

**The Orlando Philharmonic
Orchestra, Inc.**

**Consolidated Financial
Statements and
Supplementary Information**

**For the Years Ended
June 30, 2016 and 2015**

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
Orlando Philharmonic Orchestra, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Orlando Philharmonic Orchestra, Inc. and The Orlando Philharmonic Plaza Foundation, Inc. (nonprofit corporations), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity'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 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 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 consolidated financial position of Orlando Philharmonic Orchestra, Inc. and The Orlando Philharmonic Plaza Foundation, Inc. as of June 30, 2016 and 2015, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of State financial assistance, as required by the Department of Financial Services Rule 69I-5.003, Florida Administrative Code, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of Orlando Philharmonic Orchestra, Inc. and The Orlando Philharmonic Plaza Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orlando Philharmonic Orchestra, Inc. and The Orlando Philharmonic Plaza Foundation, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
December 21, 2016

The Orlando Philharmonic Orchestra, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS			
	Note(s)	2016	2015
Current Assets:			
Cash and equivalents	A,E	\$ 672,530	\$ 1,220,708
Restricted cash for Plaza Renovations		29,199	1,806,078
Accounts receivable		229,215	366,486
Prepaid expenses and other assets		<u>72,168</u>	<u>72,430</u>
Total current assets		<u>1,003,112</u>	<u>3,465,702</u>
Assets restricted for endowments:			
Restricted cash and equivalents		15,453	22,118
Investments	A,B,E	1,701,634	1,779,431
Beneficial interest in assets held by Central Florida Foundation, Inc.	B,C,E	<u>377,427</u>	<u>404,975</u>
Total unrestricted assets for endowments		<u>2,094,514</u>	<u>2,206,524</u>
Restricted cash and equivalents	A,E	63,463	79,650
Investments	A,B,E	929,785	964,150
Beneficial interest in trust fund	D,E	536,919	562,793
Beneficial interest in assets held by Central Florida Foundation, Inc.	B,C,E	<u>89,087</u>	<u>95,592</u>
Total assets permanently restricted for endowments		<u>1,619,254</u>	<u>1,702,185</u>
Total endowment assets		<u>3,713,768</u>	<u>3,908,709</u>
Property and equipment, net	A,G	<u>8,561,616</u>	<u>5,228,056</u>
Total assets		<u>\$ 13,278,496</u>	<u>\$ 12,602,467</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses		\$ 35,262	\$ 164,129
Deferred revenue	A	565,336	279,187
Note payable, current	I	<u>225,585</u>	<u>155,000</u>
Total current liabilities		826,183	598,316
Note payable, net of current portion	I	<u>2,886,711</u>	<u>2,932,083</u>
Total liabilities		<u>3,712,894</u>	<u>3,530,399</u>
Net Assets:			
Unrestricted net assets - Undesignated	A	7,093,899	4,792,799
Unrestricted net assets - Board Designated	A,J	572,907	622,907
Temporarily restricted net assets	A,L,M	157,245	1,888,936
Permanently restricted net assets	A,N	<u>1,741,551</u>	<u>1,767,426</u>
Total net assets		<u>9,565,602</u>	<u>9,072,068</u>
Total liabilities and net assets		<u>\$ 13,278,496</u>	<u>\$ 12,602,467</u>

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

The Orlando Philharmonic Orchestra, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2016

	Note(s)	Unrestricted Orchestra	Unrestricted Opera	Unrestricted Plaza	Unrestricted Building & Investments	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE									
Concert revenue	A	\$ 1,941,512	\$ -	\$ -	\$ -	\$ 1,941,512	\$ -	\$ -	\$ 1,941,512
Grant revenue	A	487,637	-	-	-	487,637	97,750	-	585,387
Contributions	A,K	1,049,917	-	-	-	1,049,917	8,000	-	1,057,917
Concessions and other income	A	246,177	-	-	-	246,177	-	-	246,177
Concert revenue - Opera		-	72,333	-	-	72,333	-	-	72,333
Contributions - Opera		-	111,730	-	-	111,730	-	-	111,730
Concessions and other income - Opera		-	8,340	-	-	8,340	-	-	8,340
Concert revenue - Plaza		-	-	1,222,441	-	1,222,441	-	-	1,222,441
Grant revenue - Plaza		-	-	-	500,000	500,000	-	-	500,000
Contributions - Plaza		-	-	-	264,941	264,941	50,345	-	315,286
Investment income (loss)	B	-	-	-	(26,467)	(26,467)	-	(25,875)	(52,342)
Net assets released from restrictions:									
Satisfaction of program restrictions	M	1,331	-	-	1,886,455	1,887,786	(1,887,786)	-	-
Total support and revenue		<u>3,726,574</u>	<u>192,403</u>	<u>1,222,441</u>	<u>2,624,929</u>	<u>7,766,347</u>	<u>(1,731,691)</u>	<u>(25,875)</u>	<u>6,008,781</u>
PROGRAM SERVICES									
Orchestra		3,426,356	-	-	-	3,426,356	-	-	3,426,356
Opera		-	188,655	-	-	188,655	-	-	188,655
Plaza		-	-	1,290,357	-	1,290,357	-	-	1,290,357
Total program services		<u>3,426,356</u>	<u>188,655</u>	<u>1,290,357</u>	<u>-</u>	<u>4,905,368</u>	<u>-</u>	<u>-</u>	<u>4,905,368</u>
Change in net assets before supporting services		<u>\$ 300,218</u>	<u>\$ 3,748</u>	<u>\$ (67,916)</u>	<u>\$ 2,624,929</u>	<u>2,860,979</u>	<u>(1,731,691)</u>	<u>(25,875)</u>	<u>1,103,413</u>
SUPPORTING ACTIVITIES									
Management and general						234,701	-	-	234,701
Fundraising						375,178	-	-	375,178
Total supporting activities						<u>609,879</u>	<u>-</u>	<u>-</u>	<u>609,879</u>
Change in net assets after supporting services*	O					2,251,100	(1,731,691)	(25,875)	493,534
Net assets at beginning of year						<u>5,415,706</u>	<u>1,888,936</u>	<u>1,767,426</u>	<u>9,072,068</u>
Net assets at end of year						<u>\$ 7,666,806</u>	<u>\$ 157,245</u>	<u>\$ 1,741,551</u>	<u>\$ 9,565,602</u>

* See Note O for reconciliation of changes in net assets to net operating income. Loss from operations for the year ended June 30, 2016 was \$255,119.

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

The Orlando Philharmonic Orchestra, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2015

	Note(s)	Unrestricted Orchestra	Unrestricted Opera	Unrestricted Plaza	Unrestricted Building & Investments	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE									
Concert revenue	A	\$ 1,698,904	\$ -	\$ -	\$ -	\$ 1,698,904	\$ -	\$ -	\$ 1,698,904
Grant revenue	A	598,619	-	-	-	598,619	-	-	598,619
Contributions	A,K	841,546	-	-	-	841,546	-	-	841,546
Concessions and other income	A	221,782	-	-	-	221,782	-	-	221,782
Concert revenue - Opera		-	94,527	-	-	94,527	-	-	94,527
Contributions - Opera		-	199,625	-	-	199,625	-	-	199,625
Concessions and other income - Opera		-	8,192	-	-	8,192	-	-	8,192
Concert revenue - Plaza		-	-	1,294,332	-	1,294,332	-	-	1,294,332
Contributions - Plaza		-	-	-	-	-	2,074,449	-	2,074,449
Investment income (loss)	B	-	-	-	49,042	49,042	-	(16,426)	32,616
Net assets released from restrictions:									
Satisfaction of program restrictions	M	34,500	-	40,860	482,096	557,456	(557,456)	-	-
Total support and revenue		3,395,351	302,344	1,335,192	531,138	5,564,025	1,516,993	(16,426)	7,064,592
PROGRAM SERVICES									
Orchestra		3,045,942	-	-	-	3,045,942	-	-	3,045,942
Opera		-	290,271	-	-	290,271	-	-	290,271
Plaza		-	-	1,241,100	-	1,241,100	-	-	1,241,100
Total program services		3,045,942	290,271	1,241,100	-	4,577,313	-	-	4,577,313
Change in net assets before supporting services		\$ 349,409	\$ 12,073	\$ 94,092	\$ 531,138	986,712	1,516,993	(16,426)	2,487,279
SUPPORTING ACTIVITIES									
Management and general						216,668	-	-	216,668
Fundraising						388,757	-	-	388,757
Total supporting activities						605,425	-	-	605,425
Change in net assets after supporting services *	O					381,287	1,516,993	(16,426)	1,881,854
Net assets at beginning of year						5,034,419	371,943	1,783,852	7,190,214
Net assets at end of year						<u>\$ 5,415,706</u>	<u>\$ 1,888,936</u>	<u>\$ 1,767,426</u>	<u>\$ 9,072,068</u>

* See Note O for reconciliation of changes in net assets to net operating income. Loss from operations for the year ended June 30, 2015 was \$15,838.

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

The Orlando Philharmonic Orchestra, Inc.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

(with summarized financial information for the year ended June 30, 2015)

Item of Expense	Program Services				Supporting Activities			Total Services 2016	Total Services 2015
	Orchestra	Opera	Plaza	Total	Management and General	Fundraising	Total		
Artist fees	\$ 1,497,075	\$ 90,497	\$ 149,396	\$ 1,736,968	\$ -	\$ -	\$ -	\$ 1,736,968	\$ 1,593,982
Wages and benefits	516,360	-	255,386	771,746	166,919	288,665	455,584	1,227,330	1,164,815
Concert costs	-	-	402,203	402,203	-	-	-	402,203	354,443
Production	183,869	53,934	156,388	394,191	1,190	105	1,295	395,486	444,969
Publicity	216,577	4,308	16,677	237,562	-	-	-	237,562	228,010
Education concerts - artist fees	191,149	-	-	191,149	-	-	-	191,149	160,500
Theatre expenses	169,295	-	-	169,295	-	-	-	169,295	181,299
Education concerts	96,733	-	-	96,733	9,990	-	9,990	106,723	84,203
Transportation and lodging	83,025	17,736	-	100,761	419	487	906	101,667	70,701
Accounting and payroll	16,907	-	45,029	61,936	8,474	21,883	30,357	92,293	69,232
Postage	30,934	8,286	43,582	82,802	-	4,629	4,629	87,431	105,660
Crew	64,981	-	-	64,981	-	-	-	64,981	57,759
Other	20,000	-	-	20,000	6,587	33,669	40,256	60,256	59,239
Community concerts - artist fees	56,679	-	-	56,679	-	-	-	56,679	65,654
Office supplies	14,471	-	22,569	37,040	6,961	10,006	16,967	54,007	45,936
Music	53,091	-	-	53,091	-	-	-	53,091	37,166
Charge card fee	32,132	-	12,533	44,665	-	3,570	3,570	48,235	30,515
Community concerts	26,318	-	-	26,318	-	-	-	26,318	17,620
Audio visual and staging	23,447	-	-	23,447	-	-	-	23,447	6,868
Recording	9,712	-	-	9,712	-	-	-	9,712	15,839
Dues	-	-	-	-	6,899	-	6,899	6,899	5,568
Legal	-	-	-	-	-	-	-	-	2,627
Consulting	-	-	-	-	-	-	-	-	21,600
Total before allocated overhead	3,302,755	174,761	1,103,763	4,581,279	207,439	363,014	570,453	5,151,732	4,824,205
Depreciation	7,722	-	94,935	102,657	4,609	-	4,609	107,266	115,270
Insurance	44,979	-	25,275	70,254	15,895	4,763	20,658	90,912	62,869
Interest	23,139	4,958	23,690	51,787	1,653	1,653	3,306	55,093	46,526
Utilities	22,741	4,873	23,281	50,895	1,624	1,624	3,248	54,143	45,642
Repairs and maintenance	17,072	3,658	17,478	38,208	1,219	1,219	2,438	40,646	22,867
Rent	6,058	-	-	6,058	2,127	2,770	4,897	10,955	61,763
Property taxes	1,890	405	1,935	4,230	135	135	270	4,500	3,596
Total	\$ 3,426,356	\$ 188,655	\$ 1,290,357	\$ 4,905,368	\$ 234,701	\$ 375,178	\$ 609,879	\$ 5,515,247	\$ 5,182,738

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

The Orlando Philharmonic Orchestra, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 493,534	\$ 1,881,854
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	107,266	115,270
Net realized and unrealized (gain) loss on investments	105,569	101,398
Decrease (increase) in accounts receivable	137,271	(70,283)
Decrease in prepaid expenses and other assets	262	17,951
Decrease in beneficial interest in assets held by Central Florida Foundation, Inc.	34,053	25,032
Increase (decrease) in accounts payable and accrued expenses	(128,867)	38,057
Increase (decrease) in deferred revenue	<u>286,149</u>	<u>(385,028)</u>
Net cash provided by operating activities	<u>1,035,237</u>	<u>1,724,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(471,024)	(224,890)
Proceeds from sale of investments	503,491	296,512
Purchase of property and equipment	(3,440,826)	(577,784)
Increase in restricted cash and cash equivalents	<u>16,187</u>	<u>(42,181)</u>
Net cash used for investing activities	<u>(3,392,172)</u>	<u>(548,343)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(191,042)	(12,917)
Proceeds from note payable	<u>216,255</u>	<u>380,000</u>
Net cash provided by financing activities	<u>25,213</u>	<u>367,083</u>
Change in cash and cash equivalents	(2,331,722)	1,542,991
Cash and cash equivalents, beginning of year	<u>3,048,904</u>	<u>1,505,913</u>
Cash and cash equivalents, end of year	<u>\$ 717,182</u>	<u>\$ 3,048,904</u>
Supplemental Disclosures:		
Cash paid for Interest	<u>\$ 55,093</u>	<u>\$ 46,525</u>

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

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Orlando Philharmonic Orchestra, Inc. (the “Organization”) is a not-for-profit corporation organized for the purpose of providing educational and cultural enrichment for the Central Florida community through production of instrumental and choral ensemble programs. The Organization was formerly known as Music Orlando, Inc.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and The Orlando Philharmonic Plaza Foundation, Inc. (the “Foundation”), a not-for-profit corporation, formed in July 2013 to acquire The Plaza Theater. The Organization appoints board members of the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

3. Basis of Accounting

The Organization reports information regarding its financial position and activities according to three classes of net assets. A description of the three net asset categories follows:

- Unrestricted – Net assets not subject to donor-imposed stipulations or contributions whose restrictions are met in the same reporting period.
- Temporarily restricted – Cash and other assets if they are received with donor or grantor stipulations that limit their use. When a donor or grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “Net assets released from restrictions.”
- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

4. Contributions

Unconditional promises to give are recorded when received. Unconditional promises to give expected to be received in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give expected to be received in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value. Significant contributions are received through grants from United Arts of Central Florida.

The Organization reports gifts of property as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Subscription Revenue

Subscriptions received for specific concert programs are recognized as revenue over the applicable period of the concerts. Funds relating to the unused portion of the subscription period are recorded as deferred revenue as of the Organization's fiscal year end.

6. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

7. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position.

The Organization follows accounting guidance relating to fair value measurements which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 -- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access as of the measurement date.

Level 2 -- inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 -- unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

The asset 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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements

The fair values of mutual funds, corporate bonds and government securities are based on quoted market prices.

Level 3 Fair Value Measurements

The Organization's Level 3 investments consists of mutual funds held by the Central Florida Foundation, Inc. and given the absence of market quotations, their fair value is based on the net asset value as reported by the investment managers.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Investments (continued)

Gains and losses on investments are reported in the statements of activity as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Dividends, interest, and other investment income are reported in the period earned as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in temporarily restricted net assets or permanently restricted net assets, depending on the type of restriction.

8. Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Donated equipment is stated at its estimated fair market value at the donation date. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of property and equipment is provided using straight-line methods over the items related useful lives. These amounts, in the opinion of management, are adequate to allocate on a systematic basis the cost of such properties over their estimated periods of expected use. Estimated useful lives of property and equipment are as follows:

	<u>Years</u>
Computer equipment	3-5
Rehearsal and performance equipment	10
Office equipment	5-10
Leasehold improvements	10-14
Music	10
Building	39
Facility and production equipment	5-10

9. Income Taxes

The Organization is operated as a not-for-profit organization and is recognized as exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code.

The Organization follows guidance relating to accounting for uncertainty in income taxes. Management has analyzed the Organization's various federal and state filing positions, and believes that its income tax filing positions and deductions are well documented and supported, and that no accrual for tax liabilities are necessary. Therefore, no reserves for uncertain tax positions have been recorded. The Organization remains subject to examinations by the IRS for the years ended June 30, 2013 through June 30, 2016.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Concentration of Credit Risk

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist principally of cash. The Organization maintains its bank cash balances in financial institutions which are insured up to \$250,000 per institution. Cash equivalent amounts deposited in money market accounts held in brokerage accounts are not insured by the FDIC. At June 30, 2016 and 2015, balances not insured by the FDIC were \$11,107 and \$2,048,324, respectively. The Organization has never experienced any losses in such accounts.

11. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on December 21, 2016.

During the year ended June 30, 2016, the Organization advanced \$400,000 of unrestricted cash to the Foundation for the theater building improvements. In addition, subsequent to June 30, 2016, an additional \$525,000 of unrestricted assets were advanced to the Foundation for theater building improvements. It is the intent of the Foundation to obtain sufficient contributions to repay the advances to the Organization.

12. Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial position and affect income and expense for the periods presented. Actual results could differ significantly from those estimates.

13. Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is designed to help not-for-profits tell their stories through their financial statements. Not-for-profit financial statements have been prepared under the FASB's current guidance since 1993. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources—and the changes in those resources—to donors, grantors, creditors, and other financial statement users. Specifically, ASU 2016 -14 decreases the number of net asset classes from three to two, requires disclosure of qualitative information on liquid resources and liquidity risks for meeting cash needs for general expenses within one year, requires reporting and analysis of expenses by function and nature, and enhances reporting and disclosures about underwater endowments. The new net asset classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. The standard will take effect for annual financial statements issued for fiscal years beginning after Dec. 15, 2017, and early application of the standard is permitted. The Organization is currently assessing the impact the new standard will have on its financial statements.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued Accounting Standards update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's accounting. The guidance also eliminates today's real estate specific provisions for all entities. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the potential effects ASU 2016-02 will have on its financial statements.

NOTE B – INVESTMENTS

Investments as of June 30, 2016 and 2015, consist of the following:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
June 30, 2016:			
Mutual funds	\$ 2,272,864	\$ 235,618	\$ 2,508,482
Corporate bonds	628,192	8,963	637,155
Government securities	13,965	8,736	22,701
Assets held by Central Florida Foundation, Inc.	<u>542,545</u>	<u>(76,031)</u>	<u>466,514</u>
Total investments	<u>\$ 3,457,566</u>	<u>\$ 177,286</u>	<u>\$ 3,634,852</u>
June 30, 2015:			
Mutual funds	\$ 2,356,473	\$ 299,734	\$ 2,656,207
Corporate bonds	620,702	2,893	623,595
Government securities	17,622	8,951	26,573
Assets held by Central Florida Foundation, Inc.	<u>553,095</u>	<u>(52,528)</u>	<u>500,567</u>
Total investments	<u>\$ 3,547,892</u>	<u>\$ 259,050</u>	<u>\$ 3,806,942</u>

At June 30, 2016 and 2015, the amount recorded for permanently restricted net assets exceeded the fair value of the related investments by \$122,297 and \$65,241, respectively, due to unrealized losses.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE B – INVESTMENTS (continued)

Investment income consists of the following for the years ending:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2016:			
Dividends and interest income	\$ 118,710	\$ -	\$ 118,710
Net realized and unrealized loss on investments	<u>(145,177)</u>	<u>(25,875)</u>	<u>(171,052)</u>
	<u>\$ (26,467)</u>	<u>\$ (25,875)</u>	<u>\$ (52,342)</u>
June 30, 2015:			
Dividends and interest income	\$ 134,013	\$ -	\$ 134,013
Net realized and unrealized loss on investments	<u>(84,971)</u>	<u>(16,426)</u>	<u>(101,397)</u>
	<u>\$ 49,042</u>	<u>\$ (16,426)</u>	<u>\$ 32,616</u>

NOTE C – BENEFICIAL INTEREST IN ASSETS HELD BY CENTRAL FLORIDA FOUNDATION, INC.

The Organization has transferred certain investments to The Central Florida Foundation, Inc. (“Community Foundation”) to be held and managed for the benefit of the Organization. The Organization has granted variance power to the Community Foundation and, therefore, has given up ownership interest in the investments transferred. Terms of the management and related endowment agreements stipulate that the Community Foundation will distribute income from these investments to the Organization annually.

NOTE D – BENEFICIAL INTEREST IN TRUST FUND

Beneficial interest in trust fund represents the Organization’s interest in The Florida Symphony Orchestra Endowment Trust Fund (“FSO Trust”). The FSO Trust was established in 1984 to benefit The Florida Symphony Orchestra, Inc. The Florida Symphony Orchestra, Inc. ceased operation in 1997 and, in accordance with the trust document, The Orlando Philharmonic Orchestra, Inc. was designated as the replacement beneficiary of the FSO Trust.

As beneficiary, the Organization is entitled to receive the income of the FSO Trust on an annual basis, subject to approval of the trustees. Undistributed income or loss becomes part of the principal of the FSO Trust. The trustees may elect to distribute principal in order to further the general nature, objectives and purposes of the Organization; however, the trustees shall not distribute principal to the Organization to fund operating expenses or operating deficits.

In addition, the change in fair market value of FSO Trust assets is included as investment income or loss. The Organization recorded net losses of \$25,875 and net losses of \$16,426 during the years ended June 30, 2016 and 2015, respectively, related to this change in fair market value.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE E – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets carried at fair value as of June 30, 2016 and 2015:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2016:			
Assets:			
Money market mutual funds	\$ 339,719	\$ -	\$ 339,719
Stock mutual funds	2,508,482	-	2,508,482
Corporate bonds	637,155	-	637,155
Assets held by Central Florida Foundation, Inc.	-	466,514	466,514
Government securities	<u>22,701</u>	<u>-</u>	<u>22,701</u>
Total investment assets at fair value	<u>\$ 3,508,057</u>	<u>\$ 466,514</u>	<u>\$ 3,974,571</u>

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2015:			
Assets:			
Money market mutual funds	\$ 839,434	\$ -	\$ 839,434
Stock mutual funds	2,656,207	-	2,656,207
Corporate bonds	623,595	-	623,595
Assets held by Central Florida Foundation, Inc.	-	500,567	500,567
Government securities	<u>26,573</u>	<u>-</u>	<u>26,573</u>
Total investment assets at fair value	<u>\$ 4,145,809</u>	<u>\$ 500,567</u>	<u>\$ 4,646,376</u>

The following table presents changes in the Organization’s Level 3 investment assets measured at fair value on a recurring basis for the year ending June 30:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 500,567	\$ 525,598
Unrealized loss	(23,503)	(52,528)
Additions and withdrawals, net	(18,574)	(19,325)
Interest, dividends, realized gains (losses), fees, net	<u>8,024</u>	<u>46,822</u>
Balance, end of year	<u>\$ 466,514</u>	<u>\$ 500,567</u>

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE F – INVESTMENTS – ENDOWMENTS

The Organization's endowment consists of 13 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowment funds. As required by generally accepted accounting principles, 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 Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("MIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MIFA. In accordance with MIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible.

Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to maintain endowment balances annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE F – INVESTMENTS – ENDOWMENTS (continued)

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,619,254	\$ 1,619,254
Other endowment funds	<u>2,094,514</u>	<u>-</u>	<u>-</u>	<u>2,094,514</u>
Total funds	<u>\$ 2,094,514</u>	<u>\$ -</u>	<u>\$ 1,619,254</u>	<u>\$ 3,713,768</u>

Changes in endowment net assets as of June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2,206,524	\$ -	\$ 1,702,185	\$ 3,908,709
Withdrawals and fees to operations	(85,543)	-	(57,056)	(142,599)
Net depreciation	<u>(26,467)</u>	<u>-</u>	<u>(25,875)</u>	<u>(52,342)</u>
Endowment net assets, end of year	<u>\$ 2,094,514</u>	<u>\$ -</u>	<u>\$ 1,619,254</u>	<u>\$ 3,713,768</u>

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,702,185	\$ 1,702,185
Other endowment funds	<u>2,206,524</u>	<u>-</u>	<u>-</u>	<u>2,206,524</u>
Total funds	<u>\$ 2,206,524</u>	<u>\$ -</u>	<u>\$ 1,702,185</u>	<u>\$ 3,908,709</u>

Changes in endowment net assets as of June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2,306,600	\$ -	\$ 1,742,597	\$ 4,049,197
Withdrawals and fees to operations	(149,118)	-	(23,986)	(173,104)
Net appreciation (depreciation)	<u>49,042</u>	<u>-</u>	<u>(16,426)</u>	<u>32,616</u>
Endowment net assets, end of year	<u>\$ 2,206,524</u>	<u>\$ -</u>	<u>\$ 1,702,185</u>	<u>\$ 3,908,709</u>

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment at June 30 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 57,715	\$ 57,715
Rehearsal and performance equipment	75,253	75,253
Office equipment	31,428	31,428
Leasehold improvements	443,618	443,618
Music	22,360	22,360
Theater building	5,677,399	2,460,313
Land	2,490,000	2,490,000
Facility equipment	96,518	96,518
Production equipment	<u>484,236</u>	<u>260,496</u>
	9,378,527	5,937,701
Less: accumulated depreciation	<u>(816,911)</u>	<u>(709,645)</u>
	<u>\$ 8,561,616</u>	<u>\$ 5,228,056</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015, totaled \$107,266 and \$115,270, respectively. As part of the theater building purchase, the Foundation has a reciprocal easement with the adjacent shopping center providing access to additional parking.

NOTE H – CONDITIONAL PROMISES TO GIVE

The Organization has been named as beneficiary of certain wills and endowments which are under the control of The Central Florida Foundation, Inc. These agreements represent conditional promises to give since contributions will pass to the Organization when certain conditions are met. The aggregate value of these conditional promises to give totaled approximately \$410,000 at June 30, 2016 and 2015. They are not included in the accompanying financial statements.

NOTE I – NOTE PAYABLE

The Foundation obtained a note payable from Bank of America to finance the purchase of the Plaza Theater. The maximum amount available under the note is \$3,100,000. On August 6, 2013, the Foundation utilized \$2,720,000 to purchase the Plaza Theater. On April 30, 2015, the Foundation drew an additional \$380,000 against the note payable. Payments were interest only until June 2015, then became based on a 20 - year amortization with monthly principal payments of \$12,917 plus interest at Libor plus 1.5%, (1.935% at June 30, 2016) adjusted monthly. Any outstanding amounts are due August 6, 2023.

On December 16, 2015 the Organization obtained a note payable from Wells Fargo Bank with an initial principal balance of \$216,255 to finance the purchase of certain theater equipment. The note calls for 36 monthly principal and interest payments of \$6,394. Interest accrues on the note at an annual rate of 4.1%.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE I – NOTE PAYABLE (continued)

Aggregate principal maturities for the five years succeeding June 30, 2016, and thereafter are estimated as follows:

2017	\$ 225,585
2018	228,534
2019	191,093
2020	155,000
2021	155,000
Thereafter	<u>2,157,084</u>
Total	<u>\$ 3,112,296</u>

NOTE J – BOARD DESIGNATED ENDOWMENT

The Orlando Philharmonic Orchestra Endowment Fund was established in fiscal 1999. This fund is augmented annually, and income may be used for operating purposes. This fund was established by designation of the Board of Directors and is classified in the accompanying balance sheets and statements of activities as unrestricted. As of June 30, 2016 and 2015, the Fund had an endowment balance of \$572,907 and \$622,907, respectively, and the related asset balances were \$515,263 and \$544,721 respectively.

NOTE K – CONTRIBUTED SERVICES AND PROPERTY

The Organization has received certain printing, services, and property at no charge in support of its musical programs. The estimated fair value of these services is included as revenue with concessions and other income and as expenses or property and equipment in the accompanying financial statements. Revenue and expense recognized for contributed services during the years ended June 30, 2016 and 2015 totaled \$193,027 and \$180,327, respectively.

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE L – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as at June 30 consist of the following:

	<u>2016</u>	<u>2015</u>
Library Fund, established in fiscal 2004 to assist in the acquisition of music for the library.	\$ -	\$ 261
Summer Rand Fund, established in fiscal 2004 to assist in the acquisition of orchestra equipment.	-	266
Overture Fund, established in fiscal 2012 to assist with activities organized by the Overture Group.	-	804
Gifts received for the renovation of the Plaza	50,345	1,886,455
DPAC Fund	100	100
Education Program	9,050	1,050
Grants for subsequent fiscal year expenses	<u>97,750</u>	<u>-</u>
	<u>\$ 157,245</u>	<u>\$ 1,888,936</u>

NOTE M – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors for the years ending June 30 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Plaza Gifts	\$ 1,886,455	\$ 522,956
Library Fund	261	-
Summer Rand Fund	266	-
Overture Fund	804	-
Gifts for 2014-2015	<u>-</u>	<u>34,500</u>
	<u>\$ 1,887,786</u>	<u>\$ 557,456</u>

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE N – PERMANENTLY RESTRICTED NET ASSETS

Per donor stipulations, the Organization is authorized to use up to 5% of each individual endowment's original amount toward unrestricted operating expenses. The Organization drew \$145,901 and \$185,709 for the years ended June 30, 2016 and June 30, 2015, respectively.

Permanently restricted net assets at June 30 consist of the following:

	<u>2016</u>	<u>2015</u>
The Charlotte Juliet Hollander Endowment Fund, established during fiscal 1999 with proceeds from a trust. In accordance with the trust agreement, income from the endowment fund is designated to provide two annual concerts in Winter Park, Florida. Additional income in excess of the costs of these concerts may be used for general operating purposes.	\$ 797,432	\$ 797,432
Florida Symphony Orchestra Endowment Trust (see Note D).	536,918	562,793
Harrison Hollander Endowment Fund, established during fiscal 2000. Income may be used for general operating purposes.	62,119	62,119
Haserot Endowment Fund, established in fiscal 2003. Income may be used for general operating purposes.	25,000	25,000
Blackburn Endowment Fund, established in fiscal 2005. Income is restricted for endowed musician chairs.	80,082	80,082
State of Florida Endowment Fund, established in fiscal 2005. Income may be used for general operating purposes.	<u>240,000</u>	<u>240,000</u>
	<u>\$ 1,741,551</u>	<u>\$ 1,767,426</u>

The Orlando Philharmonic Orchestra, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE O – RECONCILIATION OF CHANGES IN NET ASSETS TO NET OPERATING INCOME (NON-GAAP)

The following table presents a reconciliation of the change in net assets to the Organization’s internal net operating income for the years ending June 30:

	<u>2016</u>	<u>2015</u>
Change in net assets by program services:		
Orchestra	\$ 300,218	\$ 349,409
Opera	3,748	12,073
Plaza	(67,916)	94,092
Interest and dividends	118,710	134,013
Supporting services	<u>(609,879)</u>	<u>(605,425)</u>
Net operating loss (Non-GAAP)	(255,119)	(15,838)
Plus: depreciation	<u>107,266</u>	<u>115,270</u>
Net operating income (loss) excluding depreciation	<u>\$ (147,853)</u>	<u>\$ 99,432</u>

NOTE P – COMMITMENTS AND CONTINGENT LIABILITIES

1. Operating lease commitments

The Organization leased office and rehearsal space from The Orlando UCF-Shakespeare Festival, Inc. Terms of the operating lease specified monthly payments of \$5,147 through June 2015. The Organization has extended the lease through September 2015, for monthly payments of \$3,343.

Rent expense totaled approximately \$10,000 and \$62,000 for the years ended June 30, 2016 and 2015, respectively.

2. Plaza Theater rehabilitation

The Organization has entered into a contract for the rehabilitation of the Plaza Theater. Total cost of the contract, including change orders, as of June 30, 2016, is \$2,897,653. Total costs incurred through June 30, 2016, are \$2,651,315.

NOTE Q – STATE OF FLORIDA GRANT

In November 2015, the Organization and the State of Florida, Department of State, Division of Cultural Affairs entered into a reimbursement grant, which provided for total awards in the amount of \$500,000 through June 1, 2017. Total awards under the reimbursement grant were \$500,000 for fiscal 2016.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Partners

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Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
Ernie R. Janvrin

To the Board of Directors of
Orlando Philharmonic Orchestra, Inc.
Orlando, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Orlando Philharmonic Orchestra, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Orlando Philharmonic Orchestra, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Orlando Philharmonic Orchestra, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Orlando Philharmonic Orchestra, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Orlando Philharmonic Orchestra, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
December 21, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Partners

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Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
Ernie R. Janvrin

To the Board of Directors of
Orlando Philharmonic Orchestra, Inc.
Orlando, Florida

Report on Compliance for Each Major State Project

We have audited the Orlando Philharmonic Orchestra, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the Orlando Philharmonic Orchestra, Inc.'s (the "Organization") major projects for the year ended June 30, 2016. The Organization's major projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major projects for the year ended June 30, 2016.

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American Institute of
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Florida Institute of
Certified Public
Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL (CONTINUED)

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
December 21, 2016

The Orlando Philharmonic Orchestra, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

State Financial Assistance

- | | |
|---|------------|
| 1. Type of auditors’ report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, Rules of the Auditor General | No |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | \$300,000 |

Identification of major projects:

<u>Name of State Project</u>	<u>CSFA Number</u>
Cultural Facilities Grant Program	45.014

Section II – Financial Statement Findings

None (there are no items related to State financial assistance required to be reported in the management letter; therefore no management letter issued).

Section III – State Projects Findings and Questioned Costs

None

Section IV - Status of Prior Year Audit Findings

There were no prior year audit findings.

The Orlando Philharmonic Orchestra, Inc.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2016

State Agency/ Project Title	CSFA No.	Grant Number	Time Period	Program Award	Current Year Expenditures
Department of State Cultural Facilities Grant Program	45.014	16.9.200.584	07/01/15–06/01/17	\$ 500,000	\$ 500,000
Department of State General Program Support	45.061	16.6.102.370	07/01/15-06/30/16	\$ 72,679	\$ 72,679

Basis of Presentation:

The accompanying schedule of expenditures of State financial assistance is presented on the accrual basis of accounting. The information in this schedule is prepared in accordance with Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *State Financial Assistance*.

Indirect Cost Rates:

The Organization has elected to not use the 10% de minimis indirect cost rate for its state projects for the year ended June 30, 2016.

See independent auditors' report.