

THE FLORIDA ORCHESTRA, INC.

**Financial Statements
and
Supplementary Financial Information**

**June 30, 2016 and 2015
(With Independent Auditor's Report Thereon)**

THE FLORIDA ORCHESTRA, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 21
Supplementary Financial Information:	
Schedules of Combined Funds - Statements of Financial Position	22 - 23
Schedules of Combined Funds - Statements of Activities	24 - 25
Schedules of Functional Expenses	26 - 27



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, 2016 and 2015, 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.

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, 2016 and 2015, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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.

October 4, 2016
Clearwater, Florida

THE FLORIDA ORCHESTRA, INC.

Statements of Financial Position

June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 929,608	888,147
Accounts receivable	126,633	125,033
Promises to give, net	530,050	898,635
Bequests receivable	148,291	248,702
Investments, at fair value	7,427,842	7,493,388
Beneficial interest in remainder trusts	163,743	152,590
Beneficial interest in perpetual trusts	3,028,187	3,223,419
Beneficial interest in assets held by others	433,159	454,740
Prepaid expenses	249,769	325,633
Property and equipment, net	66,596	76,458
Total assets	\$ 13,103,878	13,886,745
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 313,975	551,185
Capital lease obligations	12,685	20,488
Advance ticket sales	1,424,049	1,394,486
Total liabilities	1,750,709	1,966,159
Net assets:		
Unrestricted:		
Unrestricted operating deficit	(845,581)	(417,683)
Unrestricted - board-designated endowment funds	1,275,393	552,571
	429,812	134,888
Temporarily restricted	1,746,099	2,755,670
Permanently restricted	9,177,258	9,030,028
Total net assets	11,353,169	11,920,586
Total liabilities and net assets	\$ 13,103,878	13,886,745

THE FLORIDA ORCHESTRA, INC.

Statement of Activities

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Private support	\$ 4,890,444	645,683	342,462	5,878,589
Governmental and other grants	254,221	-	-	254,221
Guild activities, net	64,247	-	-	64,247
Contributed services and in-kind	141,210	-	-	141,210
	<hr/>	<hr/>	<hr/>	<hr/>
Total support	5,350,122	645,683	342,462	6,338,267
Revenue:				
Admissions	3,316,398	-	-	3,316,398
Other performance revenue	236,265	-	-	236,265
Investment income (loss)	-	(191,456)	-	(191,456)
Other	102,598	-	-	102,598
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	3,655,261	(191,456)	-	3,463,805
Net assets released from restrictions	1,004,422	(1,004,422)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	10,009,805	(550,195)	342,462	9,802,072
Expenses:				
Program services:				
Artistic	5,452,538	-	-	5,452,538
Box office	175,497	-	-	175,497
Marketing	1,135,664	-	-	1,135,664
Operations	1,704,600	-	-	1,704,600
	<hr/>	<hr/>	<hr/>	<hr/>
	8,468,299	-	-	8,468,299
Supporting services:				
General and administrative	1,024,485	-	-	1,024,485
Development	659,066	-	-	659,066
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	10,151,850	-	-	10,151,850
Change in net assets before other changes	(142,045)	(550,195)	342,462	(349,778)
Other changes:				
Loss in value - perpetual trust	-	-	(195,232)	(195,232)
Net depreciation of assets held by others	-	(22,407)	-	(22,407)
Investment return appropriated for expenditure	436,969	(436,969)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	294,924	(1,009,571)	147,230	(567,417)
Net assets, beginning of year	134,888	2,755,670	9,030,028	11,920,586
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 429,812	1,746,099	9,177,258	11,353,169
	<hr/>	<hr/>	<hr/>	<hr/>

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

THE FLORIDA ORCHESTRA, INC.

Statement of Activities

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Private support	\$ 4,864,625	1,086,082	12,803	5,963,510
Governmental and other grants	294,800	-	-	294,800
Guild activities, net	73,752	-	-	73,752
Contributed services and in-kind	140,855	-	-	140,855
Total support	<u>5,374,032</u>	<u>1,086,082</u>	<u>12,803</u>	<u>6,472,917</u>
Revenue:				
Admissions	3,360,799	-	-	3,360,799
Other performance revenue	212,154	-	-	212,154
Investment income	-	363,248	-	363,248
Other	86,493	-	-	86,493
Total revenue	<u>3,659,446</u>	<u>363,248</u>	<u>-</u>	<u>4,022,694</u>
Net assets released from restrictions	<u>1,461,367</u>	<u>(1,461,367)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,494,845</u>	<u>(12,037)</u>	<u>12,803</u>	<u>10,495,611</u>
Expenses:				
Program services:				
Artistic	5,505,846	-	-	5,505,846
Box office	163,769	-	-	163,769
Education	2,184	-	-	2,184
Marketing	1,129,734	-	-	1,129,734
Operations	1,672,651	-	-	1,672,651
Total program services	<u>8,474,184</u>	<u>-</u>	<u>-</u>	<u>8,474,184</u>
Supporting services:				
General and administrative	992,410	-	-	992,410
Development	544,382	-	-	544,382
Total expenses	<u>10,010,976</u>	<u>-</u>	<u>-</u>	<u>10,010,976</u>
Change in net assets before other changes	483,869	(12,037)	12,803	484,635
Other changes:				
Loss in value - perpetual trust	-	-	(174,251)	(174,251)
Net depreciation of assets held by others	-	(29,377)	-	(29,377)
Investment return appropriated for expenditure	304,210	(304,210)	-	-
Change in net assets	<u>788,079</u>	<u>(345,624)</u>	<u>(161,448)</u>	<u>281,007</u>
Net assets (deficit), beginning of year	<u>(653,191)</u>	<u>3,101,294</u>	<u>9,191,476</u>	<u>11,639,579</u>
Net assets end of year	<u>\$ 134,888</u>	<u>2,755,670</u>	<u>9,030,028</u>	<u>11,920,586</u>

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

THE FLORIDA ORCHESTRA, INC.

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (567,417)	281,007
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,785	25,725
Amortization of lease prepayment	92,500	92,500
Realized and unrealized (gain) loss on investments	368,334	(216,224)
Net increase in receivable from remainder trusts	(11,153)	(10,913)
Contributions and grants restricted for permanent endowment	(342,462)	(15,679)
Change in beneficial interest in perpetual trust	195,232	174,251
Change in beneficial interest in assets held by others	21,581	25,164
Changes in operating assets and liabilities:		
Decrease (increase) in receivables and promises to give, net	366,985	(130,355)
Decrease in bequests receivable	100,411	370,322
Decrease (increase) in prepaid expenses	(16,636)	47,314
Increase (decrease) in accounts payable and accrued expenses	(237,210)	87,118
Increase (decrease) in advance ticket sales	29,563	(64,289)
	<u>28,513</u>	<u>665,941</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Property and equipment purchases	(18,923)	(16,814)
Purchases of investments	(891,956)	(1,195,473)
Proceeds from sale of investments	589,168	559,082
	<u>(321,711)</u>	<u>(653,205)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds received from contributions and grants restricted for permanent endowment	342,462	15,679
Principal payments on capital lease obligations	(7,803)	(7,134)
	<u>334,659</u>	<u>8,545</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	41,461	21,281
Cash and cash equivalents at beginning of year	<u>888,147</u>	<u>866,866</u>
Cash and cash equivalents at end of year	\$ <u>929,608</u>	<u>888,147</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u>1,624</u>	<u>2,642</u>

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(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 \$148,000 and \$249,000 as of June 30, 2016 and 2015, 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 \$1,424,049 at June 30, 2016 for the 2016-2017 season and \$1,394,486 at June 30, 2015 for the 2015-2016 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, 2016 and 2015. The Orchestra’s information returns are open to IRS examination for the 2012 tax year ended June 30, 2013, 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 \$614,000 and \$584,000 for the years ended June 30, 2016 and 2015, 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 \$122,425 and \$90,060 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted promises	\$ 422,729	876,304
Restricted for endowment	132,247	48,122
	<hr/>	<hr/>
Total unconditional promises to give	554,976	924,426
Less unamortized discount	(2,145)	(4,607)
Less allowance for uncollectibles	(22,781)	(21,184)
	<hr/>	<hr/>
Net unconditional promises to give	\$ <u>530,050</u>	<u>898,635</u>
Amounts due in:		
Less than one year	\$ 529,226	884,426
One to five years	25,750	40,000
	<hr/>	<hr/>
	\$ <u>554,976</u>	<u>924,426</u>

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 \$554,976 at June 30, 2016, there were no individual donor amounts that exceeded 10%. Of total promises to give of \$924,426 at June 30, 2015, \$556,890 or 60% was due from three donors. Approximately 8% of total private support was provided by one donor for the years ended June 30, 2016 and 2015.

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, 2016 and 2015, the conditional promises were approximately \$1,409,000 and \$1,031,000, 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, 2016 and 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	\$ 148,591	148,591	71,553	71,553
Common stocks	4,085,357	5,445,875	3,825,088	5,484,076
Fixed-income securities and funds	1,729,416	1,752,267	1,916,085	1,906,927
Other assets	86,913	81,109	45,051	30,832
	\$ 6,050,277	7,427,842	5,857,777	7,493,388

The long-term investment portfolio is restricted as a permanent endowment. At June 30, 2015, the Orchestra had one permanently restricted endowment contribution of \$240,000 from the State of Florida and received a second contribution of \$240,000 during fiscal 2016. The related funding agreement required that the Orchestra 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, 2016 and 2015, the balance that the Orchestra owed to the endowment fund was approximately \$550,000 and \$230,000, respectively. A significant portion of the amount borrowed from the permanently restricted endowment fund, with the permission of certain endowment donors, was borrowed in prior years to cover operating losses. During the year ended June 30, 2015, all amounts borrowed in prior years were paid back to the endowment fund and the remaining balance owed at June 30, 2016 and 2015 represents timing for board-designated bequests receivable.

The following schedule summarizes investment income for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividends (net of investment management expenses of \$47,287 and \$45,311, respectively)	\$ 176,878	147,024
Realized and unrealized gains (losses)	(368,334)	216,224
Total investment return	\$ (191,456)	363,248

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 (6% in fiscal 2015). The receivables will be adjusted in future periods to reflect accretion of the original present value discount. The receivable balance at June 30, 2016 and 2015 was \$163,743 and \$152,590, respectively.

(5) Property and Equipment

Property and equipment consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 165,008	165,008
Computer equipment	94,095	113,400
Vehicles	56,185	56,185
Leasehold improvements	6,647	6,647
Sound system	1,650	1,650
Musical equipment	<u>179,375</u>	<u>161,189</u>
	502,960	504,079
Less accumulated depreciation	<u>(436,364)</u>	<u>(427,621)</u>
	<u>\$ 66,596</u>	<u>76,458</u>

Depreciation charged to operations amounted to \$28,785 and \$25,725 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 were approximately \$133,000 and \$152,000, respectively. These amounts are included as a component of Private Support on the accompanying Statement of Activities. As of June 30, 2016, the balance of \$2,964,921 was comprised of: equities - 64%, fixed income - 14%, hedge funds - 10%, real estate - 6%, and other - 6%. As of June 30, 2015 the balance of \$3,153,640 was comprised of: equities - 69%, fixed income - 10%, hedge fund - 11%, real estate - 6% and other - 4%. During fiscal year 2014, the Orchestra was named as an income beneficiary in a smaller irrevocable perpetual trust valued at \$63,266 and \$69,779 at June 30, 2016 and 2015, 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, 2016 and 2015 were approximately \$157,000 and \$143,000, 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 on 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 ("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 statement of financial position as of June 30, 2016 and 2015, in the amounts of \$323,990 and \$346,397, respectively. In addition, at June 30, 2016 and 2015, the Foundation was holding a balance of approximately \$2,969,000 and \$3,250,000, 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, 2016 and 2015 were approximately \$175,000 and \$235,000, respectively. These amounts are included in private support in the accompanying Statements of Activities for the years ended June 30, 2016 and 2015.

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, 2016 and 2015, in the amount of \$109,169 and \$108,343, respectively.

(8) **Fair Value Measurements**

The Orchestra follows Accounting Standards Codification 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 measure 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, 2016 is as follows:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	Assets Measured at Fair Value at June 30, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Short-term instruments	\$ 148,591	148,591	-	-
Common stocks	5,445,875	5,445,875	-	-
Fixed-income securities and funds	1,752,267	-	1,752,267	-
Other assets	81,109	81,109	-	-
	<u>7,427,842</u>	<u>5,675,575</u>	<u>1,752,267</u>	<u>-</u>
Receivable from remainder trusts	163,743	-	-	163,743
Beneficial interest in perpetual trusts	3,028,187	-	3,028,187	-
Beneficial interest in assets held by others	433,159	-	433,159	-
	<u>\$ 11,052,931</u>	<u>5,675,575</u>	<u>5,213,613</u>	<u>163,743</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, 2015 is as follows:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	Assets Measured at Fair Value at June 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Short-term instruments	\$ 71,553	71,553	-	-
Common stocks	5,484,076	5,484,076	-	-
Fixed-income securities and funds	1,906,927	-	1,906,927	-
Other assets	30,832	30,832	-	-
	<u>7,493,388</u>	<u>5,586,461</u>	<u>1,906,927</u>	<u>-</u>
Beneficial interest in remainder trusts	152,590	-	-	152,590
Beneficial interest in perpetual trust	3,223,419	-	3,223,419	-
Beneficial interest in assets held by others	454,740	-	454,740	-
	<u>\$ 11,324,137</u>	<u>5,586,461</u>	<u>5,585,086</u>	<u>152,590</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 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, 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 152,590	141,677
Change in fair value	<u>11,153</u>	<u>10,913</u>
Balance, end of year	<u>\$ 163,743</u>	<u>152,590</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 (5% at June 30, 2016), expected appreciation of the trust investments, and donor life expectancy information published in the Annuity Mortality Tables. The Orchestra remeasures 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.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets are available as follows at June 30, 2016 and 2015:

	2016	2015
Endowment unappropriated investment return	\$ 859,605	1,510,437
Subsequent year operations	574,460	843,941
Bequests receivable	148,291	248,702
Interest in charitable remainder trusts	163,743	152,590
	\$ 1,746,099	2,755,670

(10) Leases

The Orchestra is obligated under capital leases for office equipment. These leases expire during the fiscal years ending June 30, 2017 and June 30, 2019. At June 30, 2016 and 2015, the gross amount of office equipment recorded under the capital leases was \$41,924. The net book value of the office equipment at June 30, 2016, after deducting accumulated amortization of \$32,371, was \$9,553. The net book value of the office equipment at June 30, 2015, after deducting accumulated amortization of \$24,587, was \$17,337.

The present value of future minimum capital lease payments as of June 30, 2016 is as follows:

Year Ending June 30,	
2017	\$ 9,330
2018	2,968
2019	1,484
Total future minimum lease payments	13,782
Less amount representing interest	(1,097)
Present value of minimum capital lease payments	\$ 12,685

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 is approximately \$139,000 and \$231,000 as of June 30, 2016 and 2015, respectively, and is included in prepaid expenses in the accompanying statements of financial position. Amortization of the prepayment was \$92,500 for the years ended June 30, 2016 and 2015, 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 \$72,886 for the year ended June 30, 2016 and \$71,747 for the year ended June 30, 2015.

Rent expense for operating leases, including month-to-month rentals, for the years ended June 30, 2016 and 2015 was approximately \$173,000 and \$172,000, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program services:		
Catering services	\$ 10,000	10,000
Advertising and marketing	79,510	79,155
Venue rental	38,000	38,000
Supporting services:		
Payroll services	13,700	13,700
	<u>\$ 141,210</u>	<u>140,855</u>

The Orchestra recognized \$122,425 and \$90,060 in admissions revenue for the years ended June 30, 2016 and 2015, respectively, for tickets sold in exchange for contributed services.

In addition, for each of the years ended June 30, 2016 and 2015, approximately 4,700 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, 2016 and 2015 was \$35,732 and \$27,227, 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, 2016 and 2015. The expense for this pension plan for the years ended June 30, 2016 and 2015 was \$197,422 and \$177,801, respectively.

(13) **Contract with Musicians**

The Orchestra's primary base of performers are musicians employed by the Orchestra under a collective bargaining agreement. The Orchestra entered into a new three-year collective bargaining agreement with the musicians in October 2015.

(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 Accounting Standards Codification Topic, *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.

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(14) Endowment Funds - Continued

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 unrestricted net assets.

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, 2016, the Board of Directors authorized the distribution to the operating fund of \$436,969 or 7.13% of the endowment assets' 12-quarter average as of December 31, 2014. For the fiscal year ended June 30, 2015, the Board of Directors authorized the distribution to the operating fund of \$304,210 or 5.6% of the endowment assets' 12-quarter average as of December 31, 2013.

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, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 1,275,393	-	-	1,275,393
Donor-restricted endowment funds	-	1,007,896	9,177,258	10,185,154
	<u>\$ 1,275,393</u>	<u>1,007,896</u>	<u>9,177,258</u>	<u>11,460,547</u>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 552,571	1,754,679	9,030,028	11,337,278
Contributions	478,580	148,291	342,462	969,333
Investment loss, net of fees	-	(213,863)	-	(213,863)
Change in value of beneficial interest	-	-	(195,232)	(195,232)
Releases of restrictions	244,242	(244,242)	-	-
Amount appropriated for expenditure	-	(436,969)	-	(436,969)
Balance, end of year	<u>\$ 1,275,393</u>	<u>1,007,896</u>	<u>9,177,258</u>	<u>11,460,547</u>

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 552,571	-	-	552,571
Donor-restricted endowment funds	-	1,754,679	9,030,028	10,784,707
	<u>\$ 552,571</u>	<u>1,754,679</u>	<u>9,030,028</u>	<u>11,337,278</u>

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 300,000	1,617,570	9,191,476	11,109,046
Contributions	122,513	237,508	15,679	375,700
Investment income, net of fees	-	333,869	-	333,869
Change in value of beneficial interest	-	-	(177,127)	(177,127)
Write off of pledge receivable	130,058	(130,058)	-	-
Amount appropriated for expenditure	-	(304,210)	-	(304,210)
Balance, end of year	<u>\$ 552,571</u>	<u>1,754,679</u>	<u>9,030,028</u>	<u>11,337,278</u>

THE FLORIDA ORCHESTRA, INC.

Notes to Financial Statements - Continued

(15) 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 upon 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 in the amount of approximately \$1,190,000, and \$1,540,000 for the years ended June 30, 2016 and 2015, respectively.

(16) Concentrations

The Orchestra maintains cash balances with what management believes to be a high credit quality financial institution. At June 30, 2016, amounts on deposit with this financial institution exceeded coverage provided by the FDIC by approximately \$519,000.

Other concentrations of credit risk are described in Note 2.

(17) Subsequent Events

The Orchestra has evaluated events occurring after the statement of financial position date through October 4, 2016, the date which 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, 2016

Assets	Operating Fund	Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 929,608	-	929,608
Accounts receivable	126,633	-	126,633
Promises to give, net	399,948	130,102	530,050
Bequests receivable	148,291	-	148,291
Interfund receivables (payables)	(550,428)	550,428	-
Investments, at fair value	-	7,427,842	7,427,842
Beneficial interest in remainder trusts	163,743	-	163,743
Beneficial interest in perpetual trusts	-	3,028,187	3,028,187
Beneficial interest in assets held by others	109,169	323,990	433,159
Prepaid expenses	249,769	-	249,769
Property and equipment, net	66,596	-	66,596
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>1,643,329</u>	<u>11,460,549</u>	<u>13,103,878</u>
 Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 313,975	-	313,975
Capital lease obligations	12,685	-	12,685
Advance ticket sales	1,424,049	-	1,424,049
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,750,709	-	1,750,709
 Net assets:			
Unrestricted net assets (deficit)	(845,581)	-	(845,581)
Unrestricted net assets - board-designated	-	1,275,393	1,275,393
Temporarily restricted	738,201	1,007,898	1,746,099
Permanently restricted	-	9,177,258	9,177,258
	<u> </u>	<u> </u>	<u> </u>
Total net assets	(107,380)	11,460,549	11,353,169
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	\$ <u>1,643,329</u>	<u>11,460,549</u>	<u>13,103,878</u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Financial Position

June 30, 2015

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 888,147	-	888,147
Accounts receivable	125,033	-	125,033
Promises to give, net	855,120	43,515	898,635
Bequest receivables	248,702	-	248,702
Interfund receivables (payables)	(230,559)	230,559	-
Investments, at fair value	-	7,493,388	7,493,388
Beneficial interest in remainder trusts	152,590	-	152,590
Beneficial interest in perpetual trust	-	3,223,419	3,223,419
Beneficial interest in assets held by others	108,343	346,397	454,740
Prepaid expenses	325,633	-	325,633
Property and equipment, net	76,458	-	76,458
	<u>\$ 2,549,467</u>	<u>11,337,278</u>	<u>13,886,745</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 551,185	-	551,185
Capital lease obligations	20,488	-	20,488
Advance ticket sales	1,394,486	-	1,394,486
	<u>1,966,159</u>	<u>-</u>	<u>1,966,159</u>
Net assets:			
Unrestricted net assets (deficit)	(417,683)	-	(417,683)
Unrestricted net assets - board-designated	-	552,571	552,571
Temporarily restricted	1,000,991	1,754,679	2,755,670
Permanently restricted	-	9,030,028	9,030,028
	<u>583,308</u>	<u>11,337,278</u>	<u>11,920,586</u>
Total liabilities and net assets	<u>\$ 2,549,467</u>	<u>11,337,278</u>	<u>13,886,745</u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Activities

For the Year Ended June 30, 2016

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 4,909,254	969,335	5,878,589
Governmental and other grants	254,221	-	254,221
Guild activities, net	64,247	-	64,247
Contributed services and in-kind	141,210	-	141,210
	<u>5,368,932</u>	<u>969,335</u>	<u>6,338,267</u>
Total support			
Revenue:			
Admissions	3,316,398	-	3,316,398
Other performance revenue	236,265	-	236,265
Investment income (loss)	-	(191,456)	(191,456)
Other	102,598	-	102,598
	<u>3,655,261</u>	<u>(191,456)</u>	<u>3,463,805</u>
Total revenue			
Total support and revenue	9,024,193	777,879	9,802,072
Expenses:			
Program services:			
Artistic	5,452,538	-	5,452,538
Box office	175,497	-	175,497
Marketing	1,135,664	-	1,135,664
Operations	1,704,600	-	1,704,600
Supporting Services:			
General and administrative	1,024,485	-	1,024,485
Development	659,066	-	659,066
	<u>10,151,850</u>	<u>-</u>	<u>10,151,850</u>
Total expenses			
Change in net assets before other changes	(1,127,657)	777,879	(349,778)
Other changes:			
Loss in value - perpetual trust	-	(195,232)	(195,232)
Net appreciation of assets held by others	-	(22,407)	(22,407)
Investment return appropriated for expenditure	436,969	(436,969)	-
	<u>(690,688)</u>	<u>123,271</u>	<u>(567,417)</u>
Change in net assets			
Net assets, beginning of year	583,308	11,337,278	11,920,586
Net assets (deficit), end of year	\$ <u>(107,380)</u>	<u>11,460,549</u>	<u>11,353,169</u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Combined Funds - Statement of Activities

For the Year Ended June 30, 2015

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Support and revenue:			
Support:			
Private support	\$ 5,590,688	372,822	5,963,510
Governmental and other grants	294,800	-	294,800
Guild activities, net	73,752	-	73,752
Contributed services and in-kind	140,855	-	140,855
	<hr/>	<hr/>	<hr/>
Total support	6,100,095	372,822	6,472,917
Revenue:			
Admissions	3,360,799	-	3,360,799
Other performance revenue	212,154	-	212,154
Investment income	-	363,248	363,248
Other	86,493	-	86,493
	<hr/>	<hr/>	<hr/>
Total revenue	3,659,446	363,248	4,022,694
Total support and revenue	9,759,541	736,070	10,495,611
Expenses:			
Program services:			
Artistic	5,505,846	-	5,505,846
Box office	163,769	-	163,769
Education	2,184	-	2,184
Marketing	1,129,734	-	1,129,734
Operations	1,672,651	-	1,672,651
Supporting Services:			
General and administrative	992,410	-	992,410
Development	544,382	-	544,382
	<hr/>	<hr/>	<hr/>
Total expenses	10,010,976	-	10,010,976
Change in net assets before other changes	(251,435)	736,070	484,635
Other changes:			
Loss in value - perpetual trust	-	(174,251)	(174,251)
Net depreciation of assets held by others	-	(29,377)	(29,377)
Investment return appropriated for expenditure	304,210	(304,210)	-
	<hr/>	<hr/>	<hr/>
Change in net assets	52,775	228,232	281,007
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	530,533	11,109,046	11,639,579
Net assets, end of year	\$ <hr/>	<hr/>	<hr/>
	583,308	11,337,278	11,920,586

See accompanying independent auditor's report.

THE FLORIDA ORCHESTRA, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Development</u>	
Accounting and legal	\$ -	42,926	-	42,926
Bad debt expense	-	-	12,866	12,866
Business entertainment	783	6,424	79	7,286
Computer supplies and support	11,564	5,212	-	16,776
Conferences	1,676	1,727	1,195	4,598
Depreciation	-	28,785	-	28,785
Employee recruitment and relocation	5,173	-	6,945	12,118
Equipment rental and maintenance	68,108	13,400	-	81,508
Guest artists and conductors	950,525	-	-	950,525
Guest artists - travel and lodging	102,618	-	-	102,618
Hall rental	793,386	-	-	793,386
Health insurance and other benefits	666,856	36,911	31,245	735,012
Insurance	-	33,920	-	33,920
Interest and penalties	-	1,624	-	1,624
License and fees	48,155	496	350	49,001
Media advertising	491,447	-	-	491,447
Merchant charges and bank fees	-	68,763	-	68,763
Miscellaneous	3,706	4,790	1,361	9,857
Music rental	103,667	-	-	103,667
Occupancy	-	173,285	-	173,285
Office supplies	-	17,229	-	17,229
Payroll taxes	337,474	28,158	25,671	391,303
Postage, shipping and mailing service	21,759	16,994	6,112	44,865
Printing and publications	93,852	18,046	19,474	131,372
Production	14,583	-	-	14,583
Professional and consultant fees	22,314	96,508	61,490	180,312
Receptions	23,865	-	146,051	169,916
Recording fees	13,213	-	-	13,213
Retirement plan contributions	219,818	11,563	1,773	233,154
Salaries and wages	3,880,478	372,608	292,340	4,545,426
Sponsor recognition	-	-	10,569	10,569
Staging and stagehands	347,789	-	-	347,789
Telephone	-	28,459	-	28,459
Telephone campaigns	-	-	31,288	31,288
Trade	122,425	-	-	122,425
Travel and parking	94,934	12,462	6,003	113,399
Other	28,131	4,195	4,254	36,580
	<u>\$ 8,468,299</u>	<u>1,024,485</u>	<u>659,066</u>	<u>10,151,850</u>

THE FLORIDA ORCHESTRA, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Development</u>	
Accounting and legal	\$ -	47,654	-	47,654
Bad debt expense	-	-	22,357	22,357
Business entertainment/per diem	317	5,876	281	6,474
Computer supplies and support	9,821	1,851	-	11,672
Conferences	8,429	1,776	965	11,170
Depreciation	-	25,725	-	25,725
Employee recruitment and relocation	13,973	40,380	2,218	56,571
Equipment rental and maintenance	60,787	10,015	-	70,802
Guest artists and conductors	911,772	-	-	911,772
Guest artists - travel and lodging	112,241	-	-	112,241
Hall rental	838,430	-	-	838,430
Health insurance and other benefits	666,685	31,454	19,805	717,944
Insurance	-	32,966	-	32,966
Interest	-	2,642	-	2,642
Licenses and fees	45,433	61	350	45,844
Media advertising	583,987	-	-	583,987
Merchant fees and bank charges	-	76,552	-	76,552
Miscellaneous	3,756	1,133	5,056	9,945
Music rental	65,727	-	-	65,727
Occupancy	-	171,907	-	171,907
Office supplies	359	11,308	-	11,667
Payroll taxes	376,960	23,530	16,492	416,982
Postage, shipping and mailing service	29,710	16,200	9,313	55,223
Printing and publications	115,894	15,578	10,635	142,107
Production	9,422	-	-	9,422
Professional and consultant fees	28,350	90,310	67,236	185,896
Receptions	20,651	-	138,229	158,880
Recording fees	22,797	-	-	22,797
Retirement plan contributions	191,449	10,490	3,089	205,028
Salaries and wages	3,911,227	337,704	197,071	4,446,002
Sponsor recognition	-	-	14,788	14,788
Staging and stage hands	325,147	-	-	325,147
Telephone	-	27,622	-	27,622
Telephone campaigns	19,740	-	25,741	45,481
Travel and parking	82,703	6,283	3,578	92,564
Other	18,417	3,393	7,178	28,988
	<u>\$ 8,474,184</u>	<u>992,410</u>	<u>544,382</u>	<u>10,010,976</u>