

**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, 2015  
and 2014*

*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, 2015 and 2014, 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, 2015 and 2014, 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 audit was 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 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.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida  
February 1, 2016

**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, 2015 AND 2014

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,836,351	\$ 3,653,375
Receivables:		
Accounts receivable	77,307	90,576
Pledges receivable, net	359,857	929,409
Grants receivable	155,758	583,782
Interest receivable	32,004	17,470
	<u>624,926</u>	<u>1,621,237</u>
Inventory	85,556	95,835
Prepaid expenses	820,735	960,170
	<u>6,367,568</u>	<u>6,330,617</u>
Total Current Assets		
Noncurrent Assets:		
Pledges receivable, net	11,757,341	12,577,785
Endowment investments	28,509,810	28,308,511
Other long-term investments	716,561	836,738
Beneficial interest in assets held by Community Foundation	753,177	844,538
Furniture, equipment, and leasehold improvements, net	12,041,149	12,165,204
Other assets	38,794	42,614
	<u>\$ 60,184,400</u>	<u>\$ 61,106,007</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,958,546	\$ 1,849,959
Deferred revenue – ticket sales	6,886,607	7,242,312
Deferred revenue – other	1,397,008	1,507,782
Debt	1,574,842	2,143,166
Current portion of other accrued expenses	205,442	203,222
	<u>12,022,445</u>	<u>12,946,441</u>
Total Current Liabilities		
Other accrued expenses	264,587	389,574
	<u>12,287,032</u>	<u>13,336,015</u>
Total Liabilities		
Net Assets:		
Unrestricted – operations	(1,664,826)	1,015,319
Unrestricted – furniture, equipment, and leasehold improvements	12,007,199	12,124,464
Unrestricted – board designated	7,097,866	1,725,949
	<u>17,440,239</u>	<u>14,865,732</u>
Temporarily restricted	439,718	3,453,914
Permanently restricted	30,017,411	29,450,346
	<u>47,897,368</u>	<u>47,769,992</u>
Total Net Assets		
Total Liabilities and Net Assets		
	<u>\$ 60,184,400</u>	<u>\$ 61,106,007</u>

See notes to 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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Ticket sales	\$ 18,588,996	\$ -	\$ -	\$ 18,588,996
Rent	502,531	-	-	502,531
Box office fees	3,417,772	-	-	3,417,772
Education program tuition, event sales and fees	2,674,872	-	-	2,674,872
Concessions	3,358,581	-	-	3,358,581
Investment return	(149,718)	280,158	-	130,440
Change in value of beneficial interest	-	-	(91,361)	(91,361)
Community support	6,590,578	443,527	423,495	7,457,600
Service fee and other income	1,261,127	-	-	1,261,127
Government funding and grants:				
Annual operating and program support	1,493,508	-	-	1,493,508
Capital and construction support	45,000	-	-	45,000
Endowment support	-	-	240,000	240,000
Net assets released from restrictions	3,742,950	(3,737,881)	(5,069)	-
Total Revenue and Other Support	<u>41,526,197</u>	<u>(3,014,196)</u>	<u>567,065</u>	<u>39,079,066</u>
Expenses:				
Program and Essential Services:				
Production costs	18,056,925	-	-	18,056,925
Education	2,982,901	-	-	2,982,901
Operating costs	8,749,007	-	-	8,749,007
Marketing and public information	4,214,650	-	-	4,214,650
Total Program and Essential Services	<u>34,003,483</u>	<u>-</u>	<u>-</u>	<u>34,003,483</u>
Support Services:				
General and administrative	3,732,409	-	-	3,732,409
Fundraising	1,215,798	-	-	1,215,798
Total Support Services	<u>4,948,207</u>	<u>-</u>	<u>-</u>	<u>4,948,207</u>
Total Expenses	<u>38,951,690</u>	<u>-</u>	<u>-</u>	<u>38,951,690</u>
Change in net assets	2,574,507	(3,014,196)	567,065	127,376
Net assets at beginning of year	14,865,732	3,453,914	29,450,346	47,769,992
Net assets at end of year	<u>\$ 17,440,239</u>	<u>\$ 439,718</u>	<u>\$ 30,017,411</u>	<u>\$ 47,897,368</u>

(continued)

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

YEAR ENDED SEPTEMBER 30, 2014

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenue and Other Support:</b>				
Ticket sales	\$ 16,890,313	\$ -	\$ -	\$ 16,890,313
Rent	390,994	-	-	390,994
Box office fees	2,922,658	-	-	2,922,658
Education program tuition, event sales and fees	2,395,975	-	-	2,395,975
Concessions	2,820,454	-	-	2,820,454
Investment return	256,538	2,670,863	-	2,927,401
Change in value of beneficial interest	-	-	4,664	4,664
Community support	5,422,915	60,923	645,148	6,128,986
Service fee and other income	1,259,564	-	-	1,259,564
<b>Government funding and grants:</b>				
Annual operating and program support	1,349,906	-	-	1,349,906
Capital and construction support	555,000	-	-	555,000
Net assets released from restrictions	8,113,364	(8,058,364)	(55,000)	-
<b>Total Revenue and Other Support</b>	<b>42,377,681</b>	<b>(5,326,578)</b>	<b>594,812</b>	<b>37,645,915</b>
<b>Expenses:</b>				
<b>Program and Essential Services:</b>				
Production costs	16,732,627	-	-	16,732,627
Education	2,833,746	-	-	2,833,746
Operating costs	7,308,170	-	-	7,308,170
Marketing and public information	3,524,685	-	-	3,524,685
<b>Total Program and Essential Services</b>	<b>30,399,228</b>	<b>-</b>	<b>-</b>	<b>30,399,228</b>
<b>Support Services:</b>				
General and administrative	3,569,758	-	-	3,569,758
Fundraising	1,100,455	-	-	1,100,455
<b>Total Support Services</b>	<b>4,670,213</b>	<b>-</b>	<b>-</b>	<b>4,670,213</b>
<b>Total Expenses</b>	<b>35,069,441</b>	<b>-</b>	<b>-</b>	<b>35,069,441</b>
Change in net assets	7,308,240	(5,326,578)	594,812	2,576,474
Net assets at beginning of year	7,557,492	8,780,492	28,855,534	45,193,518
Net assets at end of year	<u>\$ 14,865,732</u>	<u>\$ 3,453,914</u>	<u>\$ 29,450,346</u>	<u>\$ 47,769,992</u>

See notes to 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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 127,376	\$ 2,576,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash gift of stock	(71,282)	(25,390)
Depreciation	1,107,210	947,834
Write down of other long-term investments	115,000	83,750
Decrease (increase) in beneficial interest in assets held by Community Foundation	91,361	(4,664)
Provision for uncollectible pledges receivable	(527,368)	(236,523)
Realized and unrealized losses (gains) on investments	1,309,108	(2,588,804)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	13,269	22,282
Decrease in pledges receivable	1,917,364	1,585,655
Decrease (increase) in grants receivable	428,024	(393,524)
(Increase) in interest receivable	(14,534)	(10,708)
Decrease (increase) in inventory	10,279	(2,014)
Decrease (increase) in prepaid expenses	139,435	(155,682)
Decrease (increase) in other assets	3,820	(1,088)
Increase in accounts payable and accrued expenses	108,587	354,628
(Decrease) in deferred revenue – ticket sales	(355,705)	(1,491,849)
(Decrease) increase in deferred revenue – other	(110,774)	252,865
(Decrease) in other accrued expenses	(122,767)	(111,094)
Net cash from operating activities	<u>4,168,403</u>	<u>802,148</u>
<b>Cash flows from investing activities:</b>		
Additions to furniture, equipment, and leasehold improvements	(983,155)	(2,538,551)
Purchases of investments	(18,412,090)	(9,888,480)
Sales and maturities of investments	17,112,494	9,836,915
Purchases of other long-term investments	(134,352)	(179,074)
Surrender distribution of other long-term investments	-	32,500
Net cash from investing activities	<u>(2,417,103)</u>	<u>(2,736,690)</u>
<b>Cash flows from financing activity:</b>		
Payments on line of credit from investments	(268,324)	(207,660)
Payments on loan	(300,000)	(500,004)
Borrowing on loan	-	300,000
Net cash from financing activity	<u>(568,324)</u>	<u>(407,664)</u>
Increase (decrease) in cash and cash equivalents	1,182,976	(2,342,206)
Cash and cash equivalents, beginning of year	3,653,375	5,995,581
Cash and cash equivalents, end of year	<u>\$ 4,836,351</u>	<u>\$ 3,653,375</u>
Cash paid for interest	<u>\$ 26,436</u>	<u>\$ 33,493</u>

**NON-CASH FINANCING ACTIVITY**

In fiscal years 2015 and 2014, the Tampa Bay Performing Arts Center Foundation received stock donations valued at \$71,282 and \$25,390, 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, 2015

	Program and Essential Services				Total Program and Essential Services	Support Services		Total Support Services	Total Expenses 2015
	Production Costs	Education	Operating Costs	Marketing and Public Information		General and Administrative	Fundraising		
	Salaries	\$ 461,056	\$ 1,544,603	\$ 2,814,502		\$ 827,342	\$ 5,647,503		
Employee benefits	498,338	273,780	593,591	191,793	1,557,502	398,954	166,303	565,257	2,122,759
Artist and professional fees	14,176,461	811,541	50,144	318	15,038,464	5,290	141,029	146,319	15,184,783
Meetings, travel, and training	82,466	103,562	25,645	33,512	245,185	72,732	23,233	95,965	341,150
Advertising and promotion	2,385,333	68,790	66,575	3,010,349	5,531,047	115,262	3,095	118,357	5,649,404
Professional services	152,299	8,810	9,300	61,846	232,255	296,904	7,766	304,670	536,925
Supplies	16,309	21,878	326,173	17,157	381,517	22,524	7,084	29,608	411,125
Telephone	4,804	502	7,944	1,421	14,671	48,716	1,103	49,819	64,490
Postage and mailings	4,967	3,327	35,305	1,289	44,888	4,283	14,338	18,621	63,509
Utilities	-	-	758,748	-	758,748	-	-	-	758,748
Rent and lease	36,713	26,161	33,023	-	95,897	87,576	-	87,576	183,473
Maintenance and repairs	25,035	37,579	899,730	-	962,344	238,949	-	238,949	1,201,293
Insurance	106,062	6,966	-	-	113,028	286,076	-	286,076	399,104
Depreciation	-	-	1,107,210	-	1,107,210	-	-	-	1,107,210
Credit card commissions	-	30,928	553,043	-	583,971	-	27,751	27,751	611,722
Bad debt expense	-	2,310	500	-	2,810	7,274	-	7,274	10,084
Other	107,082	42,164	1,467,574	69,623	1,686,443	174,815	59,301	234,116	1,920,559
Total Expenses	<u>\$18,056,925</u>	<u>\$ 2,982,901</u>	<u>\$ 8,749,007</u>	<u>\$ 4,214,650</u>	<u>\$34,003,483</u>	<u>\$ 3,732,409</u>	<u>\$ 1,215,798</u>	<u>\$ 4,948,207</u>	<u>\$ 38,951,690</u>

(continued)

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

YEAR ENDED SEPTEMBER 30, 2014

	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		2014
Salaries	\$ 552,367	\$ 1,480,210	\$ 2,371,051	\$ 764,720	\$ 5,168,348	\$ 1,844,624	\$ 715,346	\$ 2,559,970	\$ 7,728,318
Employee benefits	419,000	270,588	527,211	139,914	1,356,713	430,780	129,102	559,882	1,916,595
Artist and professional fees	13,221,402	770,438	59,770	216	14,051,826	4,360	111,487	115,847	14,167,673
Meetings, travel, and training	65,765	102,496	28,207	24,134	220,602	58,736	17,762	76,498	297,100
Advertising and promotion	2,014,675	67,680	36,090	2,482,354	4,600,799	141,429	512	141,941	4,742,740
Professional services	151,469	3,433	3,530	15,105	173,537	277,947	18,654	296,601	470,138
Supplies	12,411	16,198	316,258	17,861	362,728	27,305	8,086	35,391	398,119
Telephone	4,856	512	8,364	2,296	16,028	73,074	1,163	74,237	90,265
Postage and mailings	5,906	3,641	23,672	387	33,606	3,845	14,104	17,949	51,555
Utilities	-	-	819,425	-	819,425	-	-	-	819,425
Rent and lease	51,355	13,194	24,733	-	89,282	96,789	-	96,789	186,071
Maintenance and repairs	31,109	7,548	846,434	18,841	903,932	231,082	-	231,082	1,135,014
Insurance	93,467	7,457	-	-	100,924	250,988	-	250,988	351,912
Depreciation	-	-	947,834	-	947,834	-	-	-	947,834
Credit card commissions	-	33,442	468,725	-	502,167	-	28,757	28,757	530,924
Bad debt expense	-	13,465	25	-	13,490	11,004	-	11,004	24,494
Other	108,845	43,444	826,841	58,857	1,037,987	117,795	55,482	173,277	1,211,264
Total Expenses	<u>\$ 16,732,627</u>	<u>\$ 2,833,746</u>	<u>\$ 7,308,170</u>	<u>\$ 3,524,685</u>	<u>\$ 30,399,228</u>	<u>\$ 3,569,758</u>	<u>\$ 1,100,455</u>	<u>\$ 4,670,213</u>	<u>\$ 35,069,441</u>

See notes to consolidated financial statements.

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

SEPTEMBER 30, 2015 AND 2014

**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 organizations are hereafter referred to as the Straz Center.

In its fiscal year ended September 30, 2010, the Straz Center 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 Straz Center 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 Straz Center 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 Straz Center. These include expendable resources, which have been designated for special use by the Board of Trustees consisting of the following:

	<b>2015</b>	<b>2014</b>
Straz Center unrestricted endowment investments	\$ 436,061	\$ -
Straz Center capital expenditures	2,167,239	1,725,949
Foundation unrestricted endowment investments	4,494,566	-
	<u>\$ 7,097,866</u>	<u>\$ 1,725,949</u>

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

SEPTEMBER 30, 2015 AND 2014

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**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 Straz Center'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 Straz Center 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 Straz Center 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.

*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 range from 0.79% to 5.23% at September 30, 2015 and 2014.

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**Note 1—Summary of significant accounting policies (continued)**

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

*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 Straz Center also invests monies in other investments, which trade in various commodity pools and are recorded at fair value (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 Straz Center.

The investments in theatrical show productions are recorded at cost, reduced by any investment returns, and amounted to \$202,384 and \$262,106 at September 30, 2015 and 2014, respectively. The cash surrender value of the life insurance policy amounted to \$514,177 and \$574,632 at September 30, 2015 and 2014, respectively, and is intended to finance the future obligation under a deferred compensation agreement.

*Beneficial Interest in Assets Held by Community Foundation* - The Foundation 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 Foundation'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.

*Other Accrued Expenses* - Other accrued expenses include the Straz Center's obligation under a deferred compensation agreement with the President which is payable upon her reaching an agreed-upon retirement age.

*Self-Insured Claims Liability* - The Straz Center 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. The self-insured claims liability was \$100,000 as of September 30, 2015 and 2014, and is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. 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 deferred 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, 2015 and 2014, advertising costs of \$247,646 and \$311,072, respectively, were included as a component of prepaid expenses in the consolidated statements of financial position.

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**Note 1—Summary of significant accounting policies (continued)**

*Income Taxes* - The Straz Center 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 Straz Center continues to satisfy the requirements of a tax-exempt organization as of September 30, 2015. 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 Straz Center.

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 Straz Center 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, 2015 and 2014 were \$4,506,901 and \$5,038,490, 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, 2015 of \$103,434 and \$287,474 are available for distribution to the Straz Center and Foundation, respectively. Accordingly, the amounts are recognized as income in the period earned. Net distributions allocated to the Straz Center and Foundation for the year ended September 30, 2014 were \$110,762 and \$307,760, respectively. The annual net distributions allocated by the Community Foundation are included as a component of community support on the consolidated statements of activities.

*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 \$2,588,278 and \$2,030,365 for the years ended September 30, 2015 and 2014, 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, 2015 and 2014 totaled 58,506 and 56,561, 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.

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**Note 1—Summary of significant accounting policies (continued)**

*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.

**Note 2—Investments**

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

	2015		2014	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 1,007,010	\$ 1,007,010	\$ 1,187,340	\$ 1,187,340
Government bonds	2,163,423	2,196,033	1,891,636	1,892,739
Corporate bonds	2,089,220	2,056,919	853,953	862,124
Mutual funds	4,093,913	4,071,008	2,870,268	2,902,622
Systematic Momentum				
FuturesAccess LLC	500,000	514,078	500,000	500,282
Common and preferred stocks	16,139,550	18,664,762	15,682,051	20,963,404
Total endowment investments	<u>\$ 25,993,116</u>	<u>\$ 28,509,810</u>	<u>\$ 22,985,248</u>	<u>\$ 28,308,511</u>

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

	2015	2014
Dividends and interest on investments	\$ 778,008	\$ 682,525
Net unrealized (losses) gains	(1,309,108)	1,542,782
Net realized gains (less unrealized gains previously recognized of \$1,554,549 and \$332,390 for the years ended September 30, 2015 and 2014, respectively)	895,718	906,693
	364,618	3,132,000
Less investment expense	(234,178)	(204,599)
Total investment return	<u>\$ 130,440</u>	<u>\$ 2,927,401</u>

*Fair Value Measurements* - The Straz Center 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.

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**Note 2—Investments (continued)**

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.

The tables below summarize the cash, cash equivalents, and investments as of September 30, 2015 and 2014 based upon the fair value hierarchy:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</u>		
		<u>in Active</u>	<u>Significant</u>	<u>Significant</u>
		<u>Markets for</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Identical</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<b>September 30, 2015</b>	<b>Total</b>			
Cash and cash equivalents	\$ 5,843,361	\$ 4,980,283	\$ 863,078	\$ -
Government bonds	2,196,033	1,186,002	1,010,031	-
Corporate bonds	2,056,919	-	2,056,919	-
Common and preferred stocks	18,664,762	18,650,648	14,114	-
Mutual funds	4,071,008	4,071,008	-	-
Systematic Momentum	514,078	-	-	514,078
Cash surrender value of life insurance	514,177	-	514,177	-
Beneficial interest in assets held by Community Foundation	753,177	-	753,177	-
Total	<u>\$ 34,613,515</u>	<u>\$ 28,887,941</u>	<u>\$ 5,211,496</u>	<u>\$ 514,078</u>



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**Note 2—Investments (continued)**

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</u>		
		<b>in Active</b>	<b>Significant</b>	<b>Significant</b>
		<b>Markets for</b>	<b>Other</b>	<b>Unobservable</b>
		<b>Identical</b>	<b>Observable</b>	<b>Inputs</b>
		<b>Assets</b>	<b>Inputs</b>	<b>Inputs</b>
<b>September 30, 2014</b>	<b>Total</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
Cash and cash equivalents	\$ 4,840,715	\$ 3,624,577	\$ 1,216,138	\$ -
Government bonds	1,892,739	1,342,542	550,197	-
Corporate bonds	862,124	-	862,124	-
Common and preferred stocks	20,963,404	20,835,930	127,474	-
Mutual funds	2,902,622	2,902,622	-	-
Systematic Momentum	500,282	-	-	500,282
Cash surrender value of life insurance	574,632	-	574,632	-
Beneficial interest in assets held by Community Foundation	844,538	-	844,538	-
<b>Total</b>	<b>\$ 33,381,056</b>	<b>\$ 28,705,671</b>	<b>\$ 4,175,103</b>	<b>\$ 500,282</b>

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 Straz Center'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, 2015.

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. Level 1 financial instruments are based on quoted prices in active markets. The following is a description of the valuation methodology 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.

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

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**Note 2—Investments (continued)**

*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 Straz Center's investment is valued based on a calculated net asset value per share of the Foundation's total investment fund.

*Level 3 Investments Funds* - During the fiscal years ended September 30, 2015 and 2014, 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.

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.

Changes in Level 3 investment funds consist of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 500,282	\$ 462,352
Net unrealized gains	13,796	37,930
Ending balance	<u>\$ 514,078</u>	<u>\$ 500,282</u>

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**Note 3—Pledges receivable**

Pledges receivable at September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Total unconditional promises to give	\$ 15,413,257	\$ 17,330,621
Less unamortized discount	(3,138,769)	(3,405,765)
Less allowance for doubtful pledges	<u>(157,290)</u>	<u>(417,662)</u>
Net unconditional promises to give	<u>\$ 12,117,198</u>	<u>\$ 13,507,194</u>

Gross pledges receivable expected to be collected after September 30, 2015 are as follows:

**Years Ending September 30:**

2016	\$ 366,257
2017	129,500
2018	82,500
2019	705,000
2020	1,005,000
Thereafter	<u>13,125,000</u>
	<u>\$ 15,413,257</u>

**Note 4—Conditional revocable gifts**

The Straz Center 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 Straz Center has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give aggregate approximated \$12,203,000 and \$9,400,000 for the years ended September 30, 2015 and 2014, respectively.

**Note 5—Furniture, equipment, and leasehold improvements**

Furniture, equipment, and leasehold improvements at September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 15,471,167	\$ 13,314,093
Leasehold improvements	11,558,404	11,557,024
Construction in progress	<u>177,980</u>	<u>1,353,279</u>
	27,207,551	26,224,396
Less accumulated depreciation	<u>(15,166,402)</u>	<u>(14,059,192)</u>
	<u>\$ 12,041,149</u>	<u>\$ 12,165,204</u>

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**Note 5—Furniture, equipment, and leasehold improvements (continued)**

As per the respective lease agreement, the Straz Center 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 endowment investments are being used as the secured assets. The loan value is committed at 80% of the Foundation's respective fixed income investment account held with Merrill Lynch, resulting in a \$4,352,884 committed amount available at September 30, 2015. The outstanding balance on the Line at September 30, 2015 is \$1,574,842 and the interest rate was approximately 1.6%. Any needs for future drawings on the Line by the Straz Center itself will be done through an established loan agreement policy between the Straz Center and Foundation.

*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. There was no outstanding balance at September 30, 2015.

Interest expense incurred on these debt instruments for the years ended September 30, 2015 and 2014 totaled \$26,436 and \$33,493, respectively.

**Note 7—Restrictions and limitations on net assets**

Temporarily restricted net assets consist of the following assets at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Timing - pledges receivable (net)	\$ -	\$ 450,586
General endowment, education programming and scholarships	405,768	2,962,588
Timing - asset donation	33,950	40,740
	<u>\$ 439,718</u>	<u>\$ 3,453,914</u>

All pledge receivables and government grants receivable, including those with time restrictions only, are otherwise unrestricted as to their use.

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**Note 7—Restrictions and limitations on net assets (continued)**

Permanently restricted net assets are composed of the following donor categories at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
General endowment	\$ 17,456,479	\$ 15,976,109
General endowment and education programming in beneficial interests in assets held by Community Foundation	753,177	844,538
Timing - general endowment, education programming and scholarships	<u>11,807,755</u>	<u>12,629,699</u>
	<u>\$ 30,017,411</u>	<u>\$ 29,450,346</u>

**Note 8—Net assets released from restrictions**

Net assets released from restrictions during the years ended September 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Collection of pledges receivable and valuation change	\$ 726,790	\$ 1,110,444
Spending policy	1,497,356	1,904,855
Purpose restrictions met	262,030	913,587
Line of credit collateralization appropriation	<u>1,256,774</u>	<u>4,184,478</u>
Total net assets released from restrictions	<u>\$ 3,742,950</u>	<u>\$ 8,113,364</u>

**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.

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**Note 9—Endowments (continued)**

The Straz Center follows all applicable Florida law with respect to donor-restricted endowment funds. The Straz Center 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 Straz Center follows applicable law. The Straz Center interprets Florida law as requiring the Straz Center 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 Straz Center 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 Straz Center 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 Straz Center.
7. The investment policies of the Straz Center.

*Return Objective and Risk Parameters* - The investment objectives for the Straz Center are stated below in order of importance:

- a. Growth of Capital – Emphasis on long-term growth of the investment assets of the Foundation and Straz Center. 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.

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.

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**Note 9—Endowments (continued)**

*Strategies Employed for Achieving Objectives* - To meet the needs of the Straz Center, the Straz Center'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 as it chooses to do so. For the fiscal year ended September 30, 2015, 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, 2015. 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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowment funds at October 1, 2014	\$ 5,377,445	\$ 2,789,819	\$ 16,815,869	\$ 24,983,133
Investment return:				
Investment income	59,265	576,128	-	635,393
Net appreciation (depreciation) (realized and unrealized)	(124,042)	(295,961)	-	(420,003)
Change in value of beneficial interests	-	-	(91,361)	(91,361)
Contributions	125,000	147,444	1,521,356	1,793,800
Approved spending	(507,041)	(2,811,662)	-	(3,318,703)
Total endowment funds at September 30, 2015	<u>\$ 4,930,627</u>	<u>\$ 405,768</u>	<u>\$ 18,245,864</u>	<u>\$ 23,582,259</u>

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

SEPTEMBER 30, 2015 AND 2014

**Note 9—Endowments (continued)**

Changes in endowment funds consist of the following for the year ended September 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowment funds at October 1, 2013	\$ 1,203,437	\$ 6,928,976	\$ 16,058,807	\$ 24,191,220
Investment return:				
Investment income	67,967	496,253	-	564,220
Net appreciation (depreciation) (realized and unrealized)	221,563	2,174,610	-	2,396,173
Change in value of beneficial interests	-	-	4,664	4,664
Contributions	-	-	752,398	752,398
Board appropriations	6,089,333	(6,089,333)	-	-
Approved spending	(2,204,855)	(720,687)	-	(2,925,542)
Total endowments funds at September 30, 2014	<u>\$ 5,377,445</u>	<u>\$ 2,789,819</u>	<u>\$ 16,815,869</u>	<u>\$ 24,983,133</u>

Endowment funds consist of the following as of September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 405,768	\$ 18,245,864	\$ 18,651,632
Board designated endowment funds	4,930,627	-	-	4,930,627
	<u>\$ 4,930,627</u>	<u>\$ 405,768</u>	<u>\$ 18,245,864</u>	<u>\$ 23,582,259</u>

Endowment funds consist of the following as of September 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 2,789,819	\$ 16,815,869	\$ 19,605,688
Board designated endowment funds	5,377,445	-	-	5,377,445
	<u>\$ 5,377,445</u>	<u>\$ 2,789,819</u>	<u>\$ 16,815,869</u>	<u>\$ 24,983,133</u>



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

SEPTEMBER 30, 2015 AND 2014

**Note 10—Government funding and grants**

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

	<u>2015</u>	<u>2014</u>
City of Tampa	\$ 546,750	\$ 546,750
Hillsborough County:		
Tourist Development Council	520,000	520,000
Cultural Services to Support Educational Programs	221,758	221,758
State of Florida:		
General Program Support (formerly Cultural and Museum Grants)	150,000	36,398
Federal:		
National Endowment for the Arts	<u>55,000</u>	<u>25,000</u>
Center annual operating and program support	<u>1,493,508</u>	<u>1,349,906</u>
City of Tampa Poe Garage Trust Fund	45,000	55,000
State of Florida Cultural Facilities Program	<u>-</u>	<u>500,000</u>
Capital and construction support	<u>45,000</u>	<u>555,000</u>
State of Florida - Cultural Endowment Program	<u>240,000</u>	<u>-</u>
Total government funding and grant revenue	<u>\$ 1,778,508</u>	<u>\$ 1,904,906</u>

The Straz Center receives city, county, state, and Federal grants for annual operations, program support, and capital projects. During 2015, 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 2015, two 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; and (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. During 2015, 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. During 2015, one grant from the Federal Government's National Endowment for the Arts was received to help promote culturally diverse programming, and a similar grant was received the prior fiscal year.

**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 \$331,157 and \$306,644 for the years ended September 30, 2015 and 2014, respectively.

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

SEPTEMBER 30, 2015 AND 2014

**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, 2015, the Straz Center entered into Addendum C 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, 2016. Per terms of this addendum, the Executive is entitled to up to three months of time off for sabbatical leave to be used for professional or personal purposes. Any time not used during the term of the agreement will be paid out at the end of the agreement. The Straz Center recorded \$103,848, included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position, for the year ended September 30, 2015.

**Note 13—Related-party transactions**

Contributions for the years ended September 30, 2015 and 2014 include the following:

	<u>2015</u>	<u>2014</u>
Board of Directors and Trustees	\$ 832,540	\$ 796,870

The following gross pledges receivable were outstanding at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Board of Directors and Trustees	\$ 14,969,671	\$ 16,790,298

Additionally, The Straz Center paid approximately \$3,400 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 the year ended September 30, 2015.

**Note 14—Concentrations of credit risk**

The Straz Center 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 approximately \$4,645,000 of cash or cash equivalents which exceeded these insured amounts at September 30, 2015.

**Note 15—Operating leases**

The Straz Center has entered into non-cancelable 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, 2015 and 2014 was \$130,770 and \$123,462, respectively.

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

*SEPTEMBER 30, 2015 AND 2014*

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**Note 15—Operating leases (continued)**

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

**During the Years Ending September 30:**

2016	\$	115,906
2017		106,558
2018		98,294
2019		85,600
2020		85,600
Thereafter		13,358
	\$	<u>505,316</u>

**Note 16—Subsequent events**

Management has evaluated subsequent events from the consolidated statements of financial position date through February 1, 2016, 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, 2015

ASSETS	Tampa Bay Performing Arts Center,			Consolidated Total
	Inc.	Foundation	Eliminations	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,649,269	\$ 187,082	\$ -	\$ 4,836,351
Receivables:				
Accounts receivable	77,307	-	-	77,307
Pledges receivable, net	268,282	91,575	-	359,857
Due from Foundation	858,821	-	(858,821)	-
Grants receivable	155,758	-	-	155,758
Interest receivable	2,842	29,162	-	32,004
	<u>1,363,010</u>	<u>120,737</u>	<u>(858,821)</u>	<u>624,926</u>
Inventory	85,556	-	-	85,556
Prepaid expenses	820,735	-	-	820,735
<b>Total Current Assets</b>	<b>6,918,570</b>	<b>307,819</b>	<b>(858,821)</b>	<b>6,367,568</b>
Noncurrent Assets:				
Pledges receivable, net	41,160	11,716,181	-	11,757,341
Endowment investments	2,478,902	26,030,908	-	28,509,810
Other long-term investments	716,561	-	-	716,561
Beneficial interest in assets held by				
Community Foundation	-	753,177	-	753,177
Furniture, equipment, and leasehold improvements, net	12,041,149	-	-	12,041,149
Other assets	38,794	-	-	38,794
<b>Total Assets</b>	<b>\$ 22,235,136</b>	<b>\$ 38,808,085</b>	<b>\$ (858,821)</b>	<b>\$ 60,184,400</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 1,858,846	99,700	\$ -	\$ 1,958,546
Due to Center	-	858,821	(858,821)	-
Deferred revenue – ticket sales	6,886,607	-	-	6,886,607
Deferred revenue – other	1,397,008	-	-	1,397,008
Line of credit	-	1,574,842	-	1,574,842
Current portion of other accrued expenses	205,442	-	-	205,442
<b>Total Current Liabilities</b>	<b>10,347,903</b>	<b>2,533,363</b>	<b>(858,821)</b>	<b>12,022,445</b>
Other accrued expenses	264,587	-	-	264,587
<b>Total Liabilities</b>	<b>10,612,490</b>	<b>2,533,363</b>	<b>(858,821)</b>	<b>12,287,032</b>
Net Assets:				
Unrestricted – operations	(5,061,803)	3,396,977	-	(1,664,826)
Unrestricted – furniture, equipment, and leasehold improvements	12,007,199	-	-	12,007,199
Unrestricted – board designated	2,603,300	4,494,566	-	7,097,866
	<u>9,548,696</u>	<u>7,891,543</u>	<u>-</u>	<u>17,440,239</u>
Temporarily restricted	33,950	405,768	-	439,718
Permanently restricted	2,040,000	27,977,411	-	30,017,411
<b>Total Net Assets</b>	<b>11,622,646</b>	<b>36,274,722</b>	<b>-</b>	<b>47,897,368</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,235,136</b>	<b>\$ 38,808,085</b>	<b>\$ (858,821)</b>	<b>\$ 60,184,400</b>

**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, 2015

	Tampa Bay Performing Arts Center, Inc.	Foundation	Eliminations	Consolidated Total
Revenue and Other Support:				
Ticket sales	\$ 18,588,996	\$ -	\$ -	\$ 18,588,996
Rent	502,531	-	-	502,531
Box office fees	3,417,772	-	-	3,417,772
Education program tuition, event sales and fees	2,674,872	-	-	2,674,872
Concessions	3,358,581	-	-	3,358,581
Investment return	(149,718)	280,158	-	130,440
Change in value of beneficial interest	-	(91,361)	-	(91,361)
Community support	6,303,112	1,154,488	-	7,457,600
Service fee and other income	1,549,328	-	(288,201)	1,261,127
Government funding and grants:				
Annual operating and program support	1,493,508	-	-	1,493,508
Capital and construction support	45,000	-	-	45,000
Endowment support	240,000	-	-	240,000
Total Revenue and Other Support	<u>38,023,982</u>	<u>1,343,285</u>	<u>(288,201)</u>	<u>39,079,066</u>
Expenses:				
Program and Essential Services:				
Production costs	18,056,925	-	-	18,056,925
Education	2,982,901	-	-	2,982,901
Operating costs	8,749,007	-	-	8,749,007
Marketing and public information	4,214,650	-	-	4,214,650
Total Program and Essential Services	<u>34,003,483</u>	<u>-</u>	<u>-</u>	<u>34,003,483</u>
Support Services:				
General and administrative	3,667,110	353,500	(288,201)	3,732,409
Fundraising	1,187,108	28,690	-	1,215,798
Total Support Services	<u>4,854,218</u>	<u>382,190</u>	<u>(288,201)</u>	<u>4,948,207</u>
Total expenses	<u>38,857,701</u>	<u>382,190</u>	<u>(288,201)</u>	<u>38,951,690</u>
Foundation distributed endowment support for Center	<u>1,413,474</u>	<u>(1,413,474)</u>	<u>-</u>	<u>-</u>
Change in net assets	579,755	(452,379)	-	127,376
Net assets at beginning of year	<u>11,042,891</u>	<u>36,727,101</u>	<u>-</u>	<u>47,769,992</u>
Net assets at end of year	<u>\$ 11,622,646</u>	<u>\$ 36,274,722</u>	<u>\$ -</u>	<u>\$ 47,897,368</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, 2015

	Tampa Bay Performing Arts Center, Inc.	Foundation	Consolidated Total
<b>Cash flows from operating activities:</b>			
Change in net assets	\$ 579,755	\$ (452,379)	\$ 127,376
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Non-cash gift of stock	-	(71,282)	(71,282)
Depreciation	1,107,210	-	1,107,210
Write down of other long-term investments	115,000	-	115,000
Decrease in beneficial interest in assets held by Community Foundation	-	91,361	91,361
Provision for uncollectible pledges receivable	(2,397)	(524,971)	(527,368)
Realized and unrealized losses on investments	166,192	1,142,916	1,309,108
Changes in operating assets and liabilities:			
Decrease in accounts receivable	13,269	-	13,269
Decrease in pledges receivable	119,864	1,797,500	1,917,364
Decrease in grants receivable	428,024	-	428,024
(Increase) in interest receivable	(2,116)	(12,418)	(14,534)
Decrease (increase) in due to/from Center	742,250	(742,250)	-
Decrease in inventory	10,279	-	10,279
Decrease in prepaid expenses	139,435	-	139,435
Decrease in other assets	3,820	-	3,820
Increase (decrease) in accounts payable and accrued expenses	121,645	(13,058)	108,587
(Decrease) in deferred revenue – ticket sales	(355,705)	-	(355,705)
(Decrease) in deferred revenue – other	(110,774)	-	(110,774)
(Decrease) in other accrued expenses	(122,767)	-	(122,767)
Net cash from operating activities	<u>2,952,984</u>	<u>1,215,419</u>	<u>4,168,403</u>
<b>Cash flows from investing activities:</b>			
Additions to furniture, equipment, and leasehold improvements	(983,155)	-	(983,155)
Purchases of investments	(1,940,175)	(16,471,915)	(18,412,090)
Sales and maturities of investments	1,612,414	15,500,080	17,112,494
Purchases of other long-term investments	(134,352)	-	(134,352)
Net cash from investing activities	<u>(1,445,268)</u>	<u>(971,835)</u>	<u>(2,417,103)</u>
<b>Cash flows from financing activity:</b>			
Payments on line of credit from investments	-	(268,324)	(268,324)
Payments on loan	(300,000)	-	(300,000)
Net cash from financing activity	<u>(300,000)</u>	<u>(268,324)</u>	<u>(568,324)</u>
Increase (decrease) in cash and cash equivalents	1,207,716	(24,740)	1,182,976
Cash and cash equivalents, beginning of year	3,441,553	211,822	3,653,375
Cash and cash equivalents, end of year	<u>\$ 4,649,269</u>	<u>\$ 187,082</u>	<u>\$ 4,836,351</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ 26,436</u>	<u>\$ 26,436</u>

**NON-CASH FINANCING ACTIVITY**

In fiscal years 2015 and 2014, the Tampa Bay Performing Arts Center Foundation received stock donations valued at \$71,282 and \$25,390, 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**  
**STRAZ CENTER STAND ALONE – STATEMENT OF FINANCIAL POSITION (SCHEDULE 4)**

SEPTEMBER 30, 2015 (WITH COMPARATIVE FINANCIAL INFORMATION FOR 2014)

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Current Assets:		
Cash and cash equivalents	\$ 4,649,269	\$ 3,441,553
Receivables:		
Accounts receivable	77,307	90,576
Pledges receivable, net	268,282	426,909
Due from Foundation	858,821	1,601,071
Grants receivable	155,758	583,782
Interest receivable	2,842	726
	<u>1,363,010</u>	<u>2,703,064</u>
Inventory	<u>85,556</u>	<u>95,835</u>
Prepaid expenses	<u>820,735</u>	<u>960,170</u>
Total Current Assets	6,918,570	7,200,622
Noncurrent assets:		
Pledges receivable, net	41,160	-
Endowment investments	2,478,902	2,177,804
Other long-term investments	716,561	836,738
Furniture, equipment, and leasehold improvements, net	12,041,149	12,165,204
Other assets	38,794	42,614
<b>Total Assets</b>	<b><u>\$ 22,235,136</u></b>	<b><u>\$ 22,422,982</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,858,846	\$ 1,737,201
Deferred revenue – ticket sales	6,886,607	7,242,312
Deferred revenue – other	1,397,008	1,507,782
Debt	-	300,000
Current portion of other accrued expenses	205,442	203,222
Total Current Liabilities	10,347,903	10,990,517
Other accrued expenses	<u>264,587</u>	<u>389,574</u>
<b>Total Liabilities</b>	<b><u>10,612,490</u></b>	<b><u>11,380,091</u></b>
Net Assets:		
Unrestricted – operations	(5,061,803)	(4,648,262)
Unrestricted – furniture, equipment, and leasehold improvements	12,007,199	12,124,464
Unrestricted – board designated	<u>2,603,300</u>	<u>1,725,949</u>
	9,548,696	9,202,151
Temporarily restricted	33,950	40,740
Permanently restricted	<u>2,040,000</u>	<u>1,800,000</u>
<b>Total Net Assets</b>	<b><u>11,622,646</u></b>	<b><u>11,042,891</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 22,235,136</u></b>	<b><u>\$ 22,422,982</u></b>



**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, 2015 (WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2015	2014
Revenue and Other Support:					
Ticket sales	\$ 18,588,996	\$ -	\$ -	\$ 18,588,996	\$ 16,890,313
Rent	502,531	-	-	502,531	390,994
Box office fees	3,417,772	-	-	3,417,772	2,922,658
Education program tuition, event sales and fees	2,674,872	-	-	2,674,872	2,395,975
Concessions	3,358,581	-	-	3,358,581	2,820,454
Investment return	(149,718)	-	-	(149,718)	245,746
Community support	6,303,112	-	-	6,303,112	5,375,950
Service fee income	1,549,328	-	-	1,549,328	1,542,644
Government funding and grants:					
Annual operating and program support	1,493,508	-	-	1,493,508	1,349,906
Capital and construction support	45,000	-	-	45,000	555,000
Endowment support	-	-	240,000	240,000	-
Net assets released from purpose restrictions	6,790	(6,790)	-	-	-
Total Revenue and Other Support	<u>37,790,772</u>	<u>(6,790)</u>	<u>240,000</u>	<u>38,023,982</u>	<u>34,489,640</u>
Expenses:					
Program and Essential Services:					
Production costs	18,056,925	-	-	18,056,925	16,732,627
Education	2,982,901	-	-	2,982,901	2,833,746
Operating costs	8,749,007	-	-	8,749,007	7,308,170
Marketing and public information	4,214,650	-	-	4,214,650	3,524,685
Total Program and Essential Services	<u>34,003,483</u>	<u>-</u>	<u>-</u>	<u>34,003,483</u>	<u>30,399,228</u>
Support Services:					
General and administrative	3,667,110	-	-	3,667,110	3,502,414
Fundraising	1,187,108	-	-	1,187,108	1,049,698
Total Support Services	<u>4,854,218</u>	<u>-</u>	<u>-</u>	<u>4,854,218</u>	<u>4,552,112</u>
Total Expenses	<u>38,857,701</u>	<u>-</u>	<u>-</u>	<u>38,857,701</u>	<u>34,951,340</u>
Foundation distributed endowment support for Center	1,413,474	-	-	1,413,474	1,438,587
Change in net assets	346,545	(6,790)	240,000	579,755	976,887
Net assets at beginning of year	9,202,151	40,740	1,800,000	11,042,891	10,066,004
Net assets at end of year	<u>\$ 9,548,696</u>	<u>\$ 33,950</u>	<u>\$ 2,040,000</u>	<u>\$ 11,622,646</u>	<u>\$ 11,042,891</u>