

THE FLORIDA ORCHESTRA, INC.

**Financial Statements
and Supplementary Financial Information**

June 30, 2022 and 2021
(With Independent Auditors' Report Thereon)

THE FLORIDA ORCHESTRA, INC.

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Independent Auditors' Report

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Florida Orchestra as of June 30, 2022, and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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.

August 18, 2023
St. Petersburg, Florida

THE FLORIDA ORCHESTRA, INC.

Statements of Financial Position

June 30, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 653,831	1,704,743
Accounts receivable	1,419,792	218,073
Promises to give, net	57,384	16,613
Investments, at fair value	8,504,930	11,189,340
Beneficial interest in perpetual trusts	3,325,274	4,166,341
Beneficial interest in assets held by others	394,699	461,270
Prepaid expenses	14,424	2,115
Property and equipment, net	<u>41,462</u>	<u>63,404</u>
Total assets	<u><u>\$ 14,411,796</u></u>	<u><u>17,821,899</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 248,082	198,960
Capital lease obligations	-	8,900
Line of credit	1,209,225	-
Notes payable	27,768	38,697
Advance ticket sales	<u>1,251,930</u>	<u>1,470,428</u>
Total liabilities	2,737,005	1,716,985
Net assets:		
Without donor restrictions:		
Undesignated	471,757	1,589,580
Board-designated for long-term investment	<u>89,457</u>	<u>89,457</u>
	561,214	1,679,037
With donor restrictions	<u>11,113,577</u>	<u>14,425,877</u>
Total net assets	<u>11,674,791</u>	<u>16,104,914</u>
Total liabilities and net assets	<u><u>\$ 14,411,796</u></u>	<u><u>17,821,899</u></u>

THE FLORIDA ORCHESTRA, INC.

Statement of Activities

For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 4,574,353	66,481	4,640,834
Governmental and other grants	1,698,556	-	1,698,556
Guild activities, net	<u>162,607</u>	<u>-</u>	<u>162,607</u>
Total support	6,435,516	66,481	6,501,997
Revenue:			
Admissions	3,305,174	-	3,305,174
Other performance revenue	181,176	-	181,176
Investment loss	(201,279)	(2,033,101)	(2,234,380)
Other	<u>14,497</u>	<u>-</u>	<u>14,497</u>
Total revenue	3,299,568	(2,033,101)	1,266,467
Net assets released from restrictions	<u>19,613</u>	<u>(19,613)</u>	<u>-</u>
Total support and revenue	9,754,697	(1,986,233)	7,768,464
Expenses:			
Program services:			
Artistic	6,537,632	-	6,537,632
Box office	267,245	-	267,245
Education	258,767	-	258,767
Marketing	756,623	-	756,623
Operations	<u>1,329,259</u>	<u>-</u>	<u>1,329,259</u>
Total program services	9,149,526	-	9,149,526
Supporting services:			
General and administrative	1,672,397	-	1,672,397
Development	<u>468,545</u>	<u>-</u>	<u>468,545</u>
Total expenses	<u>11,290,468</u>	<u>-</u>	<u>11,290,468</u>
Change in net assets before other changes	(1,535,771)	(1,986,233)	(3,522,004)
Other changes:			
Loss in value - perpetual trust	-	(841,067)	(841,067)
Net depreciation of assets held by others	(67,052)	-	(67,052)
Investment return appropriated for expenditure	<u>485,000</u>	<u>(485,000)</u>	<u>-</u>
Change in net assets	(1,117,823)	(3,312,300)	(4,430,123)
Net assets, beginning of year	<u>1,679,037</u>	<u>14,425,877</u>	<u>16,104,914</u>
Net assets, end of year	\$ <u><u>561,214</u></u>	<u><u>11,113,577</u></u>	<u><u>11,674,791</u></u>

See accompanying independent auditors' report and notes to financial statements.

THE FLORIDA ORCHESTRA, INC.

Statement of Activities

For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 4,293,975	24,913	4,318,888
Governmental and other grants	2,263,416	-	2,263,416
Guild activities, net	84,867	-	84,867
Contributed services and in-kind	<u>12,493</u>	<u>-</u>	<u>12,493</u>
Total support	6,654,751	24,913	6,679,664
Revenue:			
Admissions	892,417	-	892,417
Other performance revenue	41,938	-	41,938
Investment income	192,192	2,770,556	2,962,748
Other	<u>2,803</u>	<u>-</u>	<u>2,803</u>
Total revenue	1,129,350	2,770,556	3,899,906
Net assets released from restrictions	<u>280,834</u>	<u>(280,834)</u>	<u>-</u>
Total support and revenue	8,064,935	2,514,635	10,579,570
Expenses:			
Program services:			
Artistic	4,225,575	-	4,225,575
Box office	260,700	-	260,700
Education	279,440	-	279,440
Marketing	517,218	-	517,218
Operations	<u>1,345,011</u>	<u>-</u>	<u>1,345,011</u>
Total program services	6,627,944	-	6,627,944
Supporting services:			
General and administrative	701,279	-	701,279
Development	<u>520,673</u>	<u>-</u>	<u>520,673</u>
Total supporting services	7,849,896	-	7,849,896
Total expenses	<u>7,849,896</u>	<u>-</u>	<u>7,849,896</u>
Change in net assets before other changes	215,039	2,514,635	2,729,674
Other changes:			
Gain in value - perpetual trust	-	901,254	901,254
Net appreciation of assets held by others	75,123	-	75,123
Change in provision for uncollectable pledges	-	(157,768)	(157,768)
Investment return appropriated for expenditure	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
Change in net assets	790,162	2,758,121	3,548,283
Net assets, beginning of year	<u>888,875</u>	<u>11,667,756</u>	<u>12,556,631</u>
Net assets end of year	\$ <u><u>1,679,037</u></u>	<u><u>14,425,877</u></u>	<u><u>16,104,914</u></u>

See accompanying independent auditors' report and notes to financial statements.

THE FLORIDA ORCHESTRA, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Development	
Accounting and legal	\$ -	79,012	-	79,012
Business entertainment	268	10,875	67	11,210
Computer supplies and support	8,051	149	-	8,200
Conferences	789	1,755	-	2,544
Depreciation	-	21,942	-	21,942
Employee recruitment and relocation	4,096	10,457	16,897	31,450
Equipment rental and maintenance	32,878	14,924	-	47,802
Guest artists and conductors	942,010	-	-	942,010
Guest artists - travel and lodging	94,597	-	-	94,597
Hall rental	784,742	-	-	784,742
Health insurance and other benefits	564,822	103,036	16,176	684,034
Insurance	28,198	138,204	-	166,402
Interest and penalties	-	12,811	-	12,811
License and fees	49,985	11,014	33,262	94,261
Media advertising	327,384	310	-	327,694
Merchant charges and bank fees	29,276	19,518	29,276	78,070
Miscellaneous	4,906	5,898	-	10,804
Music rental	77,705	-	-	77,705
Occupancy	29,764	17,911	26,866	74,541
Office supplies	5,234	2,324	3,485	11,043
Payroll taxes	405,198	87,458	18,532	511,188
Postage, shipping and mailing service	31,427	3,384	3,904	38,715
Printing and publications	74,691	3,525	3,739	81,955
Production	21,499	-	-	21,499
Professional and consultant fees	108,568	105,120	33,090	246,778
Receptions	-	-	11,220	11,220
Recording fees	106,200	-	-	106,200
Retirement plan contributions	294,781	14,539	2,930	312,250
Salaries and wages	4,505,111	993,159	263,675	5,761,945
Sponsor recognition	-	-	1,097	1,097
Staging and stagehands	464,680	-	-	464,680
Telephone	5,269	2,302	3,452	11,023
Travel and parking	142,919	10,440	824	154,183
Other	4,478	2,330	53	6,861
	<u>\$ 9,149,526</u>	<u>1,672,397</u>	<u>468,545</u>	<u>11,290,468</u>

See accompanying independent auditors' report and notes to financial statements.

THE FLORIDA ORCHESTRA, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Development	
Accounting and legal	\$ -	86,596	-	86,596
Bad debt expense	-	-	84,645	84,645
Business entertainment	14	4,822	3,824	8,660
Computer supplies and support	6,334	1,418	42	7,794
Conferences	207	-	2,340	2,547
Depreciation	-	23,731	-	23,731
Employee recruitment and relocation	37	-	-	37
Equipment rental and maintenance	26,691	5,787	-	32,478
Guest artists and conductors	419,785	-	-	419,785
Guest artists - travel and lodging	28,657	-	-	28,657
Hall rental	447,146	-	-	447,146
Health insurance and other benefits	605,113	10,699	27,958	643,770
Insurance	26,761	103,804	-	130,565
Interest and penalties	-	3,595	-	3,595
License and fees	59,690	21,351	24,346	105,387
Media advertising	146,781	-	-	146,781
Merchant charges and bank fees	18,310	12,207	18,310	48,827
Miscellaneous	1,758	-	2,113	3,871
Music rental	65,803	-	-	65,803
Occupancy	30,990	18,852	28,278	78,120
Office supplies	13,539	2,684	3,561	19,784
Payroll taxes	318,447	16,344	19,804	354,595
Postage, shipping and mailing service	8,028	3,568	4,949	16,545
Printing and publications	26,867	6,192	14,736	47,795
Production	13,783	-	-	13,783
Professional and consultant fees	15,600	143,076	29,211	187,887
Receptions	-	-	526	526
Recording fees	162,467	-	-	162,467
Retirement plan contributions	192,667	854	1,038	194,559
Salaries and wages	3,715,853	227,662	241,447	4,184,962
Sponsor recognition	-	-	7,070	7,070
Staging and stagehands	230,689	-	-	230,689
Telephone	4,839	2,258	3,388	10,485
Trade	31,680	-	-	31,680
Travel and parking	7,139	5,198	2,506	14,843
Other	2,269	581	581	3,431
	<u>\$ 6,627,944</u>	<u>701,279</u>	<u>520,673</u>	<u>7,849,896</u>

THE FLORIDA ORCHESTRA, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (4,430,123)	3,548,283
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,942	23,731
Realized and unrealized losses (gains) on investments	2,379,564	(2,827,372)
Change in beneficial interest in perpetual trust	841,067	(901,254)
Change in beneficial interest in assets held by others	66,571	(61,422)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables and promises to give, net	(1,242,490)	109,430
Decrease in bequests receivable	-	157,768
Decrease (increase) in prepaid expenses	(12,309)	31,464
Increase (decrease) in accounts payable and accrued expenses	49,122	(1,348)
Increase (decrease) in advance ticket sales	(218,498)	452,913
Net cash provided by (used in) operating activities	(2,545,154)	532,193
Cash flows from investing activities:		
Purchases of investments	(1,504,141)	(1,414,267)
Proceeds from sale of investments	1,808,987	1,511,426
Net cash provided by investing activities	304,846	97,159
Cash flows from financing activities:		
Net activity on line of credit	1,209,225	-
Principal payments on capital lease obligations	(8,900)	(8,038)
Principal payments on notes payable	(10,929)	(10,559)
Net cash provided by (used in) financing activities	1,189,396	(18,597)
Net increase (decrease) in cash and cash equivalents	(1,050,912)	610,755
Cash and cash equivalents at beginning of year	1,704,743	1,093,988
Cash and cash equivalents at end of year	\$ 653,831	1,704,743
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 12,136	3,595

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(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

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) of the Financial Accounting Standards Board (“FASB”). Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. The Board of Directors (the “Board”) has designated a portion of its net assets without donor restrictions for long-term investment.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations are expected to be met by actions of the Orchestra and/or the passage of time or include a stipulation that assets provided be maintained in perpetuity by the Orchestra. Generally, the donors of these assets permit the Orchestra to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restricted assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value and are subsequently adjusted as necessary based on any permanent impairment of their fair value.

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(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.

(e) Promises to Give

All contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied.

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 net assets with donor restrictions, as these assets will not be available until future years or have been restricted in perpetuity by the donor. As funds from an estate (other than those restricted in perpetuity) are collected, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Bequests receivable was \$0 as of June 30, 2022 and 2021, 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 (loss) in the statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions 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.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(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 support that is not subject to donor restrictions 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.

(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 \$1,251,930 at June 30, 2022 for the 2022-2023 season and \$1,470,428 at June 30, 2021 for the 2021-2022 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) Revenue Recognition

The Orchestra accounts for subscriptions, individual ticket sales and other revenue in accordance with ASC 606. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for performances that have not taken place are recorded as contract liabilities (advance ticket sales) in the statements of financial position.

Box office and subscription ticketing revenues are derived from the sale of season subscriptions and individual tickets for Orchestra performances. Subscriptions are recognized over the Orchestra season using the output method or as the performance occurs. Individual ticket sales are also recognized as revenue as the performance occurs. All performance obligations are normally satisfied within the Orchestra season, which is contained within the Orchestra's fiscal year. At June 30, 2021, subscription holders were allowed to defer the use of their season tickets due to the COVID-19 pandemic. At June 30, 2022, subscription holders are no longer allowed to defer the use of their season tickets. Subscription fees are due prior to the Orchestra season and individual ticket sales are due at the point of sale. Subscriptions and individual ticket sales collected in advance of the Orchestra season are considered to be contract liabilities and are reported as advance ticket sales. Sponsorships and advertising revenue are also recognized as Orchestra performances are completed.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(l) 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 (“ASC”) Topic 740, *Income Taxes*. 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, 2022 and 2021. The Orchestra’s information returns are open to IRS examination for the 2018 tax year ended June 30, 2019, and all subsequent years.

(m) Advertising

Advertising costs are expensed as incurred, except when the advertising is directly related to probable future benefits. Advertising costs expensed were approximately \$327,700 and \$146,800 for the years ended June 30, 2022 and 2021, respectively.

(n) 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 \$30,248 and \$31,680 for the years ended June 30, 2022 and 2021, respectively.

(o) Functional Allocation of Expenses

The costs of providing the various programs, activities, and supporting services have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and wages and related costs are generally allocated based on time and effort expended by function. Depreciation of property and equipment and expenses relating to operation and maintenance of property and equipment have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(p) Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date for all entities that have not yet adopted Topic 842 to annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Orchestra will adopt this guidance on July 1, 2022 and is currently evaluating its impact on the financial statements.

(q) Going Concern Evaluation

On an annual basis, as required by ASC Topic 205, *Presentation of Financial Statements - Going Concern*, the Orchestra performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), considered in the aggregate, that raise substantial doubt about the Orchestra’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(r) Reclassifications

Certain amounts in the 2021 financial statements have been reclassified for comparative purposes to conform to the 2022 presentation. These reclassifications had no effect on net assets or changes in net assets.

(2) Promises to Give

Unconditional promises to give consist of the following at June 30, 2022 and 2021:

	2022	2021
Unrestricted promises	\$ 60,384	19,613
Total unconditional promises to give	60,384	19,613
Less allowance for uncollectibles	(3,000)	(3,000)
Net unconditional promises to give	\$ 57,384	16,613
Amounts due in:		
Less than one year	\$ 60,384	19,613
	\$ 60,384	19,613

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(2) Promises to Give - Continued

At June 30, 2022, pledges from two donors accounted for approximately 99% of pledges receivable. At June 30, 2021, pledges from two donors accounted for approximately 97% of pledges receivable. Approximately 18% of total private support was provided by four donors for the year ended June 30, 2022. Approximately 17% of total private support was provided by five donors for the year ended June 30, 2021.

(3) Investments

Investments are stated at fair value and consist of the following at June 30, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	\$ 132,259	132,259	69,524	69,524
Common stocks	4,003,144	6,526,516	4,166,649	9,076,771
Fixed-income securities and funds	2,032,644	1,846,155	1,964,035	2,043,045
	\$ 6,168,047	8,504,930	6,200,208	11,189,340

A portion of the long-term investment portfolio is restricted as a permanent endowment. At June 30, 2022 and 2021, 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.

The following schedule summarizes investment income for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividends (net of investment management expenses of \$69,958 and \$61,032, respectively)	\$ 145,184	135,376
Realized and unrealized gains (losses)	(2,379,564)	2,827,372
Total investment income (loss)	\$ (2,234,380)	2,962,748

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(4) Property and Equipment

Property and equipment consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 193,702	193,702
Computer equipment	94,935	94,935
Vehicles	62,454	62,454
Leasehold improvements	6,647	6,647
Sound system	4,433	4,433
Musical equipment	229,511	229,511
	591,682	591,682
Less accumulated depreciation	<u>(550,220)</u>	<u>(528,278)</u>
	<u>\$ 41,462</u>	<u>63,404</u>

Depreciation charged to operations amounted to \$21,942 and \$23,731 for the years ended June 30, 2022 and 2021, respectively.

(5) 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, 2022 and 2021 were approximately \$172,000 and \$165,000, respectively. These amounts are included as a component of Private Support in the accompanying Statements of Activities. As of June 30, 2022, the balance of \$3,265,539 was comprised of: equities - 79%, fixed income - 18% and cash 3%. As of June 30, 2021, the balance of \$4,100,008 was comprised of: equities - 81% and fixed income - 19%. During fiscal year 2014, the Orchestra was named as an income beneficiary in a smaller irrevocable perpetual trust valued at \$59,735 and \$66,333 at June 30, 2022 and 2021, respectively.

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, 2022 and 2021 were approximately \$152,000 and \$165,000, 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.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(6) 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, 2022 and 2021, in the amounts of \$332,531 and \$399,583, respectively. In addition, at June 30, 2022 and 2021, the Foundation was holding a balance of approximately \$4,836,000 and \$5,821,000, 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, 2022 and 2021 were approximately \$385,000 and \$244,800, respectively. These amounts are included in private support in the accompanying statements of activities for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, in the amount of \$62,168 and \$61,687, respectively.

(7) Fair Value Measurements

The Orchestra follows ASC Topic 820, *Fair Value Measurement*. ASC Topic 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).

Under ASC Topic 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 Topic 820 requires disclosures that stratify statement of financial position 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;

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(7) Fair Value Measurements - Continued

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, 2022 is as follows:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at June 30, 2022</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	\$ 132,259	132,259	-	-
Common stocks	6,526,516	6,526,516	-	-
Fixed-income securities and funds	1,846,155	-	1,846,155	-
	<u>8,504,930</u>	<u>6,658,775</u>	<u>1,846,155</u>	<u>-</u>
Beneficial interest in perpetual trusts	3,325,274	-	-	3,325,274
Beneficial interest in assets held by others	394,699	-	394,699	-
	<u>\$ 12,224,903</u>	<u>6,658,775</u>	<u>2,240,854</u>	<u>3,325,274</u>

Fair value of assets measured on a recurring basis at June 30, 2021 is as follows:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at June 30, 2021</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	\$ 69,524	69,524	-	-
Common stocks	9,076,771	9,076,771	-	-
Fixed-income securities and funds	2,043,045	-	2,043,045	-
	<u>11,189,340</u>	<u>9,146,295</u>	<u>2,043,045</u>	<u>-</u>
Beneficial interest in perpetual trusts	4,166,341	-	-	4,166,341
Beneficial interest in assets held by others	461,270	-	461,270	-
	<u>\$ 15,816,951</u>	<u>9,146,295</u>	<u>2,504,315</u>	<u>4,166,341</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 FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(7) Fair Value Measurements - Continued

The methods used by the Orchestra in determining fair values for the beneficial interest in perpetual trusts and beneficial interest in assets held by others are as previously described in Notes 5 and 6, respectively.

The Orchestra considers the measurement of its beneficial interest in the perpetual trusts to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustees, the Orchestra will never receive those assets or have the ability to direct the trustees to redeem them.

The table below presents information about changes in the Orchestra's beneficial interest in perpetual trusts for the years ended June 30, 2022 and 2021, which are measured at fair value on a recurring basis:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 4,166,341	3,265,087
Change in value of beneficial interests	<u>(841,067)</u>	<u>901,254</u>
Balance, end of year	<u>\$ 3,325,274</u>	<u>4,166,341</u>

(8) Liquidity and Availability of Resources

The Orchestra regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Orchestra has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

The Orchestra is supported by both unrestricted and donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Orchestra must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Orchestra's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and obligations come due. The Orchestra designates a portion of its investments and investment earnings to fund long-term needs of the Orchestra. Additionally, the Orchestra has designated certain net assets without donor restrictions that, while the Orchestra does not intend to spend for general expenditures in the next 12 months, the amounts could be made available for current operations, if necessary. In addition to the financial assets available to meet general expenditures over the next 12 months, the Orchestra operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As described in Note 15, the Orchestra has access to a revolving line of credit and other short-term borrowing availability to meet liquidity needs.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(8) Liquidity and Availability of Resources - Continued

As of June 30, 2022 and 2021, the Orchestra's financial assets available to meet cash needs for general expenditures for the next 12 months were as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 653,831	1,704,743
Accounts receivable	1,419,792	218,073
Promises to give, net	57,384	16,613
Investments, at fair value	8,504,930	11,189,340
Beneficial interest in perpetual trusts	3,325,274	4,166,341
Beneficial interest in assets held by others	394,699	461,270
Total financial assets	14,355,910	17,756,380
Less amounts unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Endowments	(9,480,972)	(10,322,039)
Unappropriated endowment investment return	(1,507,437)	(4,025,542)
Total contractual or donor-imposed restrictions	(10,988,409)	(14,347,581)
Board designated for long-term investment	(89,457)	(89,457)
Financial assets available to meet general expenditures within one year	\$ 3,278,044	3,319,342

(9) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2022 and 2021:

	2022	2021
Unappropriated endowment investment return	\$ 1,507,437	4,025,542
Subsequent year operations	125,168	78,296
Donor restricted in perpetuity	9,480,972	10,322,039
	\$ 11,113,577	14,425,877

(10) Leases

The Orchestra was previously obligated under capital leases for office equipment. In fiscal 2022, the orchestra renegotiated these capital leases and replaced the capital leases with an operating lease. At June 30, 2022 and 2021, the gross amount of office equipment recorded under the capital leases was \$0 and \$33,244, respectively. The net book value of the office equipment at June 30, 2021, after deducting accumulated amortization of \$27,127, was \$6,117.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(10) Leases - Continued

The present value of future minimum lease payments as of June 30, 2022 is as follows:

<u>Year Ending June 30,</u>		
2023	\$	7,647
2024		8,343
2025		8,343
2026		8,343
2027		8,343
Thereafter		<u>695</u>
Total future minimum lease payments	\$	<u><u>41,714</u></u>

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. 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 \$72,000 for each of the years ended June 30, 2022 and 2021.

Rent expense for operating leases, including month-to-month rentals, for the years ended June 30, 2022 and 2021 was approximately \$72,000 and \$75,000, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program services:		
Office rent	\$ <u>-</u>	<u>12,493</u>
	<u><u>\$ -</u></u>	<u><u>12,493</u></u>

The Orchestra recognized \$30,248 and \$31,680 in admissions revenue for the years ended June 30, 2022 and 2021, respectively, for tickets sold in exchange for contributed services.

In addition, for the years ended June 30, 2022 and 2021, approximately 6,210 and 6,200 hours, respectively, 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, 2022 and 2021 was \$25,022 and \$16,021, 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 7.19% of the musicians' gross wages for the years ended June 30, 2022 and 2021. The expense for this pension plan for the years ended June 30, 2022 and 2021 was \$285,665 and \$178,538, 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 May 2018 that expired in August 2021. As a result of the COVID-19 pandemic during 2020, the agreement was extended by one year and included modifications to the 2020-2021 season. A new three-year contract was finalized in February 2023 that will expire in August 2025.

(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 for long-term investment. In fiscal 2020, the Orchestra's board of directors removed a long-term investment designation for a component of net assets without donor restrictions. 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 US GAAP, the Orchestra classifies investment earnings on endowments as a component of net assets with donor restrictions 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 net assets without donor restrictions.

Interpretation of Relevant Law: The Orchestra has interpreted UPMIFA as allowing the Orchestra to spend or accumulate the amount of an endowment fund that the Orchestra determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The Orchestra classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

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, 2022, the Board of Directors authorized the distribution to the operating fund of \$485,000 or 5.00% of the endowment assets' 12-quarter average as of December 31, 2020. For the fiscal year ended June 30, 2021, the Board of Directors authorized the distribution to the operating fund of \$500,000 or 5.00% of the endowment assets' 12-quarter average as of December 31, 2019.

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Endowment Net Assets
		Temporary Restrictions	Restricted in Perpetuity	
Board-designated for long-term investment	\$ 89,457	-	-	89,457
Donor-restricted endowment funds	-	1,507,437	9,480,972	10,988,409
	<u>\$ 89,457</u>	<u>1,507,437</u>	<u>9,480,972</u>	<u>11,077,866</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Endowment Net Assets
		Temporary Restrictions	Restricted in Perpetuity	
Balance, beginning of year	\$ 89,457	4,025,542	10,322,039	14,437,038
Contributions	-	-	-	-
Investment loss, including fees	-	(2,033,105)	-	(2,033,105)
Change in value of beneficial interest	-	-	(841,067)	(841,067)
Amount appropriated for expenditure	-	(485,000)	-	(485,000)
Balance, end of year	<u>\$ 89,457</u>	<u>1,507,437</u>	<u>9,480,972</u>	<u>11,077,866</u>

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(14) Endowment Funds - Continued

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Endowment Net Assets
		Temporary Restrictions	Restricted in Perpetuity	
Board-designated for long-term investment	\$ 89,457	-	-	89,457
Donor-restricted endowment funds	-	4,025,542	10,322,039	14,347,581
	<u>\$ 89,457</u>	<u>4,025,542</u>	<u>10,322,039</u>	<u>14,437,038</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Endowment Net Assets
		Temporary Restrictions	Restricted in Perpetuity	
Balance, beginning of year	\$ -	1,912,754	9,420,785	11,333,539
Contributions	89,457	-	-	89,457
Investment income, net of fees	-	2,770,556	-	2,770,556
Change in value of beneficial interest	-	-	901,254	901,254
Change in provision for uncollectable pledges	-	(157,768)	-	(157,768)
Amount appropriated for expenditure	-	(500,000)	-	(500,000)
Balance, end of year	<u>\$ 89,457</u>	<u>4,025,542</u>	<u>10,322,039</u>	<u>14,437,038</u>

(15) Short-Term Borrowing Arrangements

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 3% at June 30, 2022. \$1,209,225 and \$0 was outstanding under this arrangement at June 30, 2022 and 2021, respectively.

The Orchestra also has access to a \$150,000 revolving line of credit through a commercial bank. Interest accrues at the greater of the bank's prime rate plus 1.5% or 4% and the related promissory note matured in May 2022 at which time all outstanding principal and interest was due and payable. The line was not renewed. There was no balance outstanding on the line of credit at June 30, 2022 or 2021.

(16) Notes Payable

The Orchestra had notes payable with aggregate outstanding principal balances of \$27,768 and \$38,697 at June 30, 2022 and 2021, respectively. One of the borrowings was executed in May 2019 and requires the Orchestra to make monthly payments of \$854, including interest at 6.8%, through June 2025. The loan is secured by a musical instrument.

The second note was executed in September 2018 and requires monthly payments of \$246, including interest at 5.75% through September 2023. The loan is secured by modular furniture.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(16) Notes Payable - Continued

The aggregate maturities of notes payable at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>		
2023	\$	9,371
2024		9,247
2025		<u>9,150</u>
	\$	<u><u>27,768</u></u>

The Orchestra applied for and received a forgivable Paycheck Protection Program (“PPP”) Loan in the total amount of \$1,248,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. The PPP loan was funded in April, 2020. Under the terms of the loan, the balance was forgivable to the extent the proceeds were used for certain qualified costs for the 24-week period through September 30, 2020 and that certain employment levels were maintained. The Orchestra incurred qualified program costs during the requisite time frame in 2020, submitted an application for loan forgiveness and was notified that its application was approved on August 24, 2021.

The Orchestra applied for and received a second forgivable Paycheck Protection Program (“PPP”) Loan in the total amount of \$1,340,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. The second PPP loan was funded in February 2021. Under the terms of the loan, the balance was forgivable to the extent the proceeds were used for certain qualified costs for the 24-week period through July 30, 2021 and that certain employment levels were maintained. The Orchestra incurred qualified program costs during the requisite time frame in 2021, submitted an application for loan forgiveness and was notified that its application was approved on May 4, 2022. The full amount of the second PPP loan was recognized as support during the year ended June 30, 2021 and is included in governmental and other grants in the accompanying statement of activities.

(17) Related Party

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 \$831,000 and \$1,202,000 for the years ended June 30, 2022 and 2021, respectively.

(18) Concentrations

The Orchestra maintains cash balances with what management believes to be a high credit quality financial institution. At June 30, 2022 and 2021, amounts on deposit with this financial institution exceeded coverage provided by the FDIC by approximately \$279,000 and \$1,314,000, respectively. Other concentrations of credit risk are described in Note 2.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(19) **Federal Financial Assistance**

The CARES Act provides an employee retention credit (“ERC”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter and available to entities who received federal Paycheck Protection Program loans. Based on the 2021 relief provisions, the Orchestra qualified for the tax credit in fiscal 2021 retrospectively for the calendar year 2020. The Orchestra has elected to apply the provisions of ASU 2018-08, *Clarifying Guidance for Contributions Received and Contributions Made* (Topic 958-605) as the relevant guidance for a not-for-profit entity for this type of conditional federal award.

During the fiscal year ended June 30, 2022, the Orchestra recognized approximately \$1.2 million related to the ERC in “Governmental and other grants” on the Orchestra’s fiscal 2022 statement of activities. As of June 30, 2022, approximately \$1.2 million of the ERC balance is recorded in “accounts receivable” on the accompanying statements of financial position.

(20) **Subsequent Events**

The Orchestra has evaluated events occurring after the statement of financial position date through August 18, 2023, 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, 2022

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 653,831	-	653,831
Accounts receivable	1,419,792	-	1,419,792
Promises to give, net	57,384	-	57,384
Interfund receivables (payables)	(1,750,360)	1,750,360	-
Investments, at fair value	-	8,504,930	8,504,930
Beneficial interest in perpetual trusts	-	3,325,274	3,325,274
Beneficial interest in assets held by others	62,168	332,531	394,699
Prepaid expenses	14,424	-	14,424
Property and equipment, net	41,462	-	41,462
	<u>498,701</u>	<u>13,913,095</u>	<u>14,411,796</u>
Total assets	\$ 498,701	13,913,095	14,411,796
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 248,082	-	248,082
Line of credit	-	1,209,225	1,209,225
Notes payable	27,768	-	27,768
Advance ticket sales	1,251,930	-	1,251,930
	<u>1,527,780</u>	<u>1,209,225</u>	<u>2,737,005</u>
Total liabilities	1,527,780	1,209,225	2,737,005
Net assets:			
Without donor restrictions:			
Undesignated	(1,154,247)	1,626,004	471,757
Board-designated for long-term investment	-	89,457	89,457
	<u>125,168</u>	<u>10,988,409</u>	<u>11,113,577</u>
Total net assets (deficit)	(1,029,079)	12,703,870	11,674,791
Total liabilities and net assets	\$ 498,701	13,913,095	14,411,796

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Financial Position

June 30, 2021

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,704,743	-	1,704,743
Accounts receivable	218,073	-	218,073
Promises to give, net	16,613	-	16,613
Interfund receivables (payables)	(541,135)	541,135	-
Investments, at fair value	-	11,189,340	11,189,340
Beneficial interest in perpetual trust	-	4,166,341	4,166,341
Beneficial interest in assets held by others	61,687	399,583	461,270
Prepaid expenses	2,115	-	2,115
Property and equipment, net	63,404	-	63,404
	<u>\$ 1,525,500</u>	<u>16,296,399</u>	<u>17,821,899</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 198,960	-	198,960
Capital lease obligations	8,900	-	8,900
Notes payable	38,697	-	38,697
Advance ticket sales	1,470,428	-	1,470,428
	<u>1,716,985</u>	<u>-</u>	<u>1,716,985</u>
Total liabilities			
Net assets:			
Without donor restrictions:			
Undesignated	(269,785)	1,859,365	1,589,580
Board-designated for long-term investment	-	89,457	89,457
	<u>78,300</u>	<u>14,347,577</u>	<u>14,425,877</u>
With donor restrictions			
	<u>(191,485)</u>	<u>16,296,399</u>	<u>16,104,914</u>
Total net assets (deficit)			
	<u>\$ 1,525,500</u>	<u>16,296,399</u>	<u>17,821,899</u>
Total liabilities and net assets			

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Activities

For the Year Ended June 30, 2022

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 4,605,834	35,000	4,640,834
Governmental and other grants	1,698,556	-	1,698,556
Guild activities, net	<u>162,607</u>	<u>-</u>	<u>162,607</u>
Total support	6,466,997	35,000	6,501,997
Revenue:			
Admissions	3,305,174	-	3,305,174
Other performance revenue	181,176	-	181,176
Investment income (loss), net	30	(2,234,410)	(2,234,380)
Other	<u>14,497</u>	<u>-</u>	<u>14,497</u>
Total revenue	<u>3,500,877</u>	<u>(2,234,410)</u>	<u>1,266,467</u>
Total support and revenue	9,967,874	(2,199,410)	7,768,464
Expenses:			
Program services:			
Artistic	6,537,632	-	6,537,632
Box office	267,245	-	267,245
Education	258,767	-	258,767
Marketing	756,623	-	756,623
Operations	1,329,259	-	1,329,259
Supporting services:			
General and administrative	1,672,397	-	1,672,397
Development	<u>468,545</u>	<u>-</u>	<u>468,545</u>
Total expenses	<u>11,290,468</u>	<u>-</u>	<u>11,290,468</u>
Change in net assets before other changes	(1,322,594)	(2,199,410)	(3,522,004)
Other changes:			
Loss in value - perpetual trust	-	(841,067)	(841,067)
Net depreciation of assets held by others	-	(67,052)	(67,052)
Investment return appropriated for expenditure	<u>485,000</u>	<u>(485,000)</u>	<u>-</u>
Change in net assets	(837,594)	(3,592,529)	(4,430,123)
Net assets (deficit), beginning of year	<u>(191,485)</u>	<u>16,296,399</u>	<u>16,104,914</u>
Net assets (deficit), end of year	<u><u>\$ (1,029,079)</u></u>	<u><u>12,703,870</u></u>	<u><u>11,674,791</u></u>

See accompanying independent auditors' report.

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Activities

For the Year Ended June 30, 2021

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 4,229,431	89,457	4,318,888
Governmental and other grants	2,263,416	-	2,263,416
Guild activities, net	84,867	-	84,867
Contributed services and in-kind	12,493	-	12,493
	<hr/>	<hr/>	<hr/>
Total support	6,590,207	89,457	6,679,664
Revenue:			
Admissions	892,417	-	892,417
Other performance revenue	41,938	-	41,938
Investment income, net	110	2,962,638	2,962,748
Other	2,803	-	2,803
	<hr/>	<hr/>	<hr/>
Total revenue	937,268	2,962,638	3,899,906
Total support and revenue	7,527,475	3,052,095	10,579,570
Expenses:			
Program services:			
Artistic	4,225,575	-	4,225,575
Box office	260,700	-	260,700
Education	279,440	-	279,440
Marketing	517,218	-	517,218
Operations	1,345,011	-	1,345,011
Supporting services:			
General and administrative	701,279	-	701,279
Development	520,673	-	520,673
	<hr/>	<hr/>	<hr/>
Total expenses	7,849,896	-	7,849,896
Change in net assets before other changes	(322,421)	3,052,095	2,729,674
Other changes:			
Gain in value - perpetual trust	-	901,254	901,254
Loss in value - perpetual trust	-	75,123	75,123
Net depreciation of assets held by others	-	(157,768)	(157,768)
Investment return appropriated for expenditure	500,000	(500,000)	-
	<hr/>	<hr/>	<hr/>
Change in net assets	177,579	3,370,704	3,548,283
Net assets (deficit), beginning of year	<hr/> (369,064)	<hr/> 12,925,695	<hr/> 12,556,631
Net assets (deficit), end of year	<hr/> <u>\$ (191,485)</u>	<hr/> <u>16,296,399</u>	<hr/> <u>16,104,914</u>

See accompanying independent auditors' report.