ORLANDO SHAKESPEARE THEATER, INC.
Financial Statements
May 31, 2019 and 2018
With Independent Auditors' Report

Orlando Shakespeare Theater, Inc.
May 31, 2019 and 2018

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withum
ADVISORY TAX AUDIT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Orlando Shakespeare Theater, Inc.:

We have audited the accompanying financial statements of Orlando Shakespeare Theater, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orlando Shakespeare Theater, Inc. as of May 31, 2019 and 2018, 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.

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Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2019 the Organization adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

WithumSmith+Brown, PC

November 20, 2019

Orlando Shakespeare Theater, Inc.
Statements of Financial Position
May 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 1,146,377	$ 1,027,145
Investments	937,075	941,124
Accounts receivable	220,980	202,698
Inventory	37,702	23,503
Prepaid expenses	193,558	193,280
Other assets	16,495	15,786
Interest in building lease, net	1,509,808	1,648,111
Property and equipment, net	1,502,979	1,652,679
Cash and cash equivalents designated by the Board of Directors for long-term purposes	101,261	100,258
Total assets	$ 5,666,235	$ 5,804,584
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 44,165	$ 35,834
Deferred support and revenue	812,669	768,843
Total liabilities	856,834	804,677
Net assets		
Without donor restrictions	2,381,613	2,410,673
With donor restrictions	2,427,788	2,589,234
Total net assets	4,809,401	4,999,907
Total liabilities and net assets	$ 5,666,235	$ 5,804,584

The Notes to Financial Statements are an integral part of these statements.

Orlando Shakespeare Theater, Inc.
Statements of Activities
Years Ended May 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
United Arts of Central Florida			
Designated gifts	$ 398,618	$ --	$ 398,618
Allocation	160,700	--	160,700
Total United Arts of Central Florida	559,318	--	559,318
Donated materials and services	269,440	--	269,440
Fundraising events	336,199	--	336,199
Corporations, foundations, and individuals	402,725	--	402,725
Corporate sponsorships	200,400	--	200,400
University of Central Florida	165,000	--	165,000
Government support	180,717	--	180,717
Net assets released from restrictions	157,397	(157,397)	--
Total support	2,271,196	(157,397)	2,113,799
Revenue			
Theater admissions	1,694,817	--	1,694,817
Rental income	184,645	--	184,645
Education income	109,522	--	109,522
Interest and investment income (loss)	10,083	(4,049)	6,034
Other production income	1,329	--	1,329
Total revenue	2,000,396	(4,049)	1,996,347
Total support and revenue	4,271,592	(161,446)	4,110,146
Expenses			
Program services	3,294,034	--	3,294,034
Supporting services			
General and administrative	431,476	--	431,476
Fundraising events	267,060	--	267,060
Total expenses before depreciation and amortization	3,992,570	--	3,992,570
Change in net assets before depreciation and amortization	279,022	(161,446)	117,576
Depreciation and amortization	(308,082)	--	(308,082)
Change in net assets	(29,060)	(161,446)	(190,506)
Net assets			
Beginning of year	2,410,673	2,589,234	4,999,907
End of year	$ 2,381,613	$ 2,427,788	$ 4,809,401

The Notes to Financial Statements are an integral part of these statements.

Orlando Shakespeare Theater, Inc.
Statements of Activities
Years Ended May 31, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
United Arts of Central Florida			
Designated gifts	$ 408,815	$ --	$ 408,815
Allocation	157,500	--	157,500
Total United Arts of Central Florida	566,315	--	566,315
Donated materials and services	275,856	--	275,856
Fundraising events	303,493	--	303,493
Corporations, foundations, and individuals	445,667	--	445,667
Corporate sponsorships	165,900	--	165,900
University of Central Florida	165,000	--	165,000
Government support	243,743	--	243,743
Net assets released from restrictions	158,279	(158,279)	--
Total support	2,324,253	(158,279)	2,165,974
Revenue			
Theater admissions	1,441,649	--	1,441,649
Rental income	197,953	--	197,953
Education income	113,058	--	113,058
Interest and investment income	8,420	72,299	80,719
Total revenue	1,761,080	72,299	1,833,379
Total support and revenue	4,085,333	(85,980)	3,999,353
Expenses			
Program services	3,156,671	--	3,156,671
Supporting services			
General and administrative	432,571	--	432,571
Fundraising events	238,856	--	238,856
Total expenses before depreciation and amortization	3,828,098	--	3,828,098
Change in net assets before depreciation and amortization	257,235	(85,980)	171,255
Depreciation and amortization	(306,814)	--	(306,814)
Change in net assets	(49,579)	(85,980)	(135,559)
Net assets			
Beginning of year	2,460,252	2,675,214	5,135,466
End of year	$ 2,410,673	$ 2,589,234	$ 4,999,907

The Notes to Financial Statements are an integral part of these statements.

Orlando Shakespeare Theater, Inc.
Statements of Functional Expenses
Years Ended May 31, 2019 and 2018

	2019			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 1,747,228	$ 234,219	$ 131,395	$ 2,112,842
Production expenses	594,264	160	26	594,450
Donated professional services	229,199	--	--	229,199
Printing and advertising	155,426	916	3,489	159,831
Fundraising expenses	5,478	--	110,083	115,561
Payroll taxes	100,128	15,629	8,216	123,973
Employee benefits	173,333	19,009	8,432	200,774
Donated materials	40,902	--	--	40,902
Insurance	45,406	26,939	401	72,746
Supplies	9,401	23,099	881	33,381
Repairs and maintenance	1,163	24,322	285	25,770
Travel and entertainment	41,542	23	--	41,565
Postage and shipping	19,395	2,039	1,236	22,670
Professional services	5,620	12,680	--	18,300
Utilities	105,138	19,955	--	125,093
Telephone	2,481	8,036	--	10,517
Miscellaneous expenses	17,930	17,775	616	36,321
Bad debt expense	--	--	2,000	2,000
Leasing expense	--	26,675	--	26,675
Total expenses	$ 3,294,034	$ 431,476	$ 267,060	$ 3,992,570

Continued

The Notes to Financial Statements are an integral part of these statements.

Orlando Shakespeare Theater, Inc.
Statements of Functional Expenses
Years Ended May 31, 2019 and 2018

	2018			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 1,680,472	$ 243,709	$ 135,386	$ 2,059,567
Production expenses	484,808	431	49	485,288
Donated professional services	221,331	--	--	221,331
Printing and advertising	244,667	473	3,226	248,366
Fundraising expenses	6,992	--	79,747	86,739
Payroll taxes	97,924	17,453	9,958	125,335
Employee benefits	155,229	20,825	9,029	185,083
Donated materials	54,525	--	--	54,525
Insurance	42,018	29,001	512	71,531
Supplies	9,417	22,610	93	32,120
Repairs and maintenance	--	31,046	--	31,046
Travel and entertainment	33,127	144	--	33,271
Postage and shipping	15,885	--	420	16,305
Professional services	--	13,430	350	13,780
Utilities	90,094	28,799	--	118,893
Telephone	2,918	7,470	--	10,388
Miscellaneous expenses	14,288	3,552	86	17,926
Bad debt expense	--	3,703	--	3,703
Leasing expense	2,976	9,925	--	12,901
Total expenses	$ 3,156,671	$ 432,571	$ 238,856	$ 3,828,098

The Notes to Financial Statements are an integral part of these statements.

Orlando Shakespeare Theater, Inc.
Statements of Cash Flows
Years Ended May 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (190,506)	$ (135,559)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	308,082	306,814
Gain from investments	(3,050)	(76,880)
Increase (decrease) in cash due to changes in		
Accounts receivable	(18,282)	(20,139)
Inventory	(14,199)	(7,950)
Prepaid expenses	(278)	(233)
Other current assets	(709)	(15,362)
Accounts payable and accrued expenses	8,331	(6,666)
Deferred support and revenue	43,826	21,467
Net cash provided by operating activities	133,215	65,492
Cash flows from investing activities		
Change in money market	3,284	23,996
Purchases of long-term investments	(68,007)	(36,034)
Proceeds from sale of investments	71,822	69,330
Purchases of property and equipment	(20,079)	(46,720)
Net cash (used in) provided by investing activities	(12,980)	10,572
Increase in cash and cash equivalents	120,235	76,064
Cash and cash equivalents		
Beginning of year	1,127,403	1,051,339
End of year	$ 1,247,638	$ 1,127,403
Cash and cash equivalents		
Cash and cash equivalents	$ 1,146,377	$ 1,027,145
Cash and cash equivalents designated by Board of Directors for long-term purposes	101,261	100,258
Total cash and cash equivalents	$ 1,247,638	$ 1,127,403

The Notes to Financial Statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Orlando Shakespeare Theater, Inc. (the "Organization") is a not-for-profit corporation that produces and presents theatrical performances and related educational programs. These performances and programs are funded through individual and corporate donations, governmental support, and ticket sales. The Organization includes volunteers known as the Orlando Shakespeare Festival Guild (the "Guild"). They organize fundraising events for the benefit of the Organization. The operations of the Guild are included as a component of fundraising revenue and expense in the statements of activities.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. According to GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. 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 stipulations. These assets may, however, be subject to Board designation.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net asset permanently, generally permitting all or part of the income earned on related investments for general or specific purposes, or be met either by the completion of a stipulated action and/or the passage of time.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Accounts Receivable

Accounts receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on various factors, including aging and the nature of particular accounts. Management has determined that no allowance for doubtful accounts is necessary at May 31, 2019 or 2018. Accounts receivable are written off as a charge to the allowance for doubtful accounts when, in management's estimation, it is probable that the receivable is worthless.

Inventory

Inventory held in the Guild gift shop on the premises of the Organization is stated at the lower of cost or net realizable value. Cost is determined using the weighted average cost method.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their estimated net realizable value. Unconditional promises to give due after one year are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years over which the promises are to be received.

Property and Equipment

Property and equipment consists of production and office equipment, vehicles, and leasehold improvements. Property and equipment in excess of $250 is capitalized and recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for production and office equipment and vehicles and the remaining term of the lease for leasehold improvements.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are recorded as an increase in net assets without donor restrictions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Deferred Support and Revenue

Season ticket sales received during the year for the following season are recorded as deferred revenue on the accompanying statements of financial position. The deferred revenue is recognized in the following year as the season progresses.

Income Taxes

The Organization is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business. At May 31, 2019 and 2018, the Organization did not incur any income tax liabilities from unrelated business income.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Organization in its tax returns. The Organization’s status as a tax-exempt entity is defined as a tax position. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Organization in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Organization has any material uncertain tax positions at May 31, 2019 and 2018. In the event interest and penalties were due relating to an unsustainable tax position, they would be treated as a component of income tax expense.

Advertising

Advertising consists primarily of television, newspaper, magazine, and billboard advertisements. All costs are expensed as incurred. Advertising expense totaled $159,831 and $248,366 for the years ended May 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The Organization's policy is to allocate indirect costs between various departments based on labor hours or square footage. Production expenses, professional services and materials are charged directly to the program. Salary and other related personnel expense allocations are based on an individual basis, based on the functions of each position and the time spent performing functions in a particular department. Depreciation, insurance, maintenance and repairs, facility related expense allocations and all other types of expenses are based on square footage of respective theatre facilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassification had no effect on changes in net assets.

Change in Accounting Principles

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016 the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted, requires a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as was the previous practice. In addition, the ASU eliminated the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities are required to relieve the donor's restrictions at the time the asset is placed in service. The ASU also changed the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Organization adopted ASU 2016-14 during the twelve months ended May 31, 2019.

A recapitulation of the net asset reclassification driven by the adoption of ASU 2016-14 as of May 31, 2018 follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	**With Donor Restrictions**	**Total Net Assets**
Net assets classifications			
As previously presented			
Unrestricted	$ 2,410,673	$ --	$ 2,410,673
Temporarily restricted	--	1,989,234	1,989,234
Permanently restricted	--	600,000	600,000
Net assets as previously presented	$ 2,410,673	$ 2,589,234	$ 4,999,907

Significant Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 “Revenue from Contracts with Customers (Topic 606)”, which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 (“ASC 606”). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Organization is currently evaluating the impact of adoption of ASC 606. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Subsequent Events

The Organization has evaluated subsequent events through November 20, 2019, the date which the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

2. INVESTMENTS

Investments at May 31, 2019, consist of the following:

	Cost	Fair Value
Exchange traded funds	$ 104,948	$ 138,361
Mutual funds	761,341	798,714
	$ 866,289	$ 937,075

Investments at May 31, 2018, consist of the following:

	Cost	Fair Value
Exchange traded funds	$ 87,047	$ 117,280
Mutual funds	737,954	823,844
	$ 825,001	$ 941,124

Investment gain for the years ended May 31, 2019 and 2018, consists of the following:

	2019	2018
Interest and dividends	$ 2,984	$ 3,839
Realized and unrealized gains (net)	3,050	76,880
Investment income	$ 6,034	$ 80,719

3. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820*, Fair Value Measurement and Disclosures,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 – Inputs to the valuation methodology include:

  - Quoted prices for similar assets or liabilities in active markets,
  - Quoted prices for identical or similar assets or liabilities in inactive markets,
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the Organization's own assumption in determining the fair value of investments).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value:

Exchange-traded funds: Valued at the closing price reported on the active market on which the individual funds trade.

Mutual funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of May 31, 2019 and 2018:

	2019	2018
Level 1		
Mutual funds		
Money market funds	$ 15,633	$ 18,358
Managed futures	22,828	22,127
Small cap funds	52,479	63,392
Large cap blend funds	18,968	21,443
Large growth funds	244,039	265,725
Real estate funds	45,449	40,370
Intermediate term bond funds	169,612	187,058
International equity funds	229,707	205,371
	798,715	823,844
Exchange traded funds		
Large growth funds	117,434	117,280
Intermediate term bond funds	20,926	--
	138,360	117,280
	$ 937,075	$ 941,124

4. CONDITIONAL PROMISES TO GIVE

At May 31, 2019, the United Arts of Central Florida ("United Arts") received $373,687 in donations designated for the Organization for fiscal year ending May 31, 2019. During the year ended May 31, 2019, $213,889 of these donations were paid to the Organization and are included in deferred support at May 31, 2019. The balance of donations, amounting to $159,798, will be paid to the Organization during the year ending May 31, 2020. The Organization believes this promise to give is conditional based on passage of time.

At May 31, 2018, the United Arts of Central Florida ("United Arts") received $353,480 in donations designated for the Organization for fiscal year ended May 31, 2019. During the year ended May 31, 2018, $171,417 of these donations were paid to the Organization and were included in deferred support at May 31, 2018. The balance of donations, amounting to $182,063, was paid to the Organization during the year ended May 31, 2019. The Organization believes this promise to give was conditional based on passage of time.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at May 31:

	2019	2018
Leasehold improvements	$ 3,766,162	$ 3,752,502
Production equipment	682,004	678,745
Office equipment	88,104	84,945
Vehicles	2,451	2,451
	4,538,721	4,518,643
Less accumulated depreciation	(3,035,742)	(2,865,964)
Total property and equipment, net	$ 1,502,979	$ 1,652,679

Depreciation expense for property and equipment totaled $169,779 and $168,511 for the years ended May 31, 2019 and 2018, respectively.

6. LINE OF CREDIT

The Organization maintains an unsecured line of credit with a bank for up to $70,000. The line of credit expires on May 13, 2020. Outstanding advances on the line are due on demand, with interest at the bank's prime rate (4.75% at May 31, 2019 and 2018) payable monthly. At May 31, 2019 and 2018, there was no outstanding balance on the line of credit.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at May 31, 2019 and 2018, held for various purpose restrictions and time restrictions, consist of the following:

	2019	2018
Interest in building lease	$ 1,509,808	$ 1,648,111
Investments held for purpose restrictions	209,923	211,294
Cultural endowment	600,000	600,000
Endowment earnings not appropriated for expenditures	108,057	129,829
	$ 2,427,788	$ 2,589,234

8. DONATED MATERIALS AND SERVICES

The value of donated facilities, materials, and services included in the accompanying statements of activities is as follows for the years ended May 31:

	2019	2018
Creative services (donated professional services)	$ 229,199	$ 221,331
Production and advertising (donated materials)	40,241	54,525
Total donated materials and services	$ 269,440	$ 275,856

9. LEASES

On August 1, 1999, the Organization entered into a building lease with the City of Orlando (the "City"). The lease is for a period of 30 years and calls for annual rent of $1. The Organization recorded the discounted present value of the City's contribution of the interest in the building lease at $4,149,100.

The interest in the building lease is being amortized over the term of the lease and is included as a component of depreciation and amortization expenses. The net balance of the interest in the building lease at May 31, 2019 and 2018, is included in net assets with donor restrictions in the accompanying statements of financial position as follows:

	2019	2018
Interest in building lease	$ 4,149,100	$ 4,149,100
Less accumulated amortization	(2,639,292)	(2,500,989)
Total interest in building lease, net	$ 1,509,808	$ 1,648,111

Amortization expense totaled $138,303 for each of the years ended May 31, 2019 and 2018.

The Organization entered into a sublease agreement with International Fringe Festival of Central Florida, Inc. (the "Sub-lessor") on October 1, 2015. The sublease is for a period of five years with an option to renew the term of the sublease for an additional five-year term and calls for annual rent based on the overhead costs of operating the building multiplied by the percentage of the building occupied by the Sub-lessor. The Organization recorded $36,769 and $40,112 in revenue from this sub-lease for the years ended May 31, 2019 and 2018, respectively.

10. CONCENTRATIONS

Support

The Organization is dependent upon the University of Central Florida ("UCF"), United Arts, and contributors to the Organization through United Arts for financial support of its operations. Funding from these sources totaled $724,318 and $731,315 for the years ended May 31, 2019 and 2018, respectively.

Cash and Cash Equivalents

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization places its cash with high credit quality financial institutions. At various times throughout fiscal year 2019, cash balances held at some financial institutions were in excess of federally insured limits of $250,000, or funds were invested in uninsured money market funds.

The Organization's uninsured cash balance was $593,822 and $463,486 at May 31, 2019 and 2018, respectively.

11. RETIREMENT PLANS

Single-Employer Plan

The Organization sponsors a 403(b) retirement plan into which employees may contribute a portion of their income on a pre-tax basis. The Organization paid $13,550 and $14,440 in contributions to the plan for the years ended May 31, 2019 and 2018, respectively.

Multiemployer Plan

The Organization also contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that covers the Organization's union represented employees. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects: a) assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers; b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and c) if a participating employer chooses to stop participating in some of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization is subject to a collective bargaining agreement with the Actors' Equity Association. The current collective bargaining agreement expires February 13, 2022. The agreement requires contributions to the Equity-League Pension Trust Fund (EIN / Plan Number 13-6696817 / 001) ("Pension Fund"). At the date these financial statements were issued, Forms 5500 were not available for the plan year ending May 31, 2019; therefore, some of the following information related to the multiemployer plan is based on information obtained from the May 31, 2018, Form 5500.

The Pension Fund is a defined-benefit plan that is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). As of May 31, 2018, the fair value of the Plan's assets exceeded the liabilities, with a funded percentage of 108.3%. Plan benefits are funded by contributions from multiple employers under the collective bargaining agreement, based on gross wages for participants. The employer contribution rate for each of the years ended May 31, 2019 and 2018, was 8% of gross wages. Organization contributions to the plan amounted to $23,758 and $22,110 for the years ended May 31, 2019 and 2018, respectively. The contributions for the year ended May 31, 2019 and 2018, were less than 5% of the total contributions made by all employers.

12. ENDOWMENT

The Organization's endowment consists of two individual funds established for different purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's cultural endowment fund was established for the purpose of raising $360,000 for the Organization. This is part of the Board designated endowment. On July 21, 2014, this was matched in part by the state of Florida in the amount of $240,000, with a condition of the continuation of the program. The action by the state to match has created a donor-restricted endowment, with an endowment totaling $600,000 in principal. The principal on this endowment will not be spent; however, income earned on the investment can be used to fund operations of the Organization.

Interpretation of Relevant Law

The Organization is subject to the Florida Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Endowment net asset composition by type of fund at May 31, 2019, includes:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ --	$ 708,057	$ 708,057
Board-designed endowment funds	101,261	--	101,261
Total funds	$ 101,261	$ 708,057	$ 809,318

Changes in endowment net assets for the year ended May 31, 2019, includes:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 1, 2018	$ 100,258	$ 729,829	$ 830,087
Investment income (loss)	1,003	(2,677)	(1,674)
Appropriation of endowment for expenditures	--	(19,095)	(19,095)
Endowment net assets, May 31, 2019	$ 101,261	$ 708,057	$ 809,318

Endowment net asset composition by type of fund at May 31, 2018, includes:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ --	$ 729,829	$ 729,829
Board-designed endowment funds	100,258	--	100,258
Total funds	$ 100,258	$ 729,829	$ 830,087

Changes in endowment net assets for the year ended May 31, 2018, includes:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 1, 2017	$ 100,258	$ 675,877	$ 776,135
Investment income	1,003	73,943	74,946
Appropriation of endowment for expenditures	(1,003)	(19,991)	(20,994)
Endowment net assets, May 31, 2018	$ 100,258	$ 729,829	$ 830,087

Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to preserve the fair value of the original gift as of the gift date of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is conservative and assumes a minimal level of investment risk. The Organization's goal is for its endowment fund to provide a rate of return over a market cycle (3 to 5 years) to exceed the rate of inflation (as measured by the Consumer Price Index) plus 5%.

Strategies Employed for Achieving Objectives
To satisfy its investment and rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on fixed asset-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization, at the discretion of the Board of Directors, appropriates funds to support the various programs only from the investment earnings of the endowment fund. The Organization has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Board of Directors did not appropriate any funds from underwater endowments due to not having any underwater endowment funds.

13. LITIGATION

The Organization is involved in litigation arising in the normal course of business. In the opinion of management, such matters will not have a material effect of the financial position of the Organization.

14. COMMITMENTS AND CONTINGENCIES

In December 2014, the Organization contracted with an outside vendor for the licensing and use of new point-of-sale software to be used in the Organization's operations. The Organization agreed to a five-year contract term beginning on June 1, 2015, and agreed to pay an annual licensing fee of $33,000 for the use of the software. As of May 31, 2018, the Organization has one year remaining on this contract.

15. LIQUIDITY AND AVAILABILTY OF FINANCIAL ASSETS

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 1,146,377
Investments	937,075
Accounts receivable	220,980
Cash and cash equivalents designated by the Board of Directors for long-term purposes	101,261
Total financial assets available within one year	2,405,693
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	(317,980)
Restricted by donors in perpetuity	(600,000)
Total amounts unavailable for general expenditures within one year	(917,980)
Amounts unavailable to management without Board's approval:	
Cash and cash equivalents designated by the Board of Directors for long-term purposes	(101,261)
Total amounts unavailable to management without Board's approval	(101,261)
Total Financial Assets available to management for general expenditures within one year	$ 1,386,452

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 6, the Organization has a committed line of credit of $70,000, which it could draw upon in the event of an unanticipated liquidity need.