

**TAMPA BAY PERFORMING ARTS  
CENTER, INC. AND AFFILIATE  
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, 2018  
and 2017*

*And Report of Independent Auditor*

**TAMPA BAY PERFORMING ARTS CENTER, INC. AND AFFILIATE  
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. and affiliate  
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. and affiliate 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, 2018 and 2017, 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 audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our 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 28, 2019

**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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 5,209,029	\$ 4,564,319
Receivables:		
Accounts receivable	1,380,709	103,329
Pledges receivable, net	441,431	429,150
Grants receivable	638,820	1,064,356
	<u>2,460,960</u>	<u>1,596,835</u>
Inventory	83,657	82,389
Other current assets	781,968	920,412
<b>Total Current Assets</b>	<u>8,535,614</u>	<u>7,163,955</u>
Noncurrent Assets:		
Pledges receivable, net	8,140,522	9,068,788
Endowment investments	22,640,454	21,990,664
Investments	16,117,793	14,823,383
Other long-term investments	879,848	815,169
Beneficial interest in assets held by Community Foundation	856,028	861,070
Furniture, equipment, and leasehold improvements, net	15,652,294	14,225,264
Other assets	43,790	40,825
<b>Total Assets</b>	<u>\$ 72,866,343</u>	<u>\$ 68,989,118</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,232,717	\$ 2,509,543
Deferred revenue – ticket sales	11,622,952	8,458,300
Deferred revenue – other	2,165,301	1,625,940
Debt	522,105	2,876,171
Other accrued expenses	-	137,435
<b>Total Liabilities</b>	<u>16,543,075</u>	<u>15,607,389</u>
Net Assets:		
Unrestricted – operations	6,851,717	5,796,469
Unrestricted – furniture, equipment, and leasehold improvements	15,638,717	14,204,894
Unrestricted – board designated	814,323	2,238,628
	<u>23,304,757</u>	<u>22,239,991</u>
Temporarily restricted	2,382,144	946,330
Permanently restricted	30,636,367	30,195,408
<b>Total Net Assets</b>	<u>56,323,268</u>	<u>53,381,729</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 72,866,343</u>	<u>\$ 68,989,118</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Ticket sales	\$ 19,452,253	\$ -	\$ -	\$ 19,452,253
Rent	531,674	-	-	531,674
Box office fees	4,131,462	-	-	4,131,462
Education program tuition, event sales, and fees	2,885,799	-	-	2,885,799
Concessions	4,291,303	-	-	4,291,303
Investment return, net	1,056,814	2,372,579	-	3,429,393
Change in value of beneficial interest	(5,042)	-	-	(5,042)
Community support	5,563,106	-	440,959	6,004,065
Service fee and other income	3,196,529	-	-	3,196,529
Government funding and grants:				
Annual operating and program support	1,263,311	-	-	1,263,311
Capital and construction support	410,000	-	-	410,000
Net assets released from restrictions	<u>936,765</u>	<u>(936,765)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>43,713,974</u>	<u>1,435,814</u>	<u>440,959</u>	<u>45,590,747</u>
Expenses:				
Program and Essential Services:				
Production costs	18,513,526	-	-	18,513,526
Education	3,329,001	-	-	3,329,001
Operating costs	10,501,063	-	-	10,501,063
Marketing and public information	<u>3,605,646</u>	<u>-</u>	<u>-</u>	<u>3,605,646</u>
Total Program and Essential Services	<u>35,949,236</u>	<u>-</u>	<u>-</u>	<u>35,949,236</u>
Support Services:				
General and administrative	5,081,159	-	-	5,081,159
Fundraising	<u>1,618,813</u>	<u>-</u>	<u>-</u>	<u>1,618,813</u>
Total Support Services	<u>6,699,972</u>	<u>-</u>	<u>-</u>	<u>6,699,972</u>
Total Expenses	<u>42,649,208</u>	<u>-</u>	<u>-</u>	<u>42,649,208</u>
Change in net assets	1,064,766	1,435,814	440,959	2,941,539
Net assets, beginning of year	<u>22,239,991</u>	<u>946,330</u>	<u>30,195,408</u>	<u>53,381,729</u>
Net assets, end of year	<u>\$ 23,304,757</u>	<u>\$ 2,382,144</u>	<u>\$ 30,636,367</u>	<u>\$ 56,323,268</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 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	4,971,428	-	187,284	5,158,712
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
Endowment Support	185,860	-	-	185,860
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	9,693,777	-	-	9,693,777
Marketing and public information	3,070,759	-	-	3,070,759
Total Program and Essential Services	<u>35,989,859</u>	<u>-</u>	<u>-</u>	<u>35,989,859</u>
Support Services:				
General and administrative	4,143,888	-	-	4,143,888
Fundraising	1,362,094	-	-	1,362,094
Total Support Services	<u>5,505,982</u>	<u>-</u>	<u>-</u>	<u>5,505,982</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	19,672,532	310,265	30,008,124	49,990,921
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 CASH FLOWS**

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,941,539	\$ 3,390,808
Adjustments to reconcile change in net assets to net cash from operating activities:		
Noncash gift of stock	-	(75,533)
Depreciation	1,363,041	1,318,589
Write down of other long-term investments	-	151,254
Decrease (increase) in beneficial interest in assets held by Community Foundation	5,042	(54,291)
Provision for uncollectible pledges receivable	(264,968)	(334,683)
Unrealized gains on investments	(1,771,430)	(1,894,734)
Loss on disposal of fixed assets	556,231	-
(Increase) decrease in:		
Accounts receivable	(1,277,380)	24,474
Pledges receivable	1,180,953	1,520,011
Grants receivable	425,536	117,055
Inventory	(1,268)	12,284
Other current assets	138,444	12,837
Other assets	(2,965)	(531)
Increase (decrease) in:		
Accounts payable and accrued expenses	(276,826)	394,561
Deferred revenue – ticket sales	3,164,652	413,609
Deferred revenue – other	539,361	257,842
Other accrued expenses	(137,435)	(134,109)
Net cash from operating activities	<u>6,582,527</u>	<u>5,119,443</u>
<b>Cash flows from investing activities:</b>		
Additions to furniture, equipment, and leasehold improvements	(3,346,302)	(2,241,321)
Purchases of investments	(14,973,035)	(12,393,397)
Sales and maturities of investments	14,981,639	10,446,907
Purchases of other long-term investments	(246,053)	(245,705)
Net cash from investing activities	<u>(3,583,751)</u>	<u>(4,433,516)</u>
<b>Cash flows from financing activities:</b>		
Payments on line of credit from investments	(354,066)	(364,113)
Payments on line of credit	(2,000,000)	(400,000)
Proceeds from line of credit borrowings	-	2,000,000
Net cash from financing activities	<u>(2,354,066)</u>	<u>1,235,887</u>
Change in cash and cash equivalents	644,710	1,921,814
Cash and cash equivalents, beginning of year	4,564,319	2,642,505
Cash and cash equivalents, end of year	<u>\$ 5,209,029</u>	<u>\$ 4,564,319</u>
Cash paid for interest	<u>\$ 49,030</u>	<u>\$ 53,269</u>

**Noncash financing activity:**

In 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**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

YEAR ENDED SEPTEMBER 30, 2018

	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		2018
Salaries	\$ 451,323	\$ 1,682,943	\$ 3,625,148	\$ 1,257,801	\$ 7,017,215	\$ 2,574,173	\$ 946,165	\$ 3,520,338	\$ 10,537,553
Employee benefits	592,465	351,165	721,864	301,824	1,967,318	333,134	183,022	516,156	2,483,474
Artist and professional fees	14,319,163	892,966	80,654	2,764	15,295,547	3,057	178,328	181,385	15,476,932
Meetings, travel, and training	73,262	84,419	41,556	87,235	286,472	89,892	25,762	115,654	402,126
Advertising and promotion	2,300,447	128,997	23,843	1,715,398	4,168,685	149,916	3,312	153,228	4,321,913
Professional services	150,000	3,771	95,076	81,418	330,265	243,858	141,691	385,549	715,814
Supplies	40,190	15,538	321,381	24,520	401,629	23,478	13,361	36,839	438,468
Telephone	3,420	7,260	10,562	2,700	23,942	113,131	2,320	115,451	139,393
Postage and mailings	4,560	1,139	37,942	667	44,308	3,828	17,521	21,349	65,657
Utilities	520	1,080	756,669	-	758,269	-	-	-	758,269
Rent and lease	254,122	19,911	24,348	-	298,381	105,318	-	105,318	403,699
Maintenance and repairs	64,663	31,362	1,014,427	16,800	1,127,252	439,170	-	439,170	1,566,422
Insurance	101,071	10,687	-	-	111,758	271,570	-	271,570	383,328
Depreciation	-	-	1,363,041	-	1,363,041	-	-	-	1,363,041
Credit card commissions	-	39,981	755,783	-	795,764	-	40,055	40,055	835,819
Bad debt expense	-	1,472	4,223	-	5,695	9,630	-	9,630	15,325
Loss on sale of fixed assets	-	-	-	-	-	556,231	-	556,231	556,231
Other	158,320	56,310	1,624,546	114,519	1,953,695	164,773	67,276	232,049	2,185,744
<b>Total Expenses</b>	<b>\$ 18,513,526</b>	<b>\$ 3,329,001</b>	<b>\$ 10,501,063</b>	<b>\$ 3,605,646</b>	<b>\$ 35,949,236</b>	<b>\$ 5,081,159</b>	<b>\$ 1,618,813</b>	<b>\$ 6,699,972</b>	<b>\$ 42,649,208</b>

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, 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	883,446	1,500	940,794	400,419	-	400,419	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
<b>Total Expenses</b>	<b>\$ 20,024,541</b>	<b>\$ 3,200,782</b>	<b>\$ 9,693,777</b>	<b>\$ 3,070,759</b>	<b>\$ 35,989,859</b>	<b>\$ 4,143,888</b>	<b>\$ 1,362,094</b>	<b>\$ 5,505,982</b>	<b>\$ 41,495,841</b>

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, 2018 AND 2017

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**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 its 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 fundraising 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 Straz Center was renamed 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.

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.

Collectively, the three entities are hereinafter referred to as the “Organization.”

*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 of approximately \$814,000 and \$2,239,000 as of September 30, 2018 and 2017, respectively, which have been designated for capital expenditures by the Straz Center’s Board of Trustees.

**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, 2018 AND 2017

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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 statements 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* – Fair value is defined 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. Generally Accepted Accounting Principles in the United States (“U.S. GAAP”) 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, 2018 AND 2017

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**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 U.S. GAAP. Amortization of the discount is included in community support in the accompanying consolidated statements of activities. The discount rates applied ranged from .28% to 5.23% and 1.14% to 5.23% for the years ended September 30, 2018 and 2017, 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 or 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 consist 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 and Chief Executive Officer (the “Executive”) of the Organization.

The investments in theatrical show productions are recorded at cost, reduced by any investment returns, and amounted to approximately \$262,000 and \$213,000 at September 30, 2018 and 2017, respectively. The cash surrender value of the life insurance policy amounted to approximately \$618,000 and \$602,000 at September 30, 2018 and 2017, 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 to 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 Executive of the Organization 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, 2018 or 2017. 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, general and administrative, fundraising, and essential services expenses in the consolidated statements of activities. At September 30, 2018 and 2017, advertising costs of approximately \$278,000 and \$432,000, respectively, were included as a component of other current assets in the consolidated statements of financial position.

*Income Taxes* – The Straz Center and the Foundation are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Straz Center and the Foundation continue to satisfy the requirements of a tax-exempt organization as of September 30, 2018. 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 of Tampa Bay (“Community Foundation”). The total fair value of these funds held at the Community Foundation as of September 30, 2018 and 2017 were approximately \$4,818,000 and \$4,933,000, 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, 2018 of approximately \$272,000 and \$112,000 are available for distribution to the Foundation and Straz Center, respectively. Accordingly, the amounts are recognized as income in the period earned. Net distributions allocated to the Foundation and Straz Center for the year ended September 30, 2017 were approximately \$186,000 and \$88,000, respectively. The annual net distributions allocated by the 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. Contributed services amounted to approximately \$840,000 and \$735,000 for the years ended September 30, 2018 and 2017, respectively, and 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, 2018 and 2017 totaled 73,987 and 76,508, 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.

**Note 2—Investments**

Investments must meet risk criteria established by the Board of Trustees. At September 30, 2018 and 2017, investments and endowment investments are classified as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,041,082	\$ 1,041,082	\$ 1,042,300	\$ 1,042,300
Government bonds	3,180,349	3,271,829	3,051,325	3,116,717
Corporate bonds	2,656,501	2,794,823	2,590,835	2,659,224
Mutual funds	5,697,052	5,456,259	5,192,142	5,301,486
Systematic Momentum				
FuturesAccess LLC	-	-	534,000	494,661
Common and preferred stocks	19,686,919	26,194,254	18,099,116	24,199,659
Total cost and fair value	<u>\$ 32,261,903</u>	<u>\$ 38,758,247</u>	<u>\$ 30,509,718</u>	<u>\$ 36,814,047</u>

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**Note 2—Investments (continued)**

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

	<u>2018</u>	<u>2017</u>
Dividends and interest on investments	\$ 989,396	\$ 935,422
Net unrealized gains	1,703,582	2,015,506
Net realized gains (losses)	<u>948,724</u>	<u>1,021,499</u>
	3,641,702	3,972,427
Less investment expense	<u>(280,157)</u>	<u>(251,404)</u>
Net traded Investment returns	3,361,545	3,721,023
Other production returns	<u>67,848</u>	<u>(120,772)</u>
Total investment returns	<u>\$ 3,429,393</u>	<u>\$ 3,600,251</u>

The 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 traded investments as of September 30, 2018 and 2017 based upon the fair value hierarchy:

	<b>Fair Value Measurements at Reporting Date Using</b>			<b>Total</b>
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
<b>September 30, 2018</b>				
Cash and cash equivalents	\$ 5,209,029	\$ 1,041,082	\$ -	\$ 6,250,111
Government bonds	2,516,362	755,467	-	3,271,829
Corporate bonds	-	2,794,823	-	2,794,823
Common and preferred stocks	26,194,254	-	-	26,194,254
Mutual funds	5,456,259	-	-	5,456,259
Total assets in fair value hierarchy	<u>\$ 39,375,904</u>	<u>\$ 4,591,372</u>	<u>\$ -</u>	43,967,276
Cash surrender value of life insurance measured at net asset value				618,292
Beneficial interest in assets held by Community Foundation measured by net asset value				856,026
				<u>\$ 45,441,594</u>

	<b>Fair Value Measurements at Reporting Date Using</b>			<b>Total</b>
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
<b>September 30, 2017</b>				
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
				<u>\$ 42,841,465</u>

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**Note 2—Investments (continued)**

The carrying amounts shown in the above tables 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, 2018.

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.

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- to 5-day distribution period upon notice of redemption.

*Beneficial Interest In Assets Held by the 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 Community Foundation's total investment fund.

*Systematic Momentum* – During the fiscal year ended September 30, 2017, 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. During the fiscal year ended September 30, 2018, the Straz Center sold all of its holdings in the Fund.

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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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Total unconditional promises to give	\$ 10,956,317	\$ 12,137,270
Less unamortized discount	(2,260,913)	(2,514,212)
Less allowance for doubtful pledges	(113,451)	(125,120)
Net unconditional promises to give	<u>\$ 8,581,953</u>	<u>\$ 9,497,938</u>

Gross pledges receivable expected to be collected after September 30, 2018 are as follows:

**Years Ending September 30,**

2019	\$ 449,817
2020	5,000
2021	1,500
2022	-
2023	400,000
Thereafter	<u>10,100,000</u>
	<u>\$ 10,956,317</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 \$13,343,000 and \$12,123,000 for the years ended September 30, 2018 and 2017, respectively.

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

Furniture, equipment, and leasehold improvements at September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 26,635,604	\$ 17,239,172
Leasehold improvements	4,871,278	11,581,757
Construction in progress	<u>1,806,060</u>	<u>1,835,019</u>
	33,312,942	30,655,948
Less accumulated depreciation	<u>(17,660,648)</u>	<u>(16,430,684)</u>
	<u>\$ 15,652,294</u>	<u>\$ 14,225,264</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was approximately \$1,363,000 and \$1,319,000, respectively.

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 either party gives 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 \$4,392,492 and \$6,185,212 committed amount available at September 30, 2018 and 2017, respectively. The outstanding balance on the Line totaled \$522,105 and \$876,171, respectively, for the years ended September 30, 2018 and 2017. The interest rate was approximately 3.6% and 2.6%, for the years ended September 30, 2018 and 2017, respectively.

The Straz Center obtained a secured but uncommitted revolving line of credit (the "LOC") 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 Straz Center investment accounts held with Merrill Lynch, resulting in a \$4,406,259 committed amount available at September 30, 2018. There was no balance outstanding as of September 30, 2018. The outstanding balance on the LOC for the year ended September 30, 2017 totaled \$2,000,000 and the interest rate was approximately 2.6%.

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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 with a stated rate of 30 day LIBOR, plus 235 floating basis points (2.35%), with no floor. There was no change to the stated interest rate. The loan was renewed at maturity and converted to an unsecured revolving line of credit with a new maturity date of May 16, 2019. 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. There were no amounts outstanding as of September 30, 2018 or 2017.

Interest expense incurred on these debt instruments for the years ended September 30, 2018 and 2017 totaled \$49,030 and \$53,269, respectively. During the years ended September 30, 2018 and 2017, the Organization capitalized \$28,527 and \$29,949, respectively, to construction in progress included in furniture, equipment, and leasehold improvements, net on the accompanying consolidated statements of financial position.

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

Temporarily restricted net assets of \$2,382,144 and \$946,330 as of September 30, 2018 and 2017, respectively, consists of endowment earnings with donor restrictions for opera, education, scholarships, general programming, and capital programs.

Permanently restricted net assets of \$30,636,367 and \$30,195,408 as of September 30, 2018 and 2017, respectively, consist of endowments with donor restrictions for opera, education programming, and scholarships.

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

Net assets released from restrictions during the years ended September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Collection of pledges receivable and valuation change	\$ 6,790	\$ 6,790
Spending policy	-	1,888,060
Purpose restrictions met	336,478	350,000
Line of credit collateralization appropriation	593,497	56,183
Total net assets released from restrictions	<u>\$ 936,765</u>	<u>\$ 2,301,033</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 (the "Board") 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 Foundation, the Foundation'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, 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 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, 2018, 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, 2018. 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, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowment funds, October 1, 2017	\$ -	\$ 925,960	\$ 21,064,704	\$ 21,990,664
Investment return:				
Investment income	-	710,562	-	710,562
Net appreciation (realized and unrealized)	-	2,040,713	-	2,040,713
New contributions	-	-	175,750	175,750
Pledges collected and invested	-	-	1,195,000	1,195,000
Approved spending	-	(3,472,235)	-	(3,472,235)
Total endowment funds, September 30, 2018	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 22,435,454</u>	<u>\$ 22,640,454</u>

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**Note 9—Endowments (continued)**

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
New contributions	-	-	209,352	209,352
Pledges collected and invested	-	-	1,288,709	1,288,709
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>

Endowment funds consist of the following as of September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted, endowment funds	\$ -	\$ 205,000	\$ 22,435,454	\$ 22,640,454
	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 22,435,454</u>	<u>\$ 22,640,454</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>



**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, 2018 AND 2017

**Note 10—Government funding and grants**

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

	<u>2018</u>	<u>2017</u>
City of Tampa	\$ 492,075	\$ 546,750
Hillsborough County:		
Tourist Development Council	500,735	512,219
Cultural Services to Support Educational Programs	221,758	221,758
State of Florida:		
General Program Support (formerly Cultural and Museum Grants)	48,743	91,933
Center annual operating and program support	<u>1,263,311</u>	<u>1,372,660</u>
City of Tampa – Capital Improvement Budget	80,000	80,000
Hillsborough County – Capital Improvement Budget	325,000	325,000
State of Florida Cultural Facilities Program	5,000	495,000
Capital and construction support	<u>410,000</u>	<u>900,000</u>
Total government funding and grant revenue	<u>\$ 1,673,311</u>	<u>\$ 2,272,660</u>

The Straz Center receives city, county, and state grants for annual operations, program support, and capital projects. During 2018, 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 2018, 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 2018, one grant from the State of Florida was received: 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).

**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 \$452,000 and \$409,000 for the years ended September 30, 2018 and 2017, 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, 2018 AND 2017

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**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 the Executive 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 \$113,477 and \$110,171 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, 2018 and 2017, respectively.

**Note 13—Related party transactions**

Related party contributions for the years ended September 30, 2018 and 2017 include the following:

	<u>2018</u>	<u>2017</u>
Board of Directors and Trustees	\$ 920,102	\$ 928,850

The following related party gross pledges receivable were outstanding at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Board of Directors and Trustees	\$ 10,525,957	\$ 11,784,974

**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 aggregate bank statement balances of approximately \$5,129,000 which exceeded these insured amounts at September 30, 2018.

**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, 2018 AND 2017*

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**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, 2018 and 2017 was approximately \$404,000 and \$199,000, respectively.

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

**Years Ending September 30,**

2019	\$	115,687
2020		100,065
2021		21,690
2022		8,233
2023		6,879
Thereafter		6,498
	\$	<u>259,052</u>

**Note 16—Subsequent events**

Management has evaluated subsequent events from the consolidated statements of financial position date through January 28, 2019, 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, 2018

	<b>Tampa Bay Performing Arts Center, Inc.</b>	<b>Foundation</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 5,204,140	\$ 4,889	\$ -	\$ 5,209,029
Receivables:				
Accounts receivable	1,380,709	-	-	1,380,709
Pledges receivable, net	381,041	60,390	-	441,431
Due from Foundation	488,877	-	(488,877)	-
Grants receivable	638,820	-	-	638,820
	<u>2,889,447</u>	<u>60,390</u>	<u>(488,877)</u>	<u>2,460,960</u>
Inventory	83,657	-	-	83,657
Other current assets	781,968	-	-	781,968
Total Current Assets	8,959,212	65,279	(488,877)	8,535,614
Noncurrent Assets:				
Pledges receivable, net	-	8,140,522	-	8,140,522
Endowment investments	2,760,000	19,880,454	-	22,640,454
Investments	5,172,578	10,945,215	-	16,117,793
Other long-term investments	879,848	-	-	879,848
Beneficial interest in assets held by Community Foundation	29,444	826,584	-	856,028
Furniture, equipment, and leasehold improvements, net	15,652,294	-	-	15,652,294
Other assets	43,790	-	-	43,790
<b>Total Assets</b>	<u>\$ 33,497,166</u>	<u>\$ 39,858,054</u>	<u>\$ (488,877)</u>	<u>\$ 72,866,343</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,170,195	\$ 62,522	\$ -	\$ 2,232,717
Due to Straz Center	-	488,877	(488,877)	-
Deferred revenue – ticket sales	11,622,952	-	-	11,622,952
Deferred revenue – other	2,165,301	-	-	2,165,301
Debt	-	522,105	-	522,105
<b>Total Liabilities</b>	<u>15,958,448</u>	<u>1,073,504</u>	<u>(488,877)</u>	<u>16,543,075</u>
Net Assets:				
Unrestricted – operations	(1,687,902)	8,539,619	-	6,851,717
Unrestricted – furniture, equipment, and leasehold improvements	15,638,717	-	-	15,638,717
Unrestricted – board designated	814,323	-	-	814,323
	<u>14,765,138</u>	<u>8,539,619</u>	<u>-</u>	<u>23,304,757</u>
Temporarily restricted	13,580	2,368,564	-	2,382,144
Permanently restricted	2,760,000	27,876,367	-	30,636,367
<b>Total Net Assets</b>	<u>17,538,718</u>	<u>38,784,550</u>	<u>-</u>	<u>56,323,268</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 33,497,166</u>	<u>\$ 39,858,054</u>	<u>\$ (488,877)</u>	<u>\$ 72,866,343</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, 2018

	<b>Tampa Bay Performing Arts Center, Inc.</b>	<b>Foundation</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Revenue and Other Support:</b>				
Ticket sales	\$ 19,452,253	\$ -	\$ -	\$ 19,452,253
Rent	531,674	-	-	531,674
Box office fees	4,131,462	-	-	4,131,462
Education program tuition, event sales, and fees	2,885,799	-	-	2,885,799
Concessions	4,291,303	-	-	4,291,303
Investment return	708,176	2,721,217	-	3,429,393
Change in value of beneficial interest	218	(5,260)	-	(5,042)
Community support	5,291,276	712,789	-	6,004,065
Service fee and other income	3,510,241	-	(313,712)	3,196,529
<b>Government funding and grants:</b>				
Annual operating and program support	1,263,311	-	-	1,263,311
Capital and construction support	410,000	-	-	410,000
<b>Total Revenue and Other Support</b>	<b>42,475,713</b>	<b>3,428,746</b>	<b>(313,712)</b>	<b>45,590,747</b>
<b>Expenses:</b>				
<b>Program and Essential Services:</b>				
Production costs	18,513,526	-	-	18,513,526
Education	3,329,001	-	-	3,329,001
Operating costs	10,501,063	-	-	10,501,063
Marketing and public information	3,605,646	-	-	3,605,646
<b>Total Program and Essential Services</b>	<b>35,949,236</b>	<b>-</b>	<b>-</b>	<b>35,949,236</b>
<b>Support Services:</b>				
General and administrative	5,034,081	360,790	(313,712)	5,081,159
Fundraising	1,357,058	261,755	-	1,618,813
<b>Total Support Services</b>	<b>6,391,139</b>	<b>622,545</b>	<b>(313,712)</b>	<b>6,699,972</b>
<b>Total Expenses</b>	<b>42,340,375</b>	<b>622,545</b>	<b>(313,712)</b>	<b>42,649,208</b>
Foundation distributed endowment support for Center	1,981,578	(1,981,578)	-	-
Change in net assets	2,116,916	824,623	-	2,941,539
Net assets, beginning of year	15,421,802	37,959,927	-	53,381,729
Net assets, end of year	<u>\$ 17,538,718</u>	<u>\$ 38,784,550</u>	<u>\$ -</u>	<u>\$ 56,323,268</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, 2018

	<b>Tampa Bay Performing Arts Center, Inc.</b>	<b>Foundation</b>	<b>Consolidated Total</b>
<b>Cash flows from operating activities:</b>			
Change in net assets	\$ 2,116,916	\$ 824,623	\$ 2,941,539
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation	1,363,041	-	1,363,041
(Increase) decrease in beneficial interest in assets held by Community Foundation	(219)	5,261	5,042
Provision for uncollectible pledges receivable	(27,813)	(237,155)	(264,968)
Unrealized gains on investments	(399,386)	(1,372,044)	(1,771,430)
Loss on disposal of fixed assets	556,231	-	556,231
(Increase) decrease in:			
Accounts receivable	(1,277,380)	-	(1,277,380)
Pledges receivable	14,047	1,166,906	1,180,953
Grants receivable	425,536	-	425,536
Due to/from Center	132,957	(132,957)	-
Inventory	(1,268)	-	(1,268)
Other current assets	130,444	8,000	138,444
Other assets	(2,965)	-	(2,965)
Increase (decrease) in:			
Accounts payable and accrued expenses	(265,446)	(11,380)	(276,826)
Deferred revenue – ticket sales	3,164,652	-	3,164,652
Deferred revenue – other	539,361	-	539,361
Other accrued expenses	(137,435)	-	(137,435)
Net cash from operating activities	<u>6,331,273</u>	<u>251,254</u>	<u>6,582,527</u>
<b>Cash flows from investing activities:</b>			
Additions to furniture, equipment, and leasehold improvements	(3,346,302)	-	(3,346,302)
Purchases of investments	(2,730,569)	(12,242,466)	(14,973,035)
Sales and maturities of investments	2,730,546	12,251,093	14,981,639
Purchases of other long-term investments	(246,053)	-	(246,053)
Net cash from investing activities	<u>(3,592,378)</u>	<u>8,627</u>	<u>(3,583,751)</u>
<b>Cash flows from financing activities:</b>			
Payments on line of credit from investments	-	(354,066)	(354,066)
Payments on line of credit	(2,000,000)	-	(2,000,000)
Net cash from financing activities	<u>(2,000,000)</u>	<u>(354,066)</u>	<u>(2,354,066)</u>
Change in cash and cash equivalents	738,895	(94,185)	644,710
Cash and cash equivalents, beginning of year	4,465,245	99,074	4,564,319
Cash and cash equivalents, end of year	<u>\$ 5,204,140</u>	<u>\$ 4,889</u>	<u>\$ 5,209,029</u>
Cash paid for interest	<u>\$ 28,527</u>	<u>\$ 20,503</u>	<u>\$ 49,030</u>

**Noncash 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, 2018 (WITH COMPARATIVE FINANCIAL INFORMATION FOR 2017)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 5,204,140	\$ 4,465,245
Receivables:		
Accounts receivable	1,380,709	103,329
Pledges receivable, net	381,041	367,275
Due from Foundation	488,877	621,834
Grants receivable	638,820	1,064,356
	<u>2,889,447</u>	<u>2,156,794</u>
Inventory	83,657	82,389
Other current assets	781,968	912,412
Total Current Assets	<u>8,959,212</u>	<u>7,616,840</u>
Noncurrent assets:		
Endowment investments	2,760,000	2,400,000
Investments	5,172,578	4,951,795
Other long-term investments	879,848	815,169
Beneficial interest in assets held by Community Foundation	29,444	29,225
Furniture, equipment, and leasehold improvements, net	15,652,294	14,225,264
Other assets	43,790	40,825
<b>Total Assets</b>	<u><u>\$ 33,497,166</u></u>	<u><u>\$ 30,079,118</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,170,195	\$ 2,435,641
Deferred revenue – ticket sales	11,622,952	8,458,300
Deferred revenue – other	2,165,301	1,625,940
Line of credit	-	2,000,000
Current portion of other accrued expenses	-	137,435
<b>Total Liabilities</b>	<u>15,958,448</u>	<u>14,657,316</u>
Net Assets:		
Unrestricted – operations	(1,687,902)	(3,442,090)
Unrestricted – furniture, equipment, and leasehold improvements	15,638,717	14,204,894
Unrestricted – board designated	814,323	2,238,628
	<u>14,765,138</u>	<u>13,001,432</u>
Temporarily restricted	13,580	20,370
Permanently restricted	2,760,000	2,400,000
<b>Total Net Assets</b>	<u>17,538,718</u>	<u>15,421,802</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 33,497,166</u></u>	<u><u>\$ 30,079,118</u></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, 2018 (WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
Revenue and Other Support:					
Ticket sales	\$ 19,452,253	\$ -	\$ -	\$ 19,452,253	\$ 20,685,073
Rent	531,674	-	-	531,674	538,754
Box office fees	4,131,462	-	-	4,131,462	4,124,536
Education program tuition, event sales, and fees	2,885,799	-	-	2,885,799	2,646,396
Concessions	4,291,303	-	-	4,291,303	4,278,250
Investment return	708,176	-	-	708,176	650,324
Change in beneficial interest	218	-	-	218	3,066
Community support	5,291,276	-	-	5,291,276	4,611,430
Service fee income	3,510,241	-	-	3,510,241	1,654,970
Government funding and grants:					
Annual operating and program support	1,263,311	-	-	1,263,311	1,372,660
Capital and construction support	410,000	-	-	410,000	900,000
Net assets released from purpose restrictions	6,790	(6,790)	-	-	-
Total Revenue and Other Support	<u>42,482,503</u>	<u>(6,790)</u>	<u>-</u>	<u>42,475,713</u>	<u>41,465,459</u>
Expenses:					
Program and Essential Services:					
Production costs	18,513,526	-	-	18,513,526	20,024,541
Education	3,329,001	-	-	3,329,001	3,200,782
Operating costs	10,501,063	-	-	10,501,063	9,694,480
Marketing and public information	3,605,646	-	-	3,605,646	3,070,759
Total Program and Essential Services	<u>35,949,236</u>	<u>-</u>	<u>-</u>	<u>35,949,236</u>	<u>35,990,562</u>
Support Services:					
General and administrative	5,034,081	-	-	5,034,081	4,095,477
Fundraising	1,357,058	-	-	1,357,058	1,262,421
Total Support Services	<u>6,391,139</u>	<u>-</u>	<u>-</u>	<u>6,391,139</u>	<u>5,357,898</u>
Total Expenses	<u>42,340,375</u>	<u>-</u>	<u>-</u>	<u>42,340,375</u>	<u>41,348,460</u>
Foundation distributed endowment support for Center	1,621,578	-	360,000	1,981,578	2,928,554
Change in net assets	1,763,706	(6,790)	360,000	2,116,916	3,045,553
Net asset, beginning of year	13,001,432	20,370	2,400,000	15,421,802	12,376,249
Net assets, end of year	<u>\$ 14,765,138</u>	<u>\$ 13,580</u>	<u>\$ 2,760,000</u>	<u>\$ 17,538,718</u>	<u>\$ 15,421,802</u>