowing arrangement with the brokerage institution holding its investments. The arrangement allows the Orchestra to borrow funds using certain of its investments as collateral. The interest rate on outstanding borrowings was 4.25% at June 30, 2018. There were no amounts outstanding under this arrangement at June 30, 2018 and 2017.

(16) Related Party

The Orchestra has received conditional promises to give from members of the Board of Directors that are contingent upon the Orchestra enacting and maintaining the expense controls promised and detailed in the multi-year strategic plan budget. Due to the conditions on these promises to give, the net present value is not recorded in the Orchestra's financial statements. Additionally, the Orchestra has received contributions or promises to give from various members of the Board of Directors which are reflected in the financial statements as private support in the amount of approximately \$1,403,000, and \$941,000 for the years ended June 30, 2018 and 2017, respectively.

(17) Concentrations

The Orchestra maintains cash balances with what management believes to be a high credit quality financial institution. At June 30, 2018 and 2017, amounts on deposit with this financial institution exceeded coverage provided by the FDIC by approximately \$1,115,000 and \$544,000, respectively.

Other concentrations of credit risk are described in Note 2.

(18) Settlement Award

In fiscal 2018, the Orchestra was awarded a Deepwater Horizon Economic and Property Damages Settlement in the amount of \$585,238, net of claims expenses of \$219,898. The net settlement gain of \$365,340 is included in other revenue in the accompanying statement of activities for the year ended June 30, 2018.

(19) Subsequent Events

The Orchestra has evaluated events occurring after the statement of financial position date through December 17, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Financial Position

June 30, 2018

Assets	Operating Fund	Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 736,421	-	736,421
Accounts receivable	497,356	-	497,356
Promises to give, net	564,061	6,129	570,190
Interfund receivables (payables)	(629,052)	629,052	-
Investments, at fair value	-	11,086,828	11,086,828
Bequests receivable	257,768	-	257,768
Beneficial interest in perpetual trusts	-	3,372,420	3,372,420
Beneficial interest in assets held by others	89,255	350,154	439,409
Prepaid expenses	164,871	-	164,871
Property and equipment, net	73,497	-	73,497
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 1,754,177	15,444,583	17,198,760
	<u> </u>	<u> </u>	<u> </u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 897,898	-	897,898
Capital lease obligations	28,370	-	28,370
Note payable	11,074	-	11,074
Advance ticket sales	1,415,187	-	1,415,187
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	2,352,529	-	2,352,529
Net assets:			
Unrestricted operating deficit	(1,317,169)	-	(1,317,169)
Unrestricted net assets - board-designated	-	2,538,176	2,538,176
Temporarily restricted	718,817	3,380,389	4,099,206
Permanently restricted	-	9,526,018	9,526,018
	<u> </u>	<u> </u>	<u> </u>
Total net assets (deficit)	(598,352)	15,444,583	14,846,231
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	\$ 1,754,177	15,444,583	17,198,760
	<u> </u>	<u> </u>	<u> </u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Financial Position

June 30, 2017

Assets	Operating Fund	Endowment Fund	Total
Cash and cash equivalents	\$ 524,382	-	524,382
Accounts receivable	69,966	-	69,966
Promises to give, net	698,743	18,327	717,070
Interfund receivables (payables)	(206,659)	206,659	-
Investments, at fair value	-	9,297,043	9,297,043
Beneficial interest in remainder trusts	78,353	-	78,353
Beneficial interest in perpetual trust	-	3,214,614	3,214,614
Beneficial interest in assets held by others	98,534	346,337	444,871
Prepaid expenses	155,254	-	155,254
Property and equipment, net	87,542	-	87,542
Total assets	\$ 1,506,115	13,082,980	14,589,095
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 576,997	-	576,997
Capital lease obligations	41,774	-	41,774
Advance ticket sales	1,405,352	-	1,405,352
Total liabilities	2,024,123	-	2,024,123
Net assets:			
Unrestricted operating deficit	(1,589,562)	-	(1,589,562)
Unrestricted net assets - board-designated	-	1,513,176	1,513,176
Temporarily restricted	1,071,554	2,204,019	3,275,573
Permanently restricted	-	9,365,785	9,365,785
Total net assets (deficit)	(518,008)	13,082,980	12,564,972
Total liabilities and net assets	\$ 1,506,115	13,082,980	14,589,095

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Activities

For the Year Ended June 30, 2018

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 5,879,143	1,285,195	7,164,338
Governmental and other grants	213,856	-	213,856
Guild activities, net	124,280	-	124,280
Contributed services and in-kind	<u>188,976</u>	<u>-</u>	<u>188,976</u>
Total support	6,406,255	1,285,195	7,691,450
Revenue:			
Admissions	4,143,669	-	4,143,669
Other performance revenue	576,121	-	576,121
Investment income	-	1,335,009	1,335,009
Other	<u>477,852</u>	<u>-</u>	<u>477,852</u>
Total revenue	<u>5,197,642</u>	<u>1,335,009</u>	<u>6,532,651</u>
Total support and revenue	11,603,897	2,620,204	14,224,101
Expenses:			
Program services:			
Artistic	6,568,220	-	6,568,220
Box office	232,110	-	232,110
Education	180,722	-	180,722
Marketing	1,228,319	-	1,228,319
Operations	1,820,058	-	1,820,058
Supporting Services:			
General and administrative	1,338,368	-	1,338,368
Development	<u>736,669</u>	<u>-</u>	<u>736,669</u>
Total expenses	<u>12,104,466</u>	<u>-</u>	<u>12,104,466</u>
Change in net assets before other changes	(500,569)	2,620,204	2,119,635
Other changes:			
Gain in value - perpetual trust	-	157,806	157,806
Net appreciation of assets held by others	-	3,818	3,818
Investment return appropriated for expenditure	<u>420,225</u>	<u>(420,225)</u>	<u>-</u>
Change in net assets	(80,344)	2,361,603	2,281,259
Net assets (deficit), beginning of year	<u>(518,008)</u>	<u>13,082,980</u>	<u>12,564,972</u>
Net assets (deficit), end of year	\$ <u><u>(598,352)</u></u>	<u><u>15,444,583</u></u>	<u><u>14,846,231</u></u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Activities

For the Year Ended June 30, 2017

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 5,319,916	91,593	5,411,509
Governmental and other grants	1,073,383	-	1,073,383
Guild activities, net	79,722	-	79,722
Contributed services and in-kind	<u>180,060</u>	<u>-</u>	<u>180,060</u>
Total support	6,653,081	91,593	6,744,674
Revenue:			
Admissions	3,462,500	-	3,462,500
Other performance revenue	235,549	-	235,549
Investment income	-	1,717,215	1,717,215
Other	<u>82,294</u>	<u>-</u>	<u>82,294</u>
Total revenue	<u>3,780,343</u>	<u>1,717,215</u>	<u>5,497,558</u>
Total support and revenue	10,433,424	1,808,808	12,242,232
Expenses:			
Program services:			
Artistic	6,035,672	-	6,035,672
Box office	197,904	-	197,904
Education	147,487	-	147,487
Marketing	1,252,252	-	1,252,252
Operations	1,888,884	-	1,888,884
Supporting services:			
General and administrative	1,093,217	-	1,093,217
Development	<u>623,787</u>	<u>-</u>	<u>623,787</u>
Total expenses	<u>11,239,203</u>	<u>-</u>	<u>11,239,203</u>
Change in net assets before other changes	(805,779)	1,808,808	1,003,029
Other changes:			
Gain in value - perpetual trust	-	186,427	186,427
Net appreciation of assets held by others	-	22,347	22,347
Investment return appropriated for expenditure	<u>395,151</u>	<u>(395,151)</u>	<u>-</u>
Change in net assets	(410,628)	1,622,431	1,211,803
Net assets (deficit), beginning of year	<u>(107,380)</u>	<u>11,460,549</u>	<u>11,353,169</u>
Net assets (deficit), end of year	\$ <u><u>(518,008)</u></u>	<u><u>13,082,980</u></u>	<u><u>12,564,972</u></u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		General and Administrative	Development	
Accounting and legal	\$ -	36,689	-	36,689
Bad debt expense	-	-	52,915	52,915
Business entertainment	675	2,147	760	3,582
Computer supplies and support	30,422	5,508	-	35,930
Conferences	4,618	8,087	-	12,705
Depreciation	-	27,570	-	27,570
Employee recruitment and relocation	4,578	-	2,291	6,869
Equipment rental and maintenance	64,428	13,165	-	77,593
Guest artists and conductors	1,255,367	-	-	1,255,367
Guest artists - travel and lodging	154,414	-	-	154,414
Hall rental	940,373	-	-	940,373
Health insurance and other benefits	762,757	31,249	31,343	825,349
Insurance	-	32,758	-	32,758
Interest and penalties	-	14,718	-	14,718
License and fees	50,006	882	2,290	53,178
Media advertising	548,478	-	-	548,478
Merchant charges and bank fees	-	97,963	-	97,963
Miscellaneous	3,863	12,944	82	16,889
Music rental	121,749	-	-	121,749
Occupancy	-	126,567	-	126,567
Office supplies	-	21,102	-	21,102
Payroll taxes	404,124	44,789	23,800	472,713
Postage, shipping and mailing service	13,578	16,097	6,704	36,379
Printing and publications	108,461	19,703	20,832	148,996
Production	13,149	-	-	13,149
Professional and consultant fees	9,283	129,057	91,228	229,568
Receptions	39,923	-	165,029	204,952
Recording fees	13,200	-	-	13,200
Retirement plan contributions	251,292	12,723	4,423	268,438
Salaries and wages	4,629,651	663,047	283,338	5,576,036
Sponsor recognition	-	-	14,473	14,473
Staging and stagehands	396,557	-	-	396,557
Telephone	-	10,379	-	10,379
Telephone campaigns	-	-	28,078	28,078
Trade	134,095	-	-	134,095
Travel and parking	67,716	7,070	1,888	76,674
Other	6,672	4,154	7,195	18,021
	<u>\$ 10,029,429</u>	<u>1,338,368</u>	<u>736,669</u>	<u>12,104,466</u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2017

	Program Services	Supporting Services		Total
		General and Administrative	Development	
Accounting and legal	\$ -	47,054	-	47,054
Bad debt expense	-	-	16,995	16,995
Business entertainment	762	3,865	600	5,227
Computer supplies and support	11,662	4,583	-	16,245
Conferences	4,234	2,400	115	6,749
Depreciation	-	27,479	-	27,479
Employee recruitment and relocation	11,611	16,433	2,616	30,660
Equipment rental and maintenance	64,287	16,606	-	80,893
Guest artists and conductors	1,064,823	-	-	1,064,823
Guest artists - travel and lodging	111,218	-	-	111,218
Hall rental	924,598	-	-	924,598
Health insurance and other benefits	709,528	29,987	24,925	764,440
Insurance	-	26,903	-	26,903
Interest and penalties	-	12,346	-	12,346
License and fees	48,646	-	350	48,996
Media advertising	535,062	-	-	535,062
Merchant charges and bank fees	-	70,098	-	70,098
Miscellaneous	3,421	2,303	2,029	7,753
Music rental	69,888	-	-	69,888
Occupancy	-	175,222	-	175,222
Office supplies	-	11,755	-	11,755
Payroll taxes	387,826	29,574	22,781	440,181
Postage, shipping and mailing service	15,691	16,792	7,620	40,103
Printing and publications	102,214	15,024	19,022	136,260
Production	10,833	-	-	10,833
Professional and consultant fees	4,690	144,566	53,801	203,057
Receptions	41,144	-	153,944	195,088
Recording fees	13,200	-	-	13,200
Retirement plan contributions	246,468	9,937	2,342	258,747
Salaries and wages	4,422,821	405,521	266,964	5,095,306
Sponsor recognition	-	-	13,966	13,966
Staging and stagehands	390,369	-	-	390,369
Telephone	-	12,545	-	12,545
Telephone campaigns	-	-	33,004	33,004
Trade	179,795	-	-	179,795
Travel and parking	143,495	7,303	2,136	152,934
Other	3,913	4,921	577	9,411
	<u>\$ 9,522,199</u>	<u>1,093,217</u>	<u>623,787</u>	<u>11,239,203</u>