

**TAMPA BAY PERFORMING ARTS
CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER
FOR THE PERFORMING ARTS**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

*As of and for the Years Ended September 30, 2017
and 2016*

And Report of Independent Auditor

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
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Report of Independent Auditor

To the Board of Directors
Tampa Bay Performing Arts Center, Inc.
d/b/a David A. Straz, Jr. Center for the Performing Arts
Tampa, Florida

We have audited the accompanying consolidated financial statements of Tampa Bay Performing Arts Center, Inc. d/b/a David A. Straz, Jr. Center for the Performing Arts (the "Straz Center") (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Straz Center as of September 30, 2017 and 2016, 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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules and Straz Center Stand Alone statements, on pages 26 to 30, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Cherry Bekant LLP

Tampa, Florida
January 29, 2018

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,564,319	\$ 2,642,505
Receivables:		
Accounts receivable	103,329	127,803
Pledges receivable, net	429,150	289,710
Grants receivable	1,064,356	1,181,411
	<u>1,596,835</u>	<u>1,598,924</u>
Inventory	82,389	94,673
Other current assets	920,412	933,249
Total Current Assets	7,163,955	5,269,351
Noncurrent Assets:		
Pledges receivable, net	9,068,788	10,393,556
Endowment investments	21,990,664	25,348,617
Investments	14,823,383	7,530,915
Other long-term investments	815,169	738,476
Beneficial interest in assets held by Community Foundation	861,070	806,779
Furniture, equipment, and leasehold improvements, net	14,225,264	13,302,532
Other assets	40,825	40,294
Total Assets	\$ 68,989,118	\$ 63,430,520
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,509,543	\$ 2,114,982
Deferred revenue – ticket sales	8,458,300	8,044,691
Deferred revenue – other	1,625,940	1,368,098
Debt	2,876,171	1,640,284
Current portion of other accrued expenses	137,435	133,978
Total Current Liabilities	15,607,389	13,302,033
Other accrued expenses	-	137,566
Total Liabilities	15,607,389	13,439,599
Net Assets:		
Unrestricted – operations	5,796,469	457,405
Unrestricted – furniture, equipment, and leasehold improvements	14,204,894	13,275,372
Unrestricted – board designated	2,238,628	5,939,755
	<u>22,239,991</u>	<u>19,672,532</u>
Temporarily restricted	946,330	310,265
Permanently restricted	30,195,408	30,008,124
Total Net Assets	53,381,729	49,990,921
Total Liabilities and Net Assets	\$ 68,989,118	\$ 63,430,520

See notes to the consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Ticket sales	\$ 20,685,073	\$ -	\$ -	\$ 20,685,073
Rent	538,754	-	-	538,754
Box office fees	4,124,536	-	-	4,124,536
Education program tuition, event sales, and fees	2,646,396	-	-	2,646,396
Concessions	4,278,250	-	-	4,278,250
Investment return, net	663,153	2,937,098	-	3,600,251
Change in value of beneficial interest	54,291	-	-	54,291
Community support	5,157,288	-	187,284	5,344,572
Service fee and other income	1,341,866	-	-	1,341,866
Government funding and grants:				
Annual operating and program support	1,372,660	-	-	1,372,660
Capital and construction support	900,000	-	-	900,000
Net assets released from restrictions	2,301,033	(2,301,033)	-	-
Total Revenue and Other Support	<u>44,063,300</u>	<u>636,065</u>	<u>187,284</u>	<u>44,886,649</u>
Expenses:				
Program and Essential Services:				
Production costs	20,024,541	-	-	20,024,541
Education	3,200,782	-	-	3,200,782
Operating costs	9,694,480	-	-	9,694,480
Marketing and public information	3,070,759	-	-	3,070,759
Total Program and Essential Services	<u>35,990,562</u>	<u>-</u>	<u>-</u>	<u>35,990,562</u>
Support Services:				
General and administrative	4,143,185	-	-	4,143,185
Fundraising	1,362,094	-	-	1,362,094
Total Support Services	<u>5,505,279</u>	<u>-</u>	<u>-</u>	<u>5,505,279</u>
Total Expenses	<u>41,495,841</u>	<u>-</u>	<u>-</u>	<u>41,495,841</u>
Change in net assets	2,567,459	636,065	187,284	3,390,808
Net assets, beginning of year	<u>19,672,532</u>	<u>310,265</u>	<u>30,008,124</u>	<u>49,990,921</u>
Net assets, end of year	<u>\$ 22,239,991</u>	<u>\$ 946,330</u>	<u>\$ 30,195,408</u>	<u>\$ 53,381,729</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Ticket sales	\$ 17,418,056	\$ -	\$ -	\$ 17,418,056
Rent	709,719	-	-	709,719
Box office fees	3,703,651	-	-	3,703,651
Education program tuition, event sales, and fees	2,541,692	-	-	2,541,692
Concessions	3,434,653	-	-	3,434,653
Investment return, net	158,637	2,691,654	-	2,850,291
Change in value of beneficial interest	53,602	-	-	53,602
Community support	5,717,410	-	743,890	6,461,300
Service fee and other income	1,234,143	-	-	1,234,143
Government funding and grants:				
Annual operating and program support	1,381,960	-	-	1,381,960
Capital and construction support	907,000	-	-	907,000
Net assets released from restrictions	2,821,107	(2,821,107)	-	-
Total Revenue and Other Support	<u>40,081,630</u>	<u>(129,453)</u>	<u>743,890</u>	<u>40,696,067</u>
Expenses:				
Program and Essential Services:				
Production costs	17,390,054	-	-	17,390,054
Education	2,934,215	-	-	2,934,215
Operating costs	8,966,604	-	-	8,966,604
Marketing and public information	4,271,744	-	-	4,271,744
Total Program and Essential Services	<u>33,562,617</u>	<u>-</u>	<u>-</u>	<u>33,562,617</u>
Support Services:				
General and administrative	3,738,990	-	-	3,738,990
Fundraising	1,300,907	-	-	1,300,907
Total Support Services	<u>5,039,897</u>	<u>-</u>	<u>-</u>	<u>5,039,897</u>
Total Expenses	<u>38,602,514</u>	<u>-</u>	<u>-</u>	<u>38,602,514</u>
Change in net assets	1,479,116	(129,453)	743,890	2,093,553
Net assets, beginning of year	<u>18,193,416</u>	<u>439,718</u>	<u>29,264,234</u>	<u>47,897,368</u>
Net assets, end of year	<u>\$ 19,672,532</u>	<u>\$ 310,265</u>	<u>\$ 30,008,124</u>	<u>\$ 49,990,921</u>

See notes to the consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,390,808	\$ 2,093,553
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash gift of stock	(75,533)	(76,105)
Depreciation	1,318,589	1,244,795
Write down of other long-term investments	151,254	127,000
Increase in beneficial interest in assets held by Community Foundation	(54,291)	(53,602)
Provision for uncollectible pledges receivable	(334,683)	(322,044)
Unrealized gains on investments	(1,894,734)	(457,386)
Loss on disposal of fixed assets	-	53,132
(Increase) decrease in:		
Accounts receivable	24,474	(50,496)
Pledges receivable	1,520,011	1,755,976
Grants receivable	117,055	(1,025,653)
Interest receivable	-	(4,249)
Inventory	12,284	(9,117)
Other current assets	12,837	(112,514)
Other assets	(531)	(1,500)
Increase (decrease) in:		
Accounts payable and accrued expenses	394,561	156,436
Deferred revenue – ticket sales	413,609	1,158,084
Deferred revenue – other	257,842	(28,910)
Other accrued expenses	(134,109)	(198,485)
Net cash from operating activities	<u>5,119,443</u>	<u>4,248,915</u>
Cash flows from investing activities:		
Additions to furniture, equipment, and leasehold improvements	(2,241,321)	(2,559,310)
Purchases of investments	(12,393,397)	(15,098,528)
Sales and maturities of investments	10,446,907	11,298,831
Purchases of other long-term investments	(245,705)	(149,196)
Net cash from investing activities	<u>(4,433,516)</u>	<u>(6,508,203)</u>
Cash flows from financing activity:		
Payments on line of credit from investments	(364,113)	(334,558)
Payments on line of credit	(400,000)	-
Proceeds from line of credit borrowings	2,000,000	400,000
Net cash from financing activity	<u>1,235,887</u>	<u>65,442</u>
Change in cash and cash equivalents	1,921,814	(2,193,846)
Cash and cash equivalents, beginning of year	2,642,505	4,836,351
Cash and cash equivalents, end of year	<u>\$ 4,564,319</u>	<u>\$ 2,642,505</u>
Cash paid for interest	<u>\$ 53,269</u>	<u>\$ 25,802</u>

Non-cash financing activity:

In fiscal years 2017 and 2016, the Tampa Bay Performing Arts Center Foundation received stock donations valued at \$75,533 and \$76,105, respectively, based on the trading price of the stock.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2017

	Program and Essential Services				Total Program and Essential Services	Support Services		Total Support Services	Total Expenses
	Production Costs	Education	Operating Costs	Marketing and Public Information		General and Administrative	Fundraising		2017
Salaries	\$ 625,250	\$ 1,655,650	\$ 3,159,195	\$ 1,151,306	\$ 6,591,401	\$ 2,281,522	\$ 804,152	\$ 3,085,674	\$ 9,677,075
Employee benefits	542,302	329,754	614,903	255,518	1,742,477	288,186	169,479	457,665	2,200,142
Artist and professional fees	16,097,046	868,367	71,815	941	17,038,169	4,469	167,974	172,443	17,210,612
Meetings, travel, and training	77,105	55,670	19,853	59,582	212,210	61,685	17,837	79,522	291,732
Advertising and promotion	2,126,682	133,856	27,085	1,435,660	3,723,283	177,217	2,640	179,857	3,903,140
Professional services	150,298	658	178,011	67,951	396,918	289,975	64,853	354,828	751,746
Supplies	29,116	15,513	340,818	23,439	408,886	18,865	7,894	26,759	435,645
Telephone	4,931	5,980	9,812	2,600	23,323	90,613	2,190	92,803	116,126
Postage and mailings	6,812	2,374	47,805	2,961	59,952	6,329	16,807	23,136	83,088
Utilities	-	-	754,019	-	754,019	-	-	-	754,019
Rent and lease	58,692	16,090	26,846	-	101,628	97,624	-	97,624	199,252
Maintenance and repairs	33,982	21,866	884,149	1,500	941,497	399,716	-	399,716	1,341,213
Insurance	103,746	10,427	-	-	114,173	268,256	-	268,256	382,429
Depreciation	-	-	1,318,589	-	1,318,589	-	-	-	1,318,589
Credit card commissions	-	31,494	681,722	-	713,216	-	34,770	34,770	747,986
Bad debt expense	-	2,524	-	-	2,524	5,081	-	5,081	7,605
Other	168,579	50,559	1,559,858	69,301	1,848,297	153,647	73,498	227,145	2,075,442
Total Expenses	\$ 20,024,541	\$ 3,200,782	\$ 9,694,480	\$ 3,070,759	\$ 35,990,562	\$ 4,143,185	\$ 1,362,094	\$ 5,505,279	\$ 41,495,841

See notes to the consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016

	<u>Program and Essential Services</u>				<u>Total Program and Essential Services</u>	<u>Support Services</u>		<u>Total Support Services</u>	<u>Total Expenses 2016</u>
	<u>Production Costs</u>	<u>Education</u>	<u>Operating Costs</u>	<u>Marketing and Public Information</u>		<u>General and Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 608,744	\$ 1,473,945	\$ 3,084,651	\$ 971,062	\$ 6,138,402	\$ 1,888,230	\$ 825,738	\$ 2,713,968	\$ 8,852,370
Employee benefits	535,614	271,615	636,715	200,324	1,644,268	314,176	163,197	477,373	2,121,641
Artist and professional fees	13,374,950	824,704	56,496	391	14,256,541	6,727	181,818	188,545	14,445,086
Meetings, travel, and training	79,163	62,204	21,214	36,055	198,636	67,948	21,189	89,137	287,773
Advertising and promotion	2,299,571	136,796	34,058	2,916,492	5,386,917	142,831	82	142,913	5,529,830
Professional services	150,450	9,568	56,108	24,115	240,241	359,142	8,935	368,077	608,318
Supplies	20,383	13,526	276,643	20,008	330,560	16,476	6,080	22,556	353,116
Telephone	4,993	1,758	7,890	2,866	17,507	65,704	1,200	66,904	84,411
Postage and mailings	7,682	1,673	38,572	2,827	50,754	5,332	15,998	21,330	72,084
Utilities	-	-	733,209	-	733,209	-	-	-	733,209
Rent and lease	48,784	14,447	26,798	-	90,029	104,305	-	104,305	194,334
Maintenance and repairs	29,084	22,986	868,423	14,251	934,744	290,290	-	290,290	1,225,034
Insurance	88,729	10,604	-	-	99,333	263,544	-	263,544	362,877
Depreciation	-	-	1,244,795	-	1,244,795	-	-	-	1,244,795
Credit card commissions	-	28,200	599,324	-	627,524	-	30,377	30,377	657,901
Bad debt expense	-	1,649	-	-	1,649	20,692	-	20,692	22,341
Other	141,907	60,540	1,281,708	83,353	1,567,508	193,593	46,293	239,886	1,807,394
Total Expenses	<u>\$ 17,390,054</u>	<u>\$ 2,934,215</u>	<u>\$ 8,966,604</u>	<u>\$ 4,271,744</u>	<u>\$ 33,562,617</u>	<u>\$ 3,738,990</u>	<u>\$ 1,300,907</u>	<u>\$ 5,039,897</u>	<u>\$ 38,602,514</u>

See notes to the consolidated financial statements.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 1—Summary of significant accounting policies

Organization – The Tampa Bay Performing Arts Center, Inc. (the “Straz Center”) was incorporated on September 15, 1980 to manage and operate the performing arts facility pursuant to the lease with the City of Tampa. The Straz Center’s purpose is to enhance the quality of life in the Tampa Bay region by educating and developing their audiences through performing arts, with an emphasis on diversity and quality.

The Straz Center established the Tampa Bay Performing Arts Center Foundation, Inc. (the “Foundation”) on April 28, 1997 to perform the fund-raising efforts for the support of the Straz Center. The activities of the Foundation began in October 1999.

As two-thirds (the majority) of the Foundation’s Board of Directors is required to be comprised of Straz Center Board Trustees and the assets of the Foundation revert to the Straz Center in the event the Foundation is dissolved, the financial activities of the Straz Center and the Foundation have been consolidated. All significant intercompany balances and transactions have been eliminated in consolidation.

In November 2009, a substantial endowment gift was made to the Foundation. In special recognition of the donor’s generosity, the organization renamed the Straz Center for branding purposes and, accordingly, the Straz Center began doing business as the David A. Straz, Jr. Center for the Performing Arts (Straz Center) effective November 11, 2009.

Collectively, the two entities are hereinafter referred to as the Organization.

In its fiscal year ended September 30, 2010, the Organization established a limited liability company (“LLC”), Broadway Genesis LLC, in support of its mission and long-term strategic initiative of creating and producing major theatrical productions for national and international touring purposes. This entity is considered a single member LLC and is disregarded for tax purposes. Broadway Genesis LLC continues to serve as the management company intended to own and potentially license the respective rights acquired for respective theatrical productions and manage and govern the corporate oversight of the specific production LLCs.

Basis of Accounting – The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of the Organization. These include expendable resources, which have been designated for special use by the Straz Center’s Board of Trustees and the Foundation’s Board of Directors consisting of the following:

	<u>2017</u>	<u>2016</u>
Straz Center unrestricted endowment investments	\$ -	\$ 332,891
Straz Center capital expenditures	2,238,628	441,016
Foundation unrestricted endowment investments	-	5,165,848
	<u>\$ 2,238,628</u>	<u>\$ 5,939,755</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 1—Summary of significant accounting policies (continued)

- Temporarily restricted net assets represent those amounts that are not available until future periods and/or are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted gifts that are received and expended in the same fiscal year are classified as unrestricted revenue. Additionally, for temporarily restricted net assets that are solely time restricted, the Organization's policy is not to expend such net assets until they have been collected and thus released from restriction. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Straz Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.
- Permanently restricted net assets result from gifts from donors who place restrictions on the use of the funds, which mandate that the original principal be invested in perpetuity. Generally, gains and related investment income on these gifts are available for unrestricted purposes, unless the donor designates restrictions on the use of earnings for a specific purpose, in which case the earnings are then considered temporarily restricted.

Fair Value Measurements – The Organization applies the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820 (“Topic 820”), *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis. Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

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

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, including those classified as short-term investments.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 1—Summary of significant accounting policies (continued)

Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on pledges receivable made before September 30, 2008 are computed using a risk-free rate applicable to the year in which the promise was received. The discounts on pledges receivable made after October 1, 2008 are computed using a rate commensurate with the risk of the pledges receivable in accordance with ASC Topic 820. Amortization of the discount is included in community support in the accompanying consolidated statements of activities. The discount rates applied ranged from 1.14% to 5.23% and 0.79% to 5.23% for the years ended September 30, 2017 and 2016, respectively.

Inventory – Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Investments and Endowment Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. The Organization also invests monies in other investments, which trade in various commodity pools and are recorded at fair value and measured at net asset value as a practical expedient (see Note 2). Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the consolidated statements of activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

Other Long-Term Investments – Other long-term investments primarily consists of investments in theatrical show productions, investments in other theatrical production type companies, and the cash surrender value of a life insurance policy on the President of the Organization.

The investments in theatrical show productions are recorded at cost, reduced by any investment returns, and amounted to approximately \$213,000 and \$177,000 at September 30, 2017 and 2016, respectively. The cash surrender value of the life insurance policy amounted to approximately \$602,000 and \$562,000 at September 30, 2017 and 2016, respectively, and is intended to finance the future obligation under a deferred compensation agreement, included in other accrued expenses on the consolidated statements of financial position.

Beneficial Interest in Assets Held by Community Foundation – The Organization has established an endowment at the Community Foundation of Tampa Bay, Inc. (the “Community Foundation”), and has identified itself as the beneficiary. The value of the Organization’s endowment is reflected in the accompanying consolidated financial statements as beneficial interest in assets held by Community Foundation.

Furniture, Equipment, and Leasehold Improvements – Furniture, equipment, and leasehold improvements are stated at cost if purchased or at estimated fair value at the date of receipt if acquired by gift. Depreciation is recognized over the estimated useful lives of the assets of 3-25 years using the straight-line method. An exception is given to leasehold improvements associated with the facility, which is leased from the City of Tampa, and are depreciated over a useful life of 30 years. Maintenance, repairs, and minor renewals are expensed as incurred.

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Note 1—Summary of significant accounting policies (continued)

Other Accrued Expenses – Other accrued expenses include the Organization’s obligation under a deferred compensation agreement with the President which was a) earned based on two specific vesting periods and b) payable through a series of payments upon an agreed retirement age being reached.

Self-Insured Claims Liability – The Organization is primarily self-insured, up to certain limits, for employee unemployment insurance claims. The Company records claims paid as expenses when incurred and accrues a liability and associated expense for an estimate of the remaining portion of claims reported but not paid, and claims incurred but not reported, based on accepted actuarial methods. Management determined that no self-insured claims liability was necessary as of September 30, 2017 or 2016. The self-insured claims liability represents a significant estimate established by management. The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated by management. The amount ultimately paid may differ from this estimate.

Advertising Costs – Advertising costs related to specific events and classes are capitalized and amortized in the period of the event or class, which are reported under program and essential services expenses in the consolidated statements of activities. At September 30, 2017 and 2016, advertising costs of approximately \$432,000 and \$427,000, respectively, were included as a component of other current assets in the consolidated statements of financial position.

Income Taxes – The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization as of September 30, 2017. Management believes that the unrelated business income generated by the Straz Center is not material to the consolidated financial statements.

Revenue Recognition – In the absence of donor restrictions, contributions are considered to be available for unrestricted use and related income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

Government funding and grants are recorded as unrestricted revenue as funds have been reimbursed for expenditures made for specific needs of the Organization.

Deferred revenue represents cash received from advance ticket sales, concession, education class tuition, subscriber memberships, and event sponsorships, which is recognized after related performances, classes, and events are completed and the associated cost settlements are calculated. Rent income is recorded as earned.

Other Gifts – The Organization is a beneficiary of several funds held and controlled by the Community Foundation. The total fair value of these funds held at the Community Foundation as of September 30, 2017 and 2016 were approximately \$4,933,000 and \$4,650,000 respectively. These funds are not included in the accompanying consolidated financial statements.

The annual net distributions allocated by the Community Foundation during the year ended September 30, 2017 of approximately \$88,000 and \$186,000 are available for distribution to the Organization, respectively. Accordingly, the amounts are recognized as income in the period earned. Net distributions allocated to the Organization for the year ended September 30, 2016 were approximately \$88,000 and \$182,000, respectively. The annual net distributions allocated by the Community Foundation are included as a component of community support on the consolidated statements of activities.

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Note 1—Summary of significant accounting policies (continued)

Contributed Services – Contributed services are recognized as in-kind revenue at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills, which would need to be purchased if they were not donated, and amounted to approximately \$735,000 and \$2,233,000 for the years ended September 30, 2017 and 2016, respectively. Contributed services are included as a component of community support on the consolidated statements of activities.

Community members volunteer as ushers, house managers, tour guides, administrative assistants, and advisors. The 100% volunteer usher program is unique in the industry. A dollar valuation of their effort is not reflected in the consolidated financial statements; however, volunteer hours for the years ended September 30, 2017 and 2016 totaled 76,508 and 58,702, respectively.

Functional Allocation of Expenses – Expenses are allocated between program and essential services, general and administrative, and fundraising. These expenses are based on management’s estimate of the benefit derived by each activity. Salaries and benefits exclude related costs for stagehands, which are included in artist and professional fees expenses. Such expenses are directly associated with the production of events.

Use of Estimates – The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – There were certain net assets recorded as permanently restricted totaling approximately \$807,000 as of September 30, 2016. During the year ended September 30, 2017 management determined that these net assets had not been permanently restricted by the donor and reclassified the balance from permanently restricted to unrestricted net assets. These net assets at September 30, 2016 have been reclassified to conform to the 2017 presentation. Management determined that the reclassification did not materially affect the measurement of financial position or results of the operations for the years ended September 30, 2017 or 2016.

Note 2—Investments

Investments must meet risk criteria established by the Board of Trustees. At September 30, investments and endowment investments are classified as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,042,300	\$1,042,300	\$ 1,081,057	\$ 1,081,057
Government bonds	3,051,325	3,116,717	2,689,105	2,818,546
Corporate bonds	2,590,835	2,659,224	2,393,418	2,481,694
Mutual funds	5,192,142	5,301,486	4,717,378	4,805,088
Systematic Momentum				
FuturesAccess LLC	534,000	494,661	500,000	544,328
Common and preferred stocks	18,099,116	24,199,659	17,580,764	21,148,819
Total cost and fair value	<u>\$ 30,509,718</u>	<u>\$ 36,814,047</u>	<u>\$ 28,961,722</u>	<u>\$ 32,879,532</u>

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Note 2—Investments (continued)

Investment return consisted of the following for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Dividends and interest on investments	\$ 935,422	\$ 804,885
Net unrealized gains	1,894,734	457,386
Net realized gains	<u>1,021,499</u>	<u>1,822,842</u>
	3,851,655	3,085,113
Less investment expense	<u>(251,404)</u>	<u>(234,822)</u>
Total investment return	<u>\$ 3,600,251</u>	<u>\$ 2,850,291</u>

Fair Value Measurements – The Organization records certain assets at fair value in accordance with the current accounting standards on *Fair Value Measurements*. The standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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Note 2—Investments (continued)

The tables below summarize the cash, cash equivalents, and investments as of September 30, 2017 and 2016 based upon the fair value hierarchy:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
September 30, 2017				
Cash and cash equivalents	\$ 4,564,319	\$ 1,042,300	\$ -	\$ 5,606,619
Government bonds	1,616,921	1,499,796	-	3,116,717
Corporate bonds	-	2,659,224	-	2,659,224
Common and preferred stocks	24,199,659	-	-	24,199,659
Mutual funds	5,301,486	-	-	5,301,486
Total assets in fair value hierarchy	<u>\$ 35,682,385</u>	<u>\$ 5,201,320</u>	<u>\$ -</u>	40,883,705
Systematic Momentum				
measured at net asset value				494,661
Cash surrender value of life insurance				
measured at net asset value				602,029
Beneficial interest in assets held by				
Community Foundation measured by net asset value				861,070
Total				<u>\$ 42,841,465</u>

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
September 30, 2016				
Cash and cash equivalents	\$ 2,642,505	\$ 1,081,057	\$ -	\$ 3,723,562
Government bonds	1,709,323	1,109,223	-	2,818,546
Corporate bonds	-	2,481,694	-	2,481,694
Common and preferred stocks	21,096,258	52,561	-	21,148,819
Mutual funds	4,805,088	-	-	4,805,088
Total assets in fair value hierarchy	<u>\$ 30,253,174</u>	<u>\$ 4,724,535</u>	<u>\$ -</u>	34,977,709
Systematic Momentum				
measured at net asset value				544,328
Cash surrender value of life insurance				
measured at net asset value				561,609
Beneficial interest in assets held by				
Community Foundation measured by net asset value				806,779
Total				<u>\$ 36,890,425</u>

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Note 2—Investments (continued)

The carrying amounts shown in the table are included in the consolidated statements of financial position under the captions cash, short-term investments, endowment investments, other long-term investments, and beneficial interest in assets held by Community Foundation.

The Organization's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended September 30, 2017.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement, and does not necessarily correspond to management's perceived risk of that investment. Level 1 financial instruments are based on quoted prices in active markets. The following is a description of the valuation methodologies used for Level 2 financial instruments.

Cash Equivalents – Money market accounts are valued and calculated using the amortized cost of the securities held in the fund.

Government Bonds – When U.S. Treasury Securities are no longer traded in active markets they are valued using the income approach and present value techniques. U.S. bonds that are not listed are valued using broker quotes for identical securities in an inactive market or quotes for similarly-rated securities in active markets.

Corporate Bonds – Consists of corporate bonds structured as a commingled fund. The fair value has been estimated using the net asset value per share of the fund at year-end based on the current market value of each investment and reinvested investment income.

Common and Preferred Stocks – Level 2 stock investments are structured as commingled funds, and fair value has been estimated using the net asset value per share of the fund at year-end. Their fair value is based on observable inputs, which include market prices for similar assets in the active market.

The following is a description of investments measured at net asset value ("NAV") as a practical expedient:

Cash Surrender Value of Life Insurance – The cash surrender value of life insurance policies is valued based on the calculated net asset value of the underlying pooled assets. The policy has a 3-5 day distribution period upon notice of redemption.

Beneficial Interest In Assets Held by Community Foundation – The investments held by the Community Foundation are pooled by the Community Foundation into a larger investment fund, wherein the Organization's investment is valued based on a calculated NAV per share of the Foundation's total investment fund.

Systematic Momentum – During the fiscal years ended September 30, 2017 and 2016, certain endowment monies were invested in Systematic Momentum FuturesAccess LLC Class A (the "Fund"), a FuturesAccess Program fund under the direction of Merrill Lynch Alternative Investments LLC ("MLAI"), the sponsor of the Fund. The Fund is an alternative investment and operates as a "fund of funds" allocating and reallocating its capital among seven underlying FuturesAccess Funds.

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Note 2—Investments (continued)

The FuturesAccess Program fund is a group of commodity pools sponsored by MLAI, each of which places substantially all of its assets in a managed futures or forward trading account managed by a single or multiple commodity trading advisors. The Fund trades mostly in equity indices, fixed income markets, currencies, and commodities.

Recurring fair value measurements of the Fund use significant unobservable inputs (Level 3 of the fair value hierarchy). Level 3 pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Consequently, unobservable inputs include inputs for which market data are not available and that are developed using the best information available about the assumptions market participants would use when pricing the asset or liability.

MLAI provides fair value estimates in its monthly Fund statements, utilizing the services of Interactive Data Pricing and Reference Data LLC (“Interactive Data”). Interactive Data provides fair value information services for international equity securities and indices, options, and futures, as well as valuations for complex structured products and OTC derivatives. Fair value for the Fund is determined using valuation methodologies that consider a range of factors, including but not limited to the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgment.

The Fund offers a semi-monthly liquidation opportunity, with the effective liquidation dates occurring at the middle and end of each month. There are no other significant restrictions on the ability to sell the investment. There are no unfunded commitments.

Note 3—Pledges receivable

Pledges receivable at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Total unconditional promises to give	\$ 12,137,270	\$ 13,657,281
Less unamortized discount	(2,514,212)	(2,835,319)
Less allowance for doubtful pledges	<u>(125,120)</u>	<u>(138,696)</u>
Net unconditional promises to give	<u>\$ 9,497,938</u>	<u>\$ 10,683,266</u>

Gross pledges receivable expected to be collected after September 30, 2017 are as follows:

<u>Years Ending September 30,</u>	
2018	\$ 437,270
2019	-
2020	-
2021	-
2022	600,000
Thereafter	<u>11,100,000</u>
	<u>\$ 12,137,270</u>

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Note 4—Conditional revocable gifts

The Organization has received indications of gifts in the form of bequests, wills, and life insurance policies which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Organization has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give aggregate approximated \$12,123,000 and \$12,053,000 for the years ended September 30, 2017 and 2016, respectively.

Note 5—Furniture, equipment, and leasehold improvements

Furniture, equipment, and leasehold improvements at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 17,239,172	\$ 14,704,216
Leasehold improvements	11,581,757	11,581,758
Construction in progress	1,835,019	2,128,653
	<u>30,655,948</u>	<u>28,414,627</u>
Less accumulated depreciation	<u>(16,430,684)</u>	<u>(15,112,095)</u>
	<u>\$ 14,225,264</u>	<u>\$ 13,302,532</u>

Depreciation expense for the years ended September 30, 2017 and 2016 was approximately \$1,319,000 and \$1,245,000, respectively.

As per the respective lease agreement, the Organization is leasing its operating facility from the City of Tampa for \$100 per year for a period of 99 years unless sooner terminated, and provides further that the lease shall automatically be renewed for successive 10-year terms unless any party gives the other party 180 days' notice of termination of the lease agreement prior to the expiration of any term. According to information provided by the City of Tampa, the estimated insured value of the operating and education facility (excluding contents) is approximately \$150,000,000.

Note 6—Debt

Line of Credit - The Foundation obtained a secured but uncommitted revolving line of credit (the "Line") in May 2010 to meet working capital and capital expenditure business continuity contingencies. The Line is payable upon demand. Unrestricted investments are being used as the secured assets. The loan value is committed at 80% of certain Foundation investment accounts held with Merrill Lynch, resulting in a \$6,185,212 and \$6,128,696 committed amount available at September 30, 2017 and 2016, respectively. The outstanding balance on the Line for the years ended September 30, 2017 and 2016 totaled \$876,171 and \$1,240,284, respectively. The interest rate was approximately 2.6% and 1.9%, for the years ended September 30, 2017 and 2016, respectively.

The Straz Center obtained a secured but uncommitted revolving line of credit (the "Line") in February 2017 to meet working capital and capital expenditure business continuity contingencies. The Line is payable upon demand. Unrestricted investments are being used as the secured assets. The loan value is committed at 80% of certain Center investment accounts held with Merrill Lynch, resulting in a \$4,362,995 committed amount available at September 30, 2017. The outstanding balance on the Line for the year ended September 30, 2017 totaled \$2,000,000. The interest rate was approximately 2.6%, for the year ended September 30, 2017.

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Note 6—Debt (continued)

Loan – The Straz Center entered into a three-year \$2,000,000 collateralized loan arrangement during the fiscal year ended September 30, 2013. This loan is for funding business capital project needs. The collateral on the loan is the pledges of respective gifts for the Straz Center’s capital fundraising initiative. The stated terms of the loan are: a) interest rate of 30 Day LIBOR, plus 235 floating basis points (2.35%), with no floor and b) maturity date of August 15, 2016. The loan was renewed at maturity and converted to an unsecured revolving line of credit with a new maturity date of May 16, 2018. There was no change to the stated interest rate. The outstanding balance was \$400,000 September 30, 2016 and was repaid in full during 2017. There were no other draws during the year ended September 30, 2017.

Interest expense incurred on these debt instruments for the years ended September 30, 2017 and 2016 totaled \$53,269 and \$25,802, respectively. During the year ended September 30, 2017 the Organization capitalized \$29,949 to construction in progress included in furniture, equipment, and leasehold improvements, net on the accompanying 2017 statement of financial position.

Note 7—Restrictions and limitations on net assets

Temporarily restricted net assets consist of the following donor categories at September 30:

	<u>2017</u>	<u>2016</u>
General endowment with donor designations for Opera, education programming and scholarships	\$ 946,330	\$ 310,265

Permanently restricted net assets consist of the following donor categories at September 30:

	<u>2017</u>	<u>2016</u>
General endowment with donor restrictions for Opera, education programming and scholarships	\$ 30,195,408	\$ 30,008,124

Note 8—Net assets released from restrictions

Net assets released from restrictions during the years ended September 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Collection of pledges receivable and valuation change	\$ 6,790	\$ 6,790
Spending policy	1,888,060	1,792,094
Purpose restrictions met	350,000	324,779
Line of credit collateralization appropriation	56,183	697,444
Total net assets released from restrictions	<u>\$ 2,301,033</u>	<u>\$ 2,821,107</u>

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Note 9—Endowments

In July 2012, Florida passed a version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). UPMIFA removes the historic dollar value measurement of endowments established by the Uniform Management of Institutional Funds Act. Accounting Standards require organizations functioning under an enacted version of UPMIFA to recognize endowment earnings as temporarily restricted net assets until appropriated.

The Organization follows all applicable Florida law with respect to donor-restricted endowment funds. The Organization complies with any donor-imposed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted permanent endowment funds. However, when there is an absence of donor restrictions on the use of the investment income or net appreciation, the Organization follows applicable law. The Organization interprets Florida law as requiring the Organization to maintain the historic dollar value of donor-restricted endowments as permanently restricted, absent explicit donor stipulations to the contrary. Therefore, the Straz Center 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 of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are made to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Florida law. In accordance with Florida law, the Straz Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Return Objective and Risk Parameters – The investment objectives for the Organization are stated below in order of importance:

- a. Growth of Capital – Emphasis on long-term growth of the investment assets of the Organization. The returns should meet or exceed appropriate benchmark indices while incurring less risk than such benchmarks/indices.
- b. Preservation of Purchasing Power After Spending – Asset growth that exceeds spending plus inflation over a three-year period.
- c. The investment goal of the equity portfolio is that the annual return will match and/or exceed appropriate performance benchmark(s) by investment style to the asset managers selected.

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Note 9—Endowments (continued)

The Foundation’s Investment Committee and Board of Directors recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation and U.S. dollar depreciation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the assumption of risk is warranted and encouraged in order to allow the asset manager the opportunity to achieve satisfactory long-term results consistent with the goals, objectives, and character of the Foundation. All assets selected for the portfolio must have a readily ascertainable market value, and must be readily marketable.

Strategies Employed for Achieving Objectives – To meet the needs of the Organization, the Organization’s investment strategy emphasizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) by following the strategies outlined above.

Spending Policy and How the Investment Objective Relates to Spending Policy – The Foundation’s Board of Directors, on the recommendation of the Investment Committee, has adopted a spending policy that governs the annual distributions from the pooled endowment funds that may be expended for current operations of the Straz Center. This policy authorizes the Foundation to distribute from its pooled endowment funds a specified percentage, to be determined by the Board of Directors (“Board”) from time to time, of the market at budget time or fiscal year-end of those pooled endowment funds. The policy also allows the Board to base the distribution formula on the average market value over a period of several years if it chooses to do so. For the fiscal year ended September 30, 2017, the Foundation’s Board of Trustees authorized the distribution and expenditure of five percent (5%) of the current market value of the endowment as of September 30, 2017. Distributions cannot exceed the accumulated unspent earnings of the endowment without the Foundation’s Board approval. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with the Foundation’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Changes in endowment funds consist of the following for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowment funds, October 1, 2016	\$ 5,498,739	\$ 283,235	\$ 19,566,643	\$ 25,348,617
Investment return:				
Investment income	106,443	731,581	-	838,024
Net appreciation (realized and unrealized)	152,261	2,232,524	-	2,384,785
Contributions	-	-	1,498,061	1,498,061
Approved spending	<u>(5,757,443)</u>	<u>(2,321,380)</u>	<u>-</u>	<u>(8,078,823)</u>
Total endowment funds, September 30, 2017	<u>\$ -</u>	<u>\$ 925,960</u>	<u>\$ 21,064,704</u>	<u>\$ 21,990,664</u>

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Note 9—Endowments (continued)

Changes in endowment funds consist of the following for the year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowment funds, October 1, 2015	\$ 4,930,627	\$ 405,768	\$ 17,492,687	\$ 22,829,082
Investment return:				
Investment income	76,326	707,582	-	783,908
Net appreciation (realized and unrealized)	180,502	1,993,981	-	2,174,483
Contributions	-	-	2,073,956	2,073,956
Assets released from restriction	337,444	-	-	337,444
Approved spending	(26,160)	(2,824,096)	-	(2,850,256)
Total endowment funds, September 30, 2016	<u>\$ 5,498,739</u>	<u>\$ 283,235</u>	<u>\$ 19,566,643</u>	<u>\$ 25,348,617</u>

Endowment funds consist of the following as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted, endowment funds	\$ -	\$ 925,960	\$ 21,064,704	\$ 21,990,664
	<u>\$ -</u>	<u>\$ 925,960</u>	<u>\$ 21,064,704</u>	<u>\$ 21,990,664</u>

Endowment funds consist of the following as of September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted, endowment funds	\$ -	\$ 283,235	\$ 19,566,643	\$ 19,849,878
Board designated, endowment funds	5,498,739	-	-	5,498,739
	<u>\$ 5,498,739</u>	<u>\$ 283,235</u>	<u>\$ 19,566,643</u>	<u>\$ 25,348,617</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 10—Government funding and grants

Government funding and grant revenue for the years ended September 30 is as follows:

	<u>2017</u>	<u>2016</u>
City of Tampa	\$ 546,750	\$ 546,750
Hillsborough County:		
Tourist Development Council	512,219	520,000
Cultural Services to Support Educational Programs	221,758	221,758
State of Florida:		
General Program Support (formerly Cultural and Museum Grants)	91,933	73,452
Federal:		
National Endowment for the Arts	-	20,000
Center annual operating and program support	<u>1,372,660</u>	<u>1,381,960</u>
City of Tampa – Capital Improvement Budget	80,000	82,000
Hillsborough County – Capital Improvement Budget	325,000	325,000
State of Florida Cultural Facilities Program	<u>495,000</u>	<u>500,000</u>
Capital and construction support	<u>900,000</u>	<u>907,000</u>
Total government funding and grant revenue	<u>\$ 2,272,660</u>	<u>\$ 2,288,960</u>

The Straz Center receives city, county, state, and federal grants for annual operations, program support, and capital projects. During 2017, a grant from the City of Tampa was received for general operating support, and a similar grant was received the prior fiscal year. Additionally, the City of Tampa maintains the Poe Garage Trust Fund, which is funded by a specified portion of Poe Garage parking receipts, to be used for major capital repairs and reconstruction projects for the Straz Center’s facility. During 2017, three grants from Hillsborough County were received: (1) the Tourist Development Council grant, which was used to help promote the Straz Center in the tourism markets; (2) the Cultural Services to Support Educational Programs grant, funded by Seminole Gaming Pact revenue, which helped support the Straz Center’s educational programs; similar grants were received the prior fiscal year; and (3) a grant was received for capital improvements at the Straz Center from Hillsborough County. During 2017, two grants from the State of Florida were received: (1) General Program Support (formerly Cultural and Museum Grant) which was applied as general education and operating support (a similar grant was received the prior fiscal year); and (2) the Cultural Endowment Program grant to match gifts raised by the Center’s Foundation to help build and fund its endowment.

Note 11—Retirement plan

The Straz Center has a defined contribution retirement plan for full-time employees. The Straz Center contributes up to 8% of eligible gross salaries and employees are fully vested upon meeting eligibility requirements. Additionally, employees may voluntarily elect to contribute up to the maximum as allowed under Section 403(b) of the Internal Revenue Code. The monies are invested and administered by an independent agent. Retirement contribution expenses were approximately \$409,000 and \$351,000 for the years ended September 30, 2017 and 2016, respectively.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 12—Commitments and contingencies

Grant Funding – The Straz Center is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes the Straz Center is materially in compliance with the terms of its grant agreements.

Sabbatical Leave – During the year ended September 30, 2016, the Straz Center entered into Addendum D to the employment agreement with Straz Center’s President and Chief Executive Officer (the “Executive”) extending the term of the original employment agreement, effective October 1, 2008, to September 30, 2021. No other significant changes were made as a result of this addendum. The Straz Center recorded \$110,171 and \$106,963 for the sabbatical leave accrual, included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position, for the years ended September 30, 2017 and 2016, respectively.

Note 13—Related party transactions

Contributions for the years ended September 30, 2017 and 2016 include the following:

	<u>2017</u>	<u>2016</u>
Board of Directors and Trustees	\$ 928,850	\$ 836,513

The following gross pledges receivable were outstanding at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Board of Directors and Trustees	\$ 11,784,974	\$ 13,394,154

Additionally, the Straz Center paid approximately \$7,500 for housing lease payments for the Artistic Director pursuant to an employment agreement, dated March 12, 2015, included in production costs in the accompanying consolidated statement of activities for each of the years ended September 30, 2017 and 2016.

During the year ended September 30, 2016, the Straz Center had expenses totaling approximately \$641,000 to a vendor that is owned by an employee of the Straz Center. There were no such expenses for the year ended September 30, 2017.

Note 14—Concentrations of credit risk

The Organization maintains its cash and cash equivalents with large financial institutions in the United States. All accounts at each financial institution are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. The Straz Center from time to time may have amounts of deposits in excess of the insured limits. Management does not anticipate nonperformance by these financial institutions. The Straz Center had bank statement balances of approximately \$4,576,000 which exceeded these insured amounts at September 30, 2017.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 15—Operating leases

The Straz Center has entered into noncancelable operating lease agreements for office equipment and building space which expire through 2083. The minimal annual rentals range from \$100 to \$47,100. Total rent expense related to leases for the years ended September 30, 2017 and 2016 was approximately \$199,000 and \$194,000, respectively.

The total annual minimum future lease commitments for current contract agreements are due as follows:

Years Ending September 30,

2018	\$	110,892
2019		95,638
2020		93,286
2021		14,911
2022		1,455
Thereafter		6,033
	\$	<u>322,215</u>

Note 16—Subsequent events

Management has evaluated subsequent events from the consolidated statements of financial position date through January 29, 2018, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL POSITION (SCHEDULE 1)

SEPTEMBER 30, 2017

	Tampa Bay Performing Arts Center, Inc.	Foundation	Eliminations	Consolidated Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,465,245	\$ 99,074	\$ -	\$ 4,564,319
Receivables:				
Accounts receivable	103,329	-	-	103,329
Pledges receivable, net	367,275	61,875	-	429,150
Due from Foundation	621,834	-	(621,834)	-
Grants receivable	1,064,356	-	-	1,064,356
	<u>2,156,794</u>	<u>61,875</u>	<u>(621,834)</u>	<u>1,596,835</u>
Inventory	82,389	-	-	82,389
Other current assets	912,412	8,000	-	920,412
Total Current Assets	<u>7,616,840</u>	<u>168,949</u>	<u>(621,834)</u>	<u>7,163,955</u>
Noncurrent Assets:				
Pledges receivable, net	-	9,068,788	-	9,068,788
Endowment investments	2,400,000	19,590,664	-	21,990,664
Investments	4,951,795	9,871,588	-	14,823,383
Other long-term investments	815,169	-	-	815,169
Beneficial interest in assets held by Community Foundation	29,225	831,845	-	861,070
Furniture, equipment, and leasehold improvements, net	14,225,264	-	-	14,225,264
Other assets	40,825	-	-	40,825
Total Assets	<u>\$ 30,079,118</u>	<u>\$ 39,531,834</u>	<u>\$ (621,834)</u>	<u>\$ 68,989,118</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,435,641	\$ 73,902	\$ -	\$ 2,509,543
Due to Center	-	621,834	(621,834)	-
Deferred revenue – ticket sales	8,458,300	-	-	8,458,300
Deferred revenue – other	1,625,940	-	-	1,625,940
Debt	2,000,000	876,171	-	2,876,171
Current portion of other accrued expenses	137,435	-	-	137,435
Total Liabilities	<u>14,657,316</u>	<u>1,571,907</u>	<u>(621,834)</u>	<u>15,607,389</u>
Net Assets:				
Unrestricted – operations	(3,442,090)	9,238,559	-	5,796,469
Unrestricted – furniture, equipment, and leasehold improvements	14,204,894	-	-	14,204,894
Unrestricted – board designated	2,238,628	-	-	2,238,628
	<u>13,001,432</u>	<u>9,238,559</u>	<u>-</u>	<u>22,239,991</u>
Temporarily restricted	20,370	925,960	-	946,330
Permanently restricted	2,400,000	27,795,408	-	30,195,408
Total Net Assets	<u>15,421,802</u>	<u>37,959,927</u>	<u>-</u>	<u>53,381,729</u>
Total Liabilities and Net Assets	<u>\$ 30,079,118</u>	<u>\$ 39,531,834</u>	<u>\$ (621,834)</u>	<u>\$ 68,989,118</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATING SCHEDULE – STATEMENT OF ACTIVITIES (SCHEDULE 2)

YEAR ENDED SEPTEMBER 30, 2017

	Tampa Bay Performing Arts Center, Inc.	Foundation	Eliminations	Consolidated Total
Revenue and Other Support:				
Ticket sales	\$ 20,685,073	\$ -	\$ -	\$ 20,685,073
Rent	538,754	-	-	538,754
Box office fees	4,124,536	-	-	4,124,536
Education program tuition, event sales, and fees	2,646,396	-	-	2,646,396
Concessions	4,278,250	-	-	4,278,250
Investment return	650,324	2,949,927	-	3,600,251
Change in value of beneficial interest	3,066	51,225	-	54,291
Community support	4,611,430	733,142	-	5,344,572
Service fee and other income	1,654,970	-	(313,104)	1,341,866
Government funding and grants:				
Annual operating and program support	1,372,660	-	-	1,372,660
Capital and construction support	900,000	-	-	900,000
Total Revenue and Other Support	<u>41,465,459</u>	<u>3,734,294</u>	<u>(313,104)</u>	<u>44,886,649</u>
Expenses:				
Program and Essential Services:				
Production costs	20,024,541	-	-	20,024,541
Education	3,200,782	-	-	3,200,782
Operating costs	9,694,480	-	-	9,694,480
Marketing and public information	3,070,759	-	-	3,070,759
Total Program and Essential Services	<u>35,990,562</u>	<u>-</u>	<u>-</u>	<u>35,990,562</u>
Support Services:				
General and administrative	4,095,477	360,812	(313,104)	4,143,185
Fundraising	1,262,421	99,673	-	1,362,094
Total Support Services	<u>5,357,898</u>	<u>460,485</u>	<u>(313,104)</u>	<u>5,505,279</u>
Total expenses	<u>41,348,460</u>	<u>460,485</u>	<u>(313,104)</u>	<u>41,495,841</u>
Foundation distributed endowment				
support for Center	2,928,554	(2,928,554)	-	-
Change in net assets	3,045,553	345,255	-	3,390,808
Net assets at beginning of year	12,376,249	37,614,672	-	49,990,921
Net assets at end of year	<u>\$ 15,421,802</u>	<u>\$ 37,959,927</u>	<u>\$ -</u>	<u>\$ 53,381,729</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
CONSOLIDATING SCHEDULE – STATEMENT OF CASH FLOWS (SCHEDULE 3)

YEAR ENDED SEPTEMBER 30, 2017

	Tampa Bay Performing Arts Center, Inc.	Foundation	Consolidated Total
Cash flows from operating activities:			
Change in net assets	\$ 3,045,553	\$ 345,255	\$ 3,390,808
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Non-cash gift of stock	-	(75,533)	(75,533)
Depreciation	1,318,589	-	1,318,589
Write down of other long-term investments	127,000	24,254	151,254
Increase in beneficial interest in assets held by Community Foundation	(3,065)	(51,226)	(54,291)
Provision for uncollectible pledges receivable	(262,716)	(71,967)	(334,683)
Unrealized gains on investments	(647,119)	(1,247,615)	(1,894,734)
(Increase) decrease in:			
Accounts receivable	24,474	-	24,474
Pledges receivable	103,476	1,416,535	1,520,011
Grants receivable	117,055	-	117,055
Interest receivable	-	-	-
Due to/from Center	1,935,859	(1,935,859)	-
Inventory	12,284	-	12,284
Other current assets	11,837	1,000	12,837
Other assets	(531)	-	(531)
Increase (decrease) in:			
Accounts payable and accrued expenses	412,726	(18,165)	394,561
Deferred revenue – ticket sales	413,609	-	413,609
Deferred revenue – other	257,842	-	257,842
Other accrued expenses	(134,109)	-	(134,109)
Net cash from operating activities	<u>6,732,764</u>	<u>(1,613,321)</u>	<u>5,119,443</u>
Cash flows from investing activities:			
Additions to furniture, equipment, and leasehold improvements	(2,241,321)	-	(2,241,321)
Purchases of investments	(7,031,663)	(5,361,734)	(12,393,397)
Sales and maturities of investments	3,010,274	7,436,633	10,446,907
Purchases of other long-term investments	(149,196)	(96,509)	(245,705)
Net cash from investing activities	<u>(6,411,906)</u>	<u>1,978,390</u>	<u>(4,433,516)</u>
Cash flows from financing activity:			
Payments on line of credit from investments	-	(364,113)	(364,113)
Payments on line of credit	(400,000)	-	(400,000)
Proceeds from line of credit borrowings	2,000,000	-	2,000,000
Net cash from financing activity	<u>1,600,000</u>	<u>(364,113)</u>	<u>1,235,887</u>
Change in cash and cash equivalents	1,920,858	956	1,921,814
Cash and cash equivalents, beginning of year	2,544,387	98,118	2,642,505
Cash and cash equivalents, end of year	<u>\$ 4,465,245</u>	<u>\$ 99,074</u>	<u>\$ 4,564,319</u>
Cash paid for interest	<u>\$ 29,949</u>	<u>\$ 23,320</u>	<u>\$ 53,269</u>

Non-cash financial activity:

In the fiscal year 2017, the Tampa Bay Performing Arts Center Foundation received stock donations valued at \$75,533 based on the trading price of the stock.

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
STRAZ CENTER STAND ALONE – STATEMENT OF FINANCIAL POSITION (SCHEDULE 4)

SEPTEMBER 30, 2017 (WITH COMPARATIVE FINANCIAL INFORMATION FOR 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,465,245	\$ 2,544,387
Receivables:		
Accounts receivable	103,329	127,803
Pledges receivable, net	367,275	208,035
Due from Foundation	621,834	2,557,693
Grants receivable	1,064,356	1,181,411
	<u>2,156,794</u>	<u>4,074,942</u>
Inventory	82,389	94,673
Other current assets	912,412	924,249
Total Current Assets	7,616,840	7,638,251
Noncurrent assets:		
Endowment investments	2,400,000	2,737,784
Investments	4,951,795	-
Other long-term investments	815,169	738,476
Beneficial interest in assets held by Community Foundation	29,225	26,160
Furniture, equipment, and leasehold improvements, net	14,225,264	13,302,532
Other assets	40,825	40,294
Total Assets	<u>\$ 30,079,118</u>	<u>\$ 24,483,497</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,435,641	\$ 2,022,915
Deferred revenue – ticket sales	8,458,300	8,044,691
Deferred revenue – other	1,625,940	1,368,098
Line of credit	2,000,000	400,000
Current portion of other accrued expenses	137,435	133,978
Total Current Liabilities	14,657,316	11,969,682
Other accrued expenses	-	137,566
Total Liabilities	<u>14,657,316</u>	<u>12,107,248</u>
Net Assets:		
Unrestricted – operations	(3,442,090)	(4,100,190)
Unrestricted – furniture, equipment, and leasehold improvements	14,204,894	13,275,372
Unrestricted – board designated	2,238,628	773,907
	<u>13,001,432</u>	<u>9,949,089</u>
Temporarily restricted	20,370	27,160
Permanently restricted	2,400,000	2,400,000
Total Net Assets	<u>15,421,802</u>	<u>12,376,249</u>
Total Liabilities and Net Assets	<u>\$ 30,079,118</u>	<u>\$ 24,483,497</u>

TAMPA BAY PERFORMING ARTS CENTER, INC.
D/B/A DAVID A. STRAZ, JR. CENTER FOR THE PERFORMING ARTS
STRAZ CENTER STAND ALONE – STATEMENT OF ACTIVITIES (SCHEDULE 5)

YEAR ENDED SEPTEMBER 30, 2017 (WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016)

	Unrestricted	Temporarily	Permanently	Totals	
		Restricted	Restricted	2017	2016
Revenue and Other Support:					
Ticket sales	\$ 20,685,073	\$ -	\$ -	\$ 20,685,073	\$ 17,418,056
Rent	538,754	-	-	538,754	709,719
Box office fees	4,124,536	-	-	4,124,536	3,703,651
Education program tuition, event sales, and fees	2,646,396	-	-	2,646,396	2,541,692
Concessions	4,278,250	-	-	4,278,250	3,434,653
Investment return	650,324	-	-	650,324	158,637
Change in beneficial interest	3,066	-	-	3,066	26,160
Community support	4,611,430	-	-	4,611,430	5,895,780
Service fee income	1,654,970	-	-	1,654,970	1,547,253
Government funding and grants:					
Annual operating and program support	1,372,660	-	-	1,372,660	1,381,960
Capital and construction support	900,000	-	-	900,000	907,000
Net assets released from purpose restrictions	6,790	(6,790)	-	-	-
Total Revenue and Other Support	<u>41,472,249</u>	<u>(6,790)</u>	<u>-</u>	<u>41,465,459</u>	<u>37,724,561</u>
Expenses:					
Program and Essential Services:					
Production costs	20,024,541	-	-	20,024,541	17,390,054
Education	3,200,782	-	-	3,200,782	2,934,215
Operating costs	9,694,480	-	-	9,694,480	8,966,604
Marketing and public information	3,070,759	-	-	3,070,759	4,271,744
Total Program and Essential Services	<u>35,990,562</u>	<u>-</u>	<u>-</u>	<u>35,990,562</u>	<u>33,562,617</u>
Support Services:					
General and administrative	4,095,477	-	-	4,095,477	3,689,824
Fundraising	1,262,421	-	-	1,262,421	1,258,550
Total Support Services	<u>5,357,898</u>	<u>-</u>	<u>-</u>	<u>5,357,898</u>	<u>4,948,374</u>
Total Expenses	<u>41,348,460</u>	<u>-</u>	<u>-</u>	<u>41,348,460</u>	<u>38,510,991</u>
Foundation distributed endowment support for Center					
	<u>2,928,554</u>	<u>-</u>	<u>-</u>	<u>2,928,554</u>	<u>1,540,033</u>
Change in net assets	3,052,343	(6,790)	-	3,045,553	753,603
Net asset, beginning of year	9,949,089	27,160	2,400,000	12,376,249	11,622,646
Net assets, end of year	<u>\$ 13,001,432</u>	<u>\$ 20,370</u>	<u>\$ 2,400,000</u>	<u>\$ 15,421,802</u>	<u>\$ 12,376,249</u>