

**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, 2020 and 2019

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, 2020 and 2019, and the related consolidated statements of activities, cash flows, and functional expenses, 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 8 to the consolidated financial statements, in March 2020, the World Health Organization declared COVID-19 a global pandemic. Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

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.

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

Tampa, Florida
January 12, 2021

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,892,244	\$ 5,137,154
Receivables:		
Accounts receivable	306,350	550,064
Pledges receivable, net	9,519,510	628,316
Grants receivable	982,067	476,984
	<u>10,807,927</u>	<u>1,655,364</u>
Inventory	137,400	103,656
Other current assets	421,469	1,142,300
Total Current Assets	<u>24,259,040</u>	<u>8,038,474</u>
Noncurrent Assets:		
Pledges receivable, net	3,214,389	7,969,976
Endowment investments	24,498,458	24,662,594
Investments	16,304,466	14,907,670
Other long-term investments	976,709	966,092
Beneficial interest in assets held by Community Foundation	823,535	831,262
Furniture, equipment, and leasehold improvements, net	16,592,056	16,567,225
Fine art collection	207,990	207,990
Other long term assets	51,651	44,869
Total Assets	<u><u>\$ 86,928,294</u></u>	<u><u>\$ 74,196,152</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 3,562,373	\$ 2,572,182
Deferred revenue – ticket sales	6,124,173	8,629,676
Deferred revenue – other	1,410,878	2,251,309
Debt	404,123	204,218
Noncurrent Liabilities:		
Debt	2,424,736	-
Total Liabilities	<u>13,926,283</u>	<u>13,657,385</u>
Net Assets:		
Without Donor Restrictions:		
Operations	15,640,989	8,331,133
Furniture, equipment, and leasehold improvements	16,592,056	16,567,225
Board designated	287,288	1,290,324
	<u>32,520,333</u>	<u>26,188,682</u>
With Donor Restrictions	40,481,678	34,350,085
Total Net Assets	<u>73,002,011</u>	<u>60,538,767</u>
Total Liabilities and Net Assets	<u><u>\$ 86,928,294</u></u>	<u><u>\$ 74,196,152</u></u>

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

YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Ticket sales	\$ 9,440,068	\$ -	\$ 9,440,068
Rent	274,337	-	274,337
Box office fees	1,518,491	-	1,518,491
Education program tuition, event sales, and fees	1,745,120	-	1,745,120
Concessions	2,281,583	-	2,281,583
Investment return, net	794,783	2,477,719	3,272,502
Change in value of beneficial interest	(7,727)	-	(7,727)
Community support	5,115,349	6,804,289	11,919,638
Service fee and other income	1,129,207	-	1,129,207
Government funding and grants:			
Annual operating and program support	1,138,931	-	1,138,931
Capital and construction support	735,094	-	735,094
Settlement claim income	8,461,515	-	8,461,515
Net assets released from restrictions:			
Collection of pledges receivable and valuation change	1,007,383	(1,007,383)	-
Spending policy	1,520,008	(1,520,008)	-
Appropriated earnings from endowment	623,024	(623,024)	-
Total Revenue and Other Support	35,777,166	6,131,593	41,908,759
Expenses:			
Program and Essential Services:			
Production costs	10,012,257	-	10,012,257
Education	2,672,720	-	2,672,720
Operating costs	9,126,042	-	9,126,042
Marketing and public information	2,520,584	-	2,520,584
Total Program and Essential Services	24,331,603	-	24,331,603
Support Services:			
General and administrative	3,779,959	-	3,779,959
Fundraising	1,333,953	-	1,333,953
Total Support Services	5,113,912	-	5,113,912
Total Expenses	29,445,515	-	29,445,515
Change in net assets	6,331,651	6,131,593	12,463,244
Net assets, beginning of year	26,188,682	34,350,085	60,538,767
Net assets, end of year	<u>\$ 32,520,333</u>	<u>\$ 40,481,678</u>	<u>\$ 73,002,011</u>

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

YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Ticket sales	\$ 28,873,709	\$ -	\$ 28,873,709
Rent	540,207	-	540,207
Box office fees	4,461,875	-	4,461,875
Education program tuition, event sales, and fees	3,141,058	-	3,141,058
Concessions	4,554,058	-	4,554,058
Investment return, net	477,575	1,742,662	2,220,237
Change in value of beneficial interest	(24,766)	-	(24,766)
Community support	6,251,310	1,061,540	7,312,850
Service fee and other income	1,648,818	-	1,648,818
Government funding and grants:			
Annual operating and program support	1,273,927	-	1,273,927
Capital and construction support	502,000	-	502,000
Net assets released from restrictions:			
Collection of pledges receivable and valuation change	6,790	(6,790)	-
Spending policy	1,399,980	(1,399,980)	-
Appropriated earnings from endowment	65,858	(65,858)	-
Total Revenue and Other Support	53,172,399	1,331,574	54,503,973
Expenses:			
Program and Essential Services:			
Production costs	25,381,884	-	25,381,884
Education	3,696,624	-	3,696,624
Operating costs	11,045,592	-	11,045,592
Marketing and public information	3,829,360	-	3,829,360
Total Program and Essential Services	43,953,460	-	43,953,460
Support Services:			
General and administrative	4,698,310	-	4,698,310
Fundraising	1,636,704	-	1,636,704
Total Support Services	6,335,014	-	6,335,014
Total Expenses	50,288,474	-	50,288,474
Change in net assets	2,883,925	1,331,574	4,215,499
Net assets, beginning of year	23,304,757	33,018,511	56,323,268
Net assets, end of year	\$ 26,188,682	\$ 34,350,085	\$ 60,538,767

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 12,463,244	\$ 4,215,499
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Noncash gift of fine art collection	-	(207,990)
Noncash gift of stock	(905,778)	(149,928)
Noncash gift of the life insurance policy, cash surrender value	-	(17,810)
Depreciation	1,562,967	1,419,074
Decrease in beneficial interest in assets held by Community Foundation	7,727	24,766
Recovery of uncollectible pledges receivable	(1,791,510)	(60,374)
Unrealized gains on investments	(250,771)	(661,573)
(Increase) decrease in:		
Accounts receivable	243,714	830,645
Pledges receivable	(2,344,097)	44,035
Grants receivable	(505,083)	161,836
Inventory	(33,744)	(19,999)
Other current assets	720,831	(360,332)
Other assets	(6,782)	(1,079)
Increase (decrease) in:		
Accounts payable and accrued expenses	990,191	339,465
Deferred revenue – ticket sales	(2,505,503)	(2,993,276)
Deferred revenue – other	(840,431)	86,008
Net cash flows from operating activities	<u>6,804,975</u>	<u>2,648,967</u>
Cash flows from investing activities:		
Additions to furniture, equipment, and leasehold improvements	(1,587,798)	(2,334,005)
Purchases of investments	(26,765,933)	(14,928,851)
Sales and maturities of investments	26,797,764	15,105,954
Purchases of other long-term investments	(118,559)	(246,053)
Net cash flows from investing activities	<u>(1,674,526)</u>	<u>(2,402,955)</u>
Cash flows from financing activities:		
Payments on line of credit from investments	(225,412)	(317,887)
Proceeds from line of credit borrowings	21,194	-
Proceeds from debt	2,828,859	-
Net cash flows from financing activities	<u>2,624,641</u>	<u>(317,887)</u>
Change in cash and cash equivalents	7,755,090	(71,875)
Cash and cash equivalents, beginning of year	5,137,154	5,209,029
Cash and cash equivalents, end of year	<u>\$ 12,892,244</u>	<u>\$ 5,137,154</u>
Cash paid for interest	<u>\$ 1,293</u>	<u>\$ 12,019</u>

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

YEAR ENDED SEPTEMBER 30, 2020

	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		2020
Salaries	\$ 517,660	\$ 1,562,511	\$ 3,501,128	\$ 1,180,424	\$ 6,761,723	\$ 2,109,334	\$ 899,716	\$ 3,009,050	\$ 9,770,773
Payroll taxes	127,337	124,380	507,790	95,523	855,030	120,053	69,703	189,756	1,044,786
Employee benefits	283,921	217,412	425,135	183,539	1,110,007	242,301	123,389	365,690	1,475,697
Artist and professional fees	7,372,926	470,993	73,415	7,855	7,925,189	1,167	121,981	123,148	8,048,337
Meetings, travel, and training	24,307	53,757	23,248	24,742	126,054	35,086	17,565	52,651	178,705
Advertising and promotion	1,472,455	117,847	42,731	974,052	2,607,085	188,813	250	189,063	2,796,148
Professional services	-	238	136,968	35	137,241	93,702	33,146	126,848	264,089
Supplies	9,561	7,873	222,224	6,348	246,006	14,847	4,492	19,339	265,345
Telephone	4,109	6,770	10,309	4,170	25,358	131,821	1,800	133,621	158,979
Postage and mailings	1,952	643	16,130	627	19,352	8,665	9,590	18,255	37,607
Utilities	-	-	562,109	-	562,109	-	-	-	562,109
Rent and lease	88,672	5,819	100,336	-	194,827	3,000	-	3,000	197,827
Maintenance and repairs	5,074	22,118	667,769	6,413	701,374	430,823	4,530	435,353	1,136,727
Insurance	52,107	7,161	-	-	59,268	315,048	-	315,048	374,316
Depreciation	-	-	1,562,967	-	1,562,967	-	-	-	1,562,967
Credit card commissions	-	29,769	345,551	-	375,320	-	38,924	38,924	414,244
Bad debt expense	-	-	8,105	-	8,105	-	-	-	8,105
Employee recruiting and relations	4,723	16,986	39,256	3,527	64,492	11,601	1,683	13,284	77,776
Food and beverages operations	-	276	817,288	-	817,564	4,566	-	4,566	822,130
Other	47,453	28,167	63,583	33,329	172,532	69,132	7,184	76,316	248,848
Total Expenses	\$ 10,012,257	\$ 2,672,720	\$ 9,126,042	\$ 2,520,584	\$ 24,331,603	\$ 3,779,959	\$ 1,333,953	\$ 5,113,912	\$ 29,445,515

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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

YEAR ENDED SEPTEMBER 30, 2019

	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		2019
Salaries	\$ 355,314	\$ 1,785,082	\$ 3,772,994	\$ 1,399,782	\$ 7,313,172	\$ 2,793,917	\$ 967,740	\$ 3,761,657	\$ 11,074,829
Employee benefits	539,397	366,567	761,384	308,582	1,975,930	361,769	179,319	541,088	2,517,018
Artist and professional fees	22,563,778	1,065,448	112,459	3,460	23,745,145	873	181,686	182,559	23,927,704
Meetings, travel, and training	66,693	103,343	50,029	107,226	327,291	83,106	28,543	111,649	438,940
Advertising and promotion	1,323,820	183,921	116,062	1,767,226	3,391,029	142,800	41,866	184,666	3,575,695
Professional services	150,478	-	43,909	131,433	325,820	225,673	128,356	354,029	679,849
Supplies	19,330	16,502	378,463	28,370	442,665	23,483	10,287	33,770	476,435
Telephone	3,279	6,480	10,143	2,750	22,652	103,829	1,840	105,669	128,321
Postage and mailings	2,583	1,252	41,349	1,959	47,143	3,661	16,622	20,283	67,426
Utilities	-	1,200	730,439	-	731,639	-	-	-	731,639
Rent and lease	69,127	22,800	42,197	-	134,124	92,184	-	92,184	226,308
Maintenance and repairs	32,615	37,143	1,042,827	-	1,112,585	445,765	7,203	452,968	1,565,553
Insurance	100,851	12,048	-	-	112,899	264,756	-	264,756	377,655
Depreciation	-	-	1,419,074	-	1,419,074	-	-	-	1,419,074
Credit card commissions	-	49,065	877,134	-	926,199	-	45,836	45,836	972,035
Bad debt expense	-	312	32	-	344	29,633	-	29,633	29,977
Employee recruiting and relations	3,885	32,158	33,898	3,590	73,531	43,792	2,530	46,322	119,853
Food and beverages operations	-	-	1,430,149	-	1,430,149	-	-	-	1,430,149
Other	150,734	13,303	183,050	74,982	422,069	83,069	24,876	107,945	530,014
Total Expenses	<u>\$ 25,381,884</u>	<u>\$ 3,696,624</u>	<u>\$ 11,045,592</u>	<u>\$ 3,829,360</u>	<u>\$ 43,953,460</u>	<u>\$ 4,698,310</u>	<u>\$ 1,636,704</u>	<u>\$ 6,335,014</u>	<u>\$ 50,288,474</u>

The accompanying notes to the consolidated financial statements are an integral part of these 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, 2020 AND 2019

Note 1—Nature of organization and 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 (the “Board”) 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”.

Presentation – 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Board. These net assets may be used at the discretion of the Board’s management and the Board. The Board has chosen to provide further classification information about net assets without donor restrictions on the consolidated financial position. The sub classifications are as follows:

Operations – Represents the cumulative net assets without donor restrictions excluding those set aside by the Board or related to furniture, equipment, and leasehold improvements.

Furniture, Equipment, and Leasehold Improvements – Represent cumulative net assets without donor restrictions related to the Organization’s furniture, equipment, and leasehold improvements.

Board Designated – Represents resources set aside by the Board to be used for specific activities within guidelines established by the Board. These include expendable resources of approximately \$287,000 and \$1,290,000 as of September 30, 2020 and 2019, 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, 2020 AND 2019

Note 1—Nature of organization and summary of significant accounting policies (continued)

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Board or by the passage of time. For net assets with donor restrictions 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 restrictions. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent 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. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally gains and related investment income on these gifts are available for operations without donor restrictions, unless the donor designates restrictions on the use of earnings for a specific purpose, in which case the earnings are then considered with donor restrictions.

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.

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 1.16% to 5.23% for the years ended September 30, 2020 and 2019.

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

Fair Value of Financial Instruments – The Organization records certain assets at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance.

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 for which the Organization is the beneficiary.

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, 2020 AND 2019

Note 1—Nature of organization and summary of significant accounting policies (continued)

The investments in theatrical show productions are recorded at cost, reduced by any investment returns, and amounted to approximately \$344,000 and \$349,000 at September 30, 2020 and 2019, respectively. The cash surrender value of the life insurance policy amounted to approximately \$633,000 and \$617,000 at September 30, 2020 and 2019, respectively, and is intended to be held for investment.

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.

Fine Art Collection –The Organization capitalizes its collections. Additions are capitalized at cost if purchased and at estimated fair value at date of contribution if received by donation. Gains and losses on disposals of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. The Organization received approximately \$208,000 in donated fine art assets during the year ended September 30, 2019, which is recorded in contribution revenue with donor restrictions on the consolidated statement of activities. There were no donated fine art assets received during the year ended September 30, 2020.

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 Organization 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 accrual was approximately \$239,000 as of September 30, 2020 included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position. Management determined that no self-insurance claims liability was necessary as of September 30, 2019. 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, 2020 and 2019, advertising costs of approximately \$74,000 and \$433,000, respectively, were included as a component of other current assets in the consolidated statements of financial position.

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Note 1—Nature of organization and summary of significant accounting policies (continued)

Income Taxes – The Straz Center and the Foundation are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Management believes that the Straz Center and the Foundation continue to satisfy the requirements of a tax-exempt organization as of September 30, 2020. 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 revenue without donor restrictions as funds have been reimbursed for expenditures made for specific needs of the Organization. Uncollected amounts as of the fiscal year end are recorded as grants receivable on the consolidated statements of financial position.

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

Other Gifts – The Organization is a beneficiary of several funds held and controlled by the Community Foundation. The total fair value of these funds held at the Community Foundation as of September 30, 2020 and 2019 were approximately \$4,749,000 and \$4,649,000, 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, 2020 of approximately \$168,000 and \$112,000 are available for distribution to the Foundation and Straz Center, respectively. The annual net distributions allocated by the Community Foundation during the year ended September 30, 2019 of approximately \$199,000 and \$88,000 are available for distribution to the Foundation and Straz Center, respectively. Accordingly, the amounts are recognized as income in the period earned.

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 \$291,000 and \$860,000 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019 totaled 40,327 and 79,814, respectively.

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Note 1—Nature of organization and summary of significant accounting policies (continued)

Functional Allocation of Expenses – Expenses are allocated between program and essential services, general and administrative, and fundraising with the exception of depreciation and food and beverage operations which is only included in program and essential services operating costs. The remaining expenses are allocated on management’s estimated time and effort incurred with the exception of occupancy costs (utilities and rent and lease) which is allocated based on square footage utilized for certain functions.

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, 2020 and 2019, investments and endowment investments are classified as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,236,093	\$ 1,236,093	\$ 1,366,598	\$ 1,366,598
Government bonds	2,775,738	3,327,383	2,685,472	2,891,220
Corporate bonds	2,918,180	3,140,655	2,039,909	2,163,141
Mutual funds	12,619,802	12,330,263	7,635,308	7,291,555
Common and preferred stocks	16,822,681	20,768,530	20,530,879	25,857,750
Total cost and fair value	<u>\$ 36,372,494</u>	<u>\$ 40,802,924</u>	<u>\$ 34,258,166</u>	<u>\$ 39,570,264</u>

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

	2020	2019
Dividends and interest on investments	\$ 1,007,836	\$ 935,547
Net unrealized gains	358,713	835,530
Net realized gains, net of investment expense	1,906,819	434,531
Net traded investment returns	3,273,368	2,205,608
Interest on short-term cash investments	3,840	72,300
Other production returns	(4,706)	(57,671)
Total investment returns	<u>\$ 3,272,502</u>	<u>\$ 2,220,237</u>

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Note 2—Investments (continued)

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.

The tables below summarize the cash, cash equivalents, and traded investments as of September 30, 2020 and 2019 based upon the fair value hierarchy:

	<u>Fair Value Measurements at Reporting Date Using</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
September 30, 2020				
Cash and cash equivalents	\$ 12,895,159	\$ 1,233,178	\$ -	\$ 14,128,337
Government bonds	2,397,871	929,512	-	3,327,383
Corporate bonds	-	3,140,655	-	3,140,655
Common and preferred stocks	20,768,530	-	-	20,768,530
Mutual funds	12,330,263	-	-	12,330,263
Fine art collection	-	-	207,990	207,990
Total assets in fair value hierarchy	<u>\$ 48,391,823</u>	<u>\$ 5,303,345</u>	<u>\$ 207,990</u>	53,903,158
Cash surrender value of life insurance measured at net asset value				633,407
Beneficial interest in assets held by Community Foundation measured by net asset value				823,535
				<u>\$ 55,360,100</u>

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Note 2—Investments (continued)

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
September 30, 2019				
Cash and cash equivalents	\$ 5,137,154	\$ 1,366,598	\$ -	\$ 6,503,752
Government bonds	1,858,891	1,032,329	-	2,891,220
Corporate bonds	-	2,163,141	-	2,163,141
Common and preferred stocks	25,857,750	-	-	25,857,750
Mutual funds	7,291,555	-	-	7,291,555
	-	-	207,990	207,990
Total assets in fair value hierarchy	<u>\$ 40,145,350</u>	<u>\$ 4,562,068</u>	<u>\$ 207,990</u>	44,915,408
Cash surrender value of life insurance measured at net asset value				617,057
Beneficial interest in assets held by Community Foundation measured by net asset value				831,262
				<u>\$ 46,363,727</u>

Changes in Level 3 assets consist of the following at September 30, 2020:

Beginning balance, October 1, 2019	\$ 207,990
Donation of fine art collection	-
Ending balance, September 30, 2020	<u>\$ 207,990</u>

The carrying amounts shown in the preceding tables are included in the consolidated statements of financial position under the captions cash and cash equivalents, 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, 2020.

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.

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Note 2—Investments (continued)

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 the valuation methodologies used for Level 3 financial instruments:

Fine Art Collection – The Organization determines the fair value at date of contribution which is valued by third-party appraisers.

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 three- to five-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.

Note 3—Pledges receivable

Pledges receivable at September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total unconditional promises to give	\$13,138,922	\$ 10,912,282
Less unamortized discount	(272,392)	(2,198,809)
Less allowance for doubtful pledges	(132,631)	(115,181)
Net unconditional promises to give	<u>\$ 12,733,899</u>	<u>\$ 8,598,292</u>

Gross pledges receivable expected to be collected after September 30, 2020 are as follows:

Years Ending September 30,

2021	\$ 9,616,922
2022	393,000
2023	393,000
2024	393,000
2025	203,000
Thereafter	2,140,000
	<u>\$ 13,138,922</u>

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Note 4—Conditional revocable gifts

The Organization has received indications of gifts in the form of bequests, wills, and life insurance policies which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Organization has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give aggregate approximated \$12,811,000 and \$13,407,000 for the years ended September 30, 2020 and 2019, respectively.

Note 5—Furniture, equipment, and leasehold improvements

Furniture, equipment, and leasehold improvements at September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 24,412,554	\$ 22,581,376
Leasehold improvements	11,605,951	11,605,952
Construction in progress	<u>1,216,240</u>	<u>1,459,619</u>
	37,234,745	35,646,947
Less accumulated depreciation	<u>(20,642,689)</u>	<u>(19,079,722)</u>
	<u>\$ 16,592,056</u>	<u>\$ 16,567,225</u>

Depreciation expense for the years ended September 30, 2020 and 2019 was approximately \$1,563,000 and \$1,419,000, 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. Investments without donor restrictions 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 approximately \$6,334,000 and \$3,583,000 committed amount available at September 30, 2020 and 2019, respectively. The outstanding balance on the Line totaled approximately \$204,000 for the year ended September 30, 2019. There was no balance outstanding as of September 30, 2020. The interest rate was approximately 1.38% and 3.4% for the years ended September 30, 2020 and 2019, 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 LOC 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 at Merrill Lynch, resulting in approximately \$4,016,000 and \$4,167,000 committed amount available at September 30, 2020 and 2019, respectively. There was no balance outstanding as of September 30, 2020 or 2019.

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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. The loan was renewed at maturity and converted to an unsecured revolving line of credit with a new maturity date of May 16, 2019. The Organization elected not to renew the unsecured revolving line of credit at maturity. There were no draws taken by the Organization during the year ended September 30, 2019.

Paycheck Protection Program Loan – In April 2020, the Center received a Paycheck Protection Program (“PPP”) loan totaling approximately \$2,829,000 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note bears interest at 1% per annum, matures in April 2022, and require aggregate monthly interest and principal payments beginning August 2021 and through maturity. The currently issued guidelines of the program allow for the loan proceeds to be forgiven if certain requirements are met. If the Center is unable to or does not follow those guidelines, the Center would be required to repay a portion of or the entire balance of the loan proceeds in full. PPP loans are considered debt and will accrue interest. The Center will recognize as debt extinguishment upon receipt of notification of forgiveness.

Future maturities of the PPP loan as of September 30, 2020 are as follows:

Years Ending September 30,

2021	\$ 404,123
2022	<u>2,424,736</u>
	<u>\$ 2,828,859</u>

Interest expense incurred on these debt instruments for the years ended September 30, 2020 and 2019 totaled approximately \$1,300 and \$12,000, respectively. No interest was capitalized during the years ended September 30, 2020 or 2019.

Note 7—Restrictions and limitations on net assets

Net assets with donor restrictions consists of endowment earnings with donor restrictions for opera, education, scholarships, general programming, and capital programs. Net assets with donor restrictions totaling approximately \$40,482,000 and \$34,350,000 consist of endowments which contain perpetual restrictions whereby the donor has stipulated the funds be maintained in perpetuity as of September 30, 2020 and 2019, respectively.

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Note 8—Liquidity and availability of financial assets

The Organization monitors its liquidity so that it is able to cover operating expenses and other obligations as they come due. Management is projecting a minimum budget of approximately \$17,000,000 in operating expenses to be paid within twelve months of the consolidated statement of financial position date. Budgeted operating expenses represents business essential expenditures based on projected staffing levels, current and projected cost trends and prior year actual and anticipated future expenditures as applicable. The Organization strives to maintain cash on hand of \$1,000,000 to meet normal operating expenses. The cash reserve amount may be higher or lower depending on actual expenses incurred throughout the year.

The Organization has a policy to structure its financial assets to be available as its general and capital expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization may invest cash in excess of daily requirements in various short-term investments. As more fully described in Note 6, the Organization also has lines of credit available to draw upon in the event of a liquidity need.

The Organization additionally relies on public support (community support, government funding, and grants) and revenues from operations including ticket sales, rent, box office fees, education programming, concessions, and service fee and other income to pay expenses. Such revenues totaled approximately \$30,182,000 during the year ended September 30, 2020.

The Straz Center's financial assets available to meet cash needs for general expenditures within one year as of September 30, 2020 consist of the following:

Financial assets as of year-end:

Cash and cash equivalents	\$ 12,892,244
Accounts receivable	306,350
Current portion of pledges receivable, net	9,519,510
Grants receivable	982,067
Investments and endowment investments	40,802,924
Beneficial interest in assets held by Community Foundation	823,535
Life insurance policies	633,407
	<u>65,960,037</u>

Less those unavailable for general expenditures within one year due to:

Contractual or donor-imposed restrictions:

Restricted by donor with time or purpose restrictions	(40,481,678)
Investments held in annuity trust	(633,407)
Foundation investments without donor restrictions, not transferred to the Straz Center	(9,632,851)
	<u>(50,747,936)</u>

Board designations:

Capital expenditures	(287,288)
	<u>(287,288)</u>

Current portion of debt

	<u>(404,123)</u>
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Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,520,690</u>
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Note 8—Liquidity and availability of financial assets (continued)

Management's Plan – During the year ended September 30, 2020, the Organization was impacted by the outbreak of a novel coronavirus (“COVID-19”) which was declared by the World Health Organization to be a public health emergency of international concern in March 2020. Since March 2020 the Organization has been unable to operate major programming including delaying or cancelling shows and other events. While revenue sources from operations have decreased significantly due to the pandemic the Organization received a significant increase in community support during the year ended September 30, 2020 and additionally received proceeds from the Deepwater Horizon Oil Spill (see Note 12). In response to COVID-19, the Organization has significantly reduced its staffing levels and operating expenses and relied on public support and its reserves to continue limited operations. Management is continually monitoring the situation; however, the rapid development and fluidity of the situation precludes any prediction as to the ultimate impact of the COVID-19 outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its results.

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 net assets with donor restrictions 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 endowment funds with donor restrictions. 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 with donor restrictions, absent explicit donor stipulations to the contrary. Therefore, the Straz Center classifies as net assets with donor restrictions: a) the original value of gifts donated to the endowment, b) the original value of subsequent gifts to the endowment, and c) accumulations of the 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 is also classified as with donor restriction 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.

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Note 9—Endowments (continued)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or the applicable state law requires the Organization to retain as a fund of perpetual duration. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of September 30, 2020 or 2019.

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.

The Foundation's Investment Committee and the Board recognize 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, 2020, the Foundation's Board of Trustees authorized the distribution and expenditure of 5% of the current market value of the endowment as of September 30, 2020. 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.

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Note 9—Endowments (continued)

Changes in endowment funds consist of the following for the year ended September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total endowment funds, October 1, 2019	\$ -	\$ 24,662,594	\$ 24,662,594
Investment return:			
Investment income	-	967,878	967,878
Net appreciation (realized and unrealized)	-	1,463,632	1,463,632
New contributions	-	63,115	63,115
Pledges collected and invested	-	5,600	5,600
Approved spending	-	(2,664,361)	(2,664,361)
Total endowment funds, September 30, 2020	<u>\$ -</u>	<u>\$ 24,498,458</u>	<u>\$ 24,498,458</u>

Changes in endowment funds consist of the following for the year ended September 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total endowment funds, October 1, 2018	\$ -	\$ 22,640,454	\$ 22,640,454
Investment return:			
Investment income	-	604,680	604,680
Net appreciation (realized and unrealized)	-	1,161,910	1,161,910
New contributions	-	468,319	468,319
Pledges collected and invested	-	461,000	461,000
Approved spending	-	(673,769)	(673,769)
Total endowment funds, September 30, 2019	<u>\$ -</u>	<u>\$ 24,662,594</u>	<u>\$ 24,662,594</u>

Endowment funds consists of the following as of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted, endowment funds	<u>\$ -</u>	<u>\$ 24,498,458</u>	<u>\$ 24,498,458</u>
	<u>\$ -</u>	<u>\$ 24,498,458</u>	<u>\$ 24,498,458</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, 2020 AND 2019

Note 9—Endowments (continued)

Endowment funds consists of the following as of September 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted, endowment funds	\$ -	\$ 24,662,594	\$ 24,662,594
	<u>\$ -</u>	<u>\$ 24,662,594</u>	<u>\$ 24,662,594</u>

Note 10—Government funding and grant revenue

The Straz Center receives city, county, state, and federal grants for annual operations, program support, and capital projects. Government funding and grant revenue for the years ended September 30 is as follows:

	<u>2020</u>	<u>2019</u>
City of Tampa	\$ 492,075	\$ 492,475
Hillsborough County:		
Tourist Development Council	291,607	520,000
Cultural Services to Support Educational Programs	221,758	221,758
State of Florida:		
General Program Support (formerly Cultural and Museum Grants)	83,491	39,694
Federal:		
National Endowment for the Arts	50,000	-
Annual operating and program support	1,138,931	1,273,927
City of Tampa – Capital Improvement Budget	50,000	177,000
Hillsborough County – Capital Improvement Budget	325,000	325,000
State of Florida Cultural Facilities Program	360,094	-
Capital and construction support	735,094	502,000
Total government funding and grant revenue	<u>\$ 1,874,025</u>	<u>\$ 1,775,927</u>

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 IRC. The monies are invested and administered by an independent agent. Retirement contribution expenses were approximately \$478,000 for both years ended September 30, 2020 and 2019.

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, 2020 AND 2019

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 approximately \$122,000 and \$119,000 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, 2020 and 2019, respectively.

Deepwater Horizon Oil Spill – During 2010, the Deepwater Horizon Oil Spill in the Gulf of Mexico greatly impacted the Organization’s operations and revenues were negatively impacted. As a result the Organization filed a claim for business economic loss (the “Claim”) with the Deepwater Horizon Court Supervised Settlement Program. In July 2020, the Organization received a settlement of approximately \$10,607,000, net of attorney’s fees of approximately \$680,000 and other consulting fees of approximately \$1,465,000. The net proceeds of approximately \$8,462,000 is included in settlement claim income in the accompanying consolidated statements of activities. As of September 30, 2020, the Organization owed fees to a consulting firm who assisted with the Claim. The amount was under dispute as of September 30, 2020; however, an agreement was reached in December 2020 for the Organization to pay approximately \$1,465,000 which is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Note 13—Related party transactions

Related party contributions for the years ended September 30, 2020 and 2019 include the following:

	<u>2020</u>	<u>2019</u>
Board of Directors and Trustees	\$ 937,728	\$ 990,587

The following related party gross pledges receivable were outstanding at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Board of Directors and Trustees	\$ 11,623,625	\$ 10,220,454

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 and the Foundation had aggregate bank statement balances of approximately \$3,144,000 and \$9,303,000, respectively, which exceeded these insured amounts at September 30, 2020.

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, 2020 AND 2019

Note 15—Operating leases

The Straz Center has entered into noncancelable operating lease agreements for office equipment and building space which expire through 2083. Total rent expense related to leases for the years ended September 30, 2020 and 2019 was approximately \$173,000 and \$148,000, respectively.

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

Years Ending September 30,

2021	\$	185,023
2022		186,772
2023		195,540
2024		201,402
2025		65,662
Thereafter		5,733
	\$	<u>840,132</u>

Note 16—Subsequent events

Management has evaluated subsequent events from the consolidated statements of financial position date through January 12, 2021, 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, 2020

	Tampa Bay Performing Arts Center, Inc.	Foundation	Eliminations	Consolidated Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,340,990	9,551,254	\$ -	\$ 12,892,244
Receivables:				
Accounts receivable	306,350	-	-	306,350
Pledges receivable, net	121,688	9,397,822	-	9,519,510
Due from Foundation	24,779	-	(24,779)	-
Due from Center	-	50,000	(50,000)	-
Grants receivable	982,067	-	-	982,067
	<u>1,434,884</u>	<u>9,447,822</u>	<u>(74,779)</u>	<u>10,807,927</u>
Inventory	137,400	-	-	137,400
Other current assets	421,469	-	-	421,469
Total Current Assets	5,334,743	18,999,076	(74,779)	24,259,040
Noncurrent Assets:				
Pledges receivable, net	-	3,214,389	-	3,214,389
Endowment investments	2,760,000	21,738,458	-	24,498,458
Investments	6,689,866	9,614,600	-	16,304,466
Other long-term investments	958,458	18,251	-	976,709
Beneficial interest in assets held by Community Foundation	28,794	794,741	-	823,535
Furniture, equipment, and leasehold improvements, net	16,592,056	-	-	16,592,056
Fine art collection	207,990	-	-	207,990
Other long term assets	51,651	-	-	51,651
Total Assets	<u>\$ 32,623,558</u>	<u>\$ 54,379,515</u>	<u>\$ (74,779)</u>	<u>\$ 86,928,294</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,058,560	1,503,813	\$ -	\$ 3,562,373
Due to Straz Center	-	24,779	(24,779)	-
Due to Foundation	50,000	-	(50,000)	-
Deferred revenue – ticket sales	6,124,173	-	-	6,124,173
Deferred revenue – other	1,410,878	-	-	1,410,878
Debt	404,123	-	-	404,123
Noncurrent Liabilities:				
Debt	2,424,736	-	-	2,424,736
Total Liabilities	<u>12,472,470</u>	<u>1,528,592</u>	<u>(74,779)</u>	<u>13,926,283</u>
Net Assets:				
Without Donor Restrictions:				
Operations	(373,233)	16,014,222	-	15,640,989
Furniture, equipment, and leasehold improvements	16,592,056	-	-	16,592,056
Board designated	287,288	-	-	287,288
	<u>16,506,111</u>	<u>16,014,222</u>	<u>-</u>	<u>32,520,333</u>
With Donor Restrictions	3,644,977	36,836,701	-	40,481,678
Total Net Assets	<u>20,151,088</u>	<u>52,850,923</u>	<u>-</u>	<u>73,002,011</u>
Total Liabilities and Net Assets	<u>\$ 32,623,558</u>	<u>\$ 54,379,515</u>	<u>\$ (74,779)</u>	<u>\$ 86,928,294</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, 2020

	Tampa Bay Performing Arts Center, Inc.	Foundation	Eliminations	Consolidated Total
Revenue and Other Support:				
Ticket sales	\$ 9,440,068	\$ -	\$ -	\$ 9,440,068
Rent	274,337	-	-	274,337
Box office fees	1,518,491	-	-	1,518,491
Education program tuition, event sales, and fees	1,745,120	-	-	1,745,120
Concessions	2,281,583	-	-	2,281,583
Investment return, net	840,288	2,432,214	-	3,272,502
Change in value of beneficial interest	(12)	(7,715)	-	(7,727)
Community support	5,580,527	6,339,111	-	11,919,638
Service fee and other income	1,881,546	6,301	(758,640)	1,129,207
Government funding and grants:				
Annual operating and program support	1,138,931	-	-	1,138,931
Capital and construction support	735,094	-	-	735,094
Settlement claim income	-	8,461,515	-	8,461,515
Total Revenue and Other Support	<u>25,435,973</u>	<u>17,231,426</u>	<u>(758,640)</u>	<u>41,908,759</u>
Expenses:				
Program and Essential Services:				
Production costs	10,012,257	-	-	10,012,257
Education	2,672,720	-	-	2,672,720
Operating costs	9,126,042	-	-	9,126,042
Marketing and public information	2,520,584	-	-	2,520,584
Total Program and Essential Services	<u>24,331,603</u>	<u>-</u>	<u>-</u>	<u>24,331,603</u>
Support Services:				
General and administrative	4,108,033	430,566	(758,640)	3,779,959
Fundraising	1,164,038	169,915	-	1,333,953
Total Support Services	<u>5,272,071</u>	<u>600,481</u>	<u>(758,640)</u>	<u>5,113,912</u>
Total Expenses	<u>29,603,674</u>	<u>600,481</u>	<u>(758,640)</u>	<u>29,445,515</u>
Foundation distributed endowment support for Center	3,095,769	(3,095,769)	-	-
Change in net assets	(1,071,932)	13,535,176	-	12,463,244
Net assets, beginning of year	21,223,020	39,315,747	-	60,538,767
Net assets, end of year	<u>\$ 20,151,088</u>	<u>\$ 52,850,923</u>	<u>\$ -</u>	<u>\$ 73,002,011</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, 2020

	Tampa Bay Performing Arts Center, Inc.	Foundation	Consolidated Total
Cash flows from operating activities:			
Change in net assets	\$ (1,071,932)	\$ 13,535,176	\$ 12,463,244
Adjustments to reconcile change in net assets to net cash from operating activities:			
Noncash gift of stock	(905,778)	-	(905,778)
Depreciation	1,562,967	-	1,562,967
Decrease in beneficial interest in assets held by Community Foundation	12	7,715	7,727
Provision for uncollectible pledges receivable	(7,283)	(1,784,227)	(1,791,510)
Unrealized gains on investments	34,610	(285,381)	(250,771)
(Increase) decrease in:			
Accounts receivable	243,714	-	243,714
Pledges receivable	479,261	(2,823,358)	(2,344,097)
Grants receivable	(505,083)	-	(505,083)
Due to/from the Center	639,850	(639,850)	-
Inventory	(33,744)	-	(33,744)
Other current assets	720,831	-	720,831
Other assets	(6,782)	-	(6,782)
Increase (decrease) in:			
Accounts payable and accrued expenses	(461,480)	1,451,671	990,191
Deferred revenue – ticket sales	(2,505,503)	-	(2,505,503)
Deferred revenue – other	(840,431)	-	(840,431)
Net cash from operating activities	<u>(2,656,771)</u>	<u>9,461,746</u>	<u>6,804,975</u>
Cash flows from investing activities:			
Additions to furniture, equipment, and leasehold improvements	(1,587,798)	-	(1,587,798)
Purchases of investments	(7,346,054)	(19,419,879)	(26,765,933)
Sales and maturities of investments	7,296,348	19,501,416	26,797,764
Purchases of other long-term investments	(118,559)	-	(118,559)
Net cash from investing activities	<u>(1,756,063)</u>	<u>81,537</u>	<u>(1,674,526)</u>
Cash flows from financing activities:			
Payments on line of credit from investments	-	(225,412)	(225,412)
Proceeds from line of credit borrowings	-	21,194	21,194
Proceeds from debt	2,828,859	-	2,828,859
Net cash from financing activities	<u>2,828,859</u>	<u>(204,218)</u>	<u>2,624,641</u>
Change in cash and cash equivalents	(1,583,975)	9,339,065	7,755,090
Cash and cash equivalents, beginning of year	4,924,965	212,189	5,137,154
Cash and cash equivalents, end of year	<u>\$ 3,340,990</u>	<u>\$ 9,551,254</u>	<u>\$ 12,892,244</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ 1,293</u>	<u>\$ 1,293</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 FINANCIAL POSITION (SCHEDULE 4)

SEPTEMBER 30, 2020 (WITH COMPARATIVE FINANCIAL INFORMATION FOR 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,340,990	\$ 4,924,965
Receivables:		
Accounts receivable	306,350	550,064
Pledges receivable, net	121,688	593,666
Due from Foundation	24,779	615,629
Grants receivable	982,067	476,984
	<u>1,434,884</u>	<u>2,236,343</u>
Inventory	<u>137,400</u>	<u>103,656</u>
Other current assets	<u>421,469</u>	<u>1,142,300</u>
Total Current Assets	5,334,743	8,407,264
Noncurrent assets:		
Endowment investments	2,760,000	2,760,000
Investments	6,689,866	5,660,609
Other long-term investments	958,458	948,282
Beneficial interest in assets held by Community Foundation	28,794	28,806
Furniture, equipment, and leasehold improvements, net	16,592,056	16,567,225
Fine art collection	207,990	207,990
Other long term assets	51,651	44,869
Total Assets	<u><u>\$ 32,623,558</u></u>	<u><u>\$ 34,625,045</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,058,560	\$ 2,520,040
Due to Foundation	50,000	1,000
Deferred revenue – ticket sales	6,124,173	8,629,676
Deferred revenue – other	1,410,878	2,251,309
Debt	404,123	-
Noncurrent Liabilities:		
Debt	<u>2,424,736</u>	<u>-</u>
Total Liabilities	<u>12,472,470</u>	<u>13,402,025</u>
Net Assets:		
Without Donor Restrictions:		
Operations	(373,233)	390,691
Furniture, equipment, and leasehold improvements	16,592,056	16,567,225
Board designated	287,288	1,290,324
	<u>16,506,111</u>	<u>18,248,240</u>
With Donor Restrictions	<u>3,644,977</u>	<u>2,974,780</u>
Total Net Assets	<u>20,151,088</u>	<u>21,223,020</u>
Total Liabilities and Net Assets	<u><u>\$ 32,623,558</u></u>	<u><u>\$ 34,625,045</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, 2020 (WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Other Support:				
Ticket sales	\$ 9,440,068	\$ -	\$ 9,440,068	\$ 28,873,709
Rent	274,337	-	274,337	540,207
Box office fees	1,518,491	-	1,518,491	4,461,875
Education program tuition, event sales, and fees	1,745,120	-	1,745,120	3,141,058
Concessions	2,281,583	-	2,281,583	4,554,058
Investment return	795,005	45,283	840,288	477,575
Change in beneficial interest	(12)	-	(12)	(637)
Community support	4,948,230	632,297	5,580,527	6,260,036
Service fee income	1,881,546	-	1,881,546	1,961,610
Government funding and grants:				
Annual operating and program support	1,138,931	-	1,138,931	1,273,927
Capital and construction support	735,094	-	735,094	502,000
Net assets released from purpose restrictions	7,383	(7,383)	-	-
Total Revenue and Other Support	<u>24,765,776</u>	<u>670,197</u>	<u>25,435,973</u>	<u>52,045,418</u>
Expenses:				
Program and Essential Services:				
Production costs	10,012,257	-	10,012,257	25,381,884
Education	2,672,720	-	2,672,720	3,696,624
Operating costs	9,126,042	-	9,126,042	11,045,592
Marketing and public information	2,520,584	-	2,520,584	3,829,360
Total Program and Essential Services	<u>24,331,603</u>	<u>-</u>	<u>24,331,603</u>	<u>43,953,460</u>
Support Services:				
General and administrative	4,108,033	-	4,108,033	4,647,277
Fundraising	1,164,038	-	1,164,038	1,359,623
Total Support Services	<u>5,272,071</u>	<u>-</u>	<u>5,272,071</u>	<u>6,006,900</u>
Total Expenses	<u>29,603,674</u>	<u>-</u>	<u>29,603,674</u>	<u>49,960,360</u>
Foundation distributed endowment support for the Straz Center	3,095,769	-	3,095,769	1,599,244
Change in net assets	(1,742,129)	670,197	(1,071,932)	3,684,302
Net asset, beginning of year	18,248,240	2,974,780	21,223,020	17,538,718
Net assets, end of year	<u>\$ 16,506,111</u>	<u>\$ 3,644,977</u>	<u>\$ 20,151,088</u>	<u>\$ 21,223,020</u>