

**TAMPA THEATRE, INC.
A/K/A TAMPA THEATRE FOUNDATION
(A NOT-FOR-PROFIT ORGANIZATION) AND
TAMPA THEATRE I, LLC**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

**TAMPA THEATRE, INC.
A/K/A TAMPA THEATRE FOUNDATION
(A NOT-FOR-PROFIT ORGANIZATION) AND
TAMPA THEATRE I, LLC**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities for the year ended September 30, 2018	4
Consolidated Statement of Activities for the year ended September 30, 2017	5
Consolidated Statement of Functional Expenses for the year ended September 30, 2018	6
Consolidated Statement of Functional Expenses for the year ended September 30, 2017	7
Consolidated Statements of Cash Flows	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 17
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 <i>Government Auditing Standards</i> .	18 - 19
Independent auditors' report on compliance for each major state project; report on internal control over compliance; and report on the schedule of expenditures of state financial assistance required by Chapter 10.650, <i>Rules of the Auditor General, State of Florida</i>	20 - 21
Schedule of expenditures of state financial assistance	22
Schedule of findings and questioned costs	23 - 24



3815 W. Humphrey St.
Suite 101
Tampa, Florida 33614

(813) 932-2116
(813) 930-0489 Fax

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tampa Theatre, Inc.
A/K/A Tampa Theatre Foundation
(A Not-For-Profit Organization) and
Tampa Theatre I, LLC

We have audited the accompanying statements of TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION (A NOT-FOR-PROFIT ORGANIZATION) AND TAMPA THEATRE I, LLC, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management 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. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION (A NOT-FOR-PROFIT ORGANIZATION) AND TAMPA THEATRE I, LLC as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2019 on our consideration of TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION (A NOT-FOR-PROFIT ORGANIZATION) AND TAMPA THEATRE I, LLC'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 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 TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION (A NOT-FOR-PROFIT ORGANIZATION) AND TAMPA THEATRE I, LLC's internal control over financial reporting and compliance.

Marsocci, Appleby & Company P.A

Marsocci, Appleby & Company, P. A.
Tampa, Florida
January 17, 2019

TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION AND TAMPA THEATRE I, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS:		
Cash	\$ 1,113,352	\$ 1,825,786
Investments	17,052	16,323
Investments in assets held by others	55,573	57,023
Accounts receivable	77,094	54,974
Grants receivable	150,000	-
Prepaid expenses	57,950	79,768
Inventory	18,655	23,817
Short term capital campaign pledges receivable, net of provision for uncollectible pledges	221,618	289,909
TOTAL CURRENT ASSETS	1,711,294	2,347,600
NON-CURRENT ASSETS:		
Property and equipment, net	6,989,927	3,474,108
Long-term capital campaign pledges receivable, net of provision for uncollectible accounts and discount	274,667	342,887
TOTAL NON-CURRENT ASSETS	7,264,594	3,816,995
TOTAL ASSETS	\$ 8,975,888	\$ 6,164,595
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 219,482	\$ 66,954
Deferred revenue	481,306	240,338
Accrued expenses	67,987	37,928
Notes payable, current maturities	135,995	34,337
TOTAL CURRENT LIABILITIES	904,770	379,557
NOTES PAYABLE, NET OF CURRENT MATURITIES	706,956	343,292
NET ASSETS:		
Unrestricted	6,909,429	3,436,004
Temporarily restricted	388,853	1,939,862
Permanently restricted	65,880	65,880
TOTAL NET ASSETS	7,364,162	5,441,746
TOTAL LIABILITIES AND NET ASSETS	\$ 8,975,888	\$ 6,164,595

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

TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION AND TAMPA THEATRE I, LLC
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Program revenue:				
Box office	\$ 651,839	\$ -	\$ -	\$ 651,839
Concessions	460,514	-	-	460,514
Co-promotions	271,750	-	-	271,750
Rentals	162,276	-	-	162,276
Restoration	43,295	-	-	43,295
Education	40,304	-	-	40,304
	<u>1,629,978</u>	<u>-</u>	<u>-</u>	<u>1,629,978</u>
Public support:				
Government support	306,112	-	-	306,112
Special events	299,866	-	-	299,866
Capital campaign	-	2,356,306	-	2,356,306
Contributions	116,660	-	-	116,660
Memberships	154,016	-	-	154,016
	<u>876,654</u>	<u>2,356,306</u>	<u>-</u>	<u>3,232,960</u>
Net assets released from restriction	<u>3,909,825</u>	<u>(3,909,825)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,416,457</u>	<u>(1,553,519)</u>	<u>-</u>	<u>4,862,938</u>
EXPENSES:				
Program services	2,112,986	-	-	2,112,986
Supporting services:				
Management and general	243,027	-	-	243,027
Fundraising	401,842	-	-	401,842
Total expenses	<u>2,757,855</u>	<u>-</u>	<u>-</u>	<u>2,757,855</u>
OTHER INCOME (EXPENSES):				
Other income	3,398	-	-	3,398
Depreciation	(149,446)	-	-	(149,446)
Interest expense	(39,858)	-	-	(39,858)
Investment income	729	2,510	-	3,239
Total other income (expenses)	<u>(185,177)</u>	<u>2,510</u>	<u>-</u>	<u>(182,667)</u>
Change in net assets	<u>3,473,425</u>	<u>(1,551,009)</u>	<u>-</u>	<u>1,922,416</u>
Net assets, beginning of year	<u>3,436,004</u>	<u>1,939,862</u>	<u>65,880</u>	<u>5,441,746</u>
Net assets, end of year	<u>\$ 6,909,429</u>	<u>\$ 388,853</u>	<u>\$ 65,880</u>	<u>\$ 7,364,162</u>

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

TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION AND TAMPA THEATRE I, LLC
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Program revenue:				
Box office	\$ 518,800	\$ -	\$ -	\$ 518,800
Concessions	389,379	-	-	389,379
Co-promotions	295,217	-	-	295,217
Rentals	190,556	-	-	190,556
Restoration	40,048	-	-	40,048
Education	29,820	-	-	29,820
	<u>1,463,820</u>	<u>-</u>	<u>-</u>	<u>1,463,820</u>
Public support:				
Government support	358,381	-	-	358,381
Special events	67,530	-	-	67,530
Capital campaign	-	1,363,164	-	1,363,164
Contributions	102,036	10,000	-	112,036
Memberships	125,315	-	-	125,315
	<u>653,262</u>	<u>1,373,164</u>	<u>-</u>	<u>2,026,426</u>
Net assets released from restriction	<u>788,546</u>	<u>(788,546)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,905,628</u>	<u>584,618</u>	<u>-</u>	<u>3,490,246</u>
EXPENSES:				
Program services	1,747,399	-	-	1,747,399
Supporting services:				
Management and general	216,952	-	-	216,952
Fundraising	225,731	-	-	225,731
Total expenses	<u>2,190,082</u>	<u>-</u>	<u>-</u>	<u>2,190,082</u>
OTHER INCOME (EXPENSES):				
Other income	3,260	-	-	3,260
Depreciation	(99,742)	-	-	(99,742)
Interest expense	(17,772)	-	-	(17,772)
Investment income	1,646	5,949	-	7,595
Total other income (expenses)	<u>(112,608)</u>	<u>5,949</u>	<u>-</u>	<u>(106,659)</u>
Change in net assets	602,938	590,567	-	1,193,505
Net assets, beginning of year	<u>2,833,066</u>	<u>1,349,295</u>	<u>65,880</u>	<u>4,248,241</u>
Net assets, end of year	<u>\$ 3,436,004</u>	<u>\$ 1,939,862</u>	<u>\$ 65,880</u>	<u>\$ 5,441,746</u>

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

TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION AND TAMPA THEATRE I, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 807,823	\$ 204,969	\$ 192,912	\$ 1,205,704
Fundraising	168,977	-	168,977	337,954
Film programming	254,672	-	-	254,672
Co-promotion	240,380	-	-	240,380
Administrative	142,103	22,738	24,633	189,474
Supplies	136,856	-	-	136,856
Rent	70,524	3,917	3,917	78,358
Utilities	65,089	3,616	3,616	72,321
Repairs and maintenance	53,273	2,960	2,960	59,193
Special events	59,109	-	-	59,109
Equipment and technology	51,655	2,870	2,870	57,395
Education program	35,248	1,957	1,957	39,162
Advertising and public relations	12,388	-	-	12,388
Donor and volunteer	8,045	-	-	8,045
Membership	5,951	-	-	5,951
Legal	893	-	-	893
	<u>\$ 2,112,986</u>	<u>\$ 243,027</u>	<u>\$ 401,842</u>	<u>\$ 2,757,855</u>

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

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION AND TAMPA THEATRE I, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 730,740	\$ 185,411	\$ 174,504	\$ 1,090,655
Co-promotion	272,501	-	-	272,501
Film programming	193,208	-	-	193,208
Administrative	112,638	18,023	19,526	150,187
Supplies	120,515	-	-	120,515
Utilities	82,194	4,566	4,566	91,326
Rent	72,648	4,035	4,035	80,718
Equipment and technology	42,932	2,385	2,385	47,702
Fundraising	18,183	-	18,183	36,366
Special events	27,685	-	-	27,685
Repairs and maintenance	24,150	1,342	1,342	26,834
Education program	21,423	1,190	1,190	23,803
Advertising and public relations	19,458	-	-	19,458
Membership	7,352	-	-	7,352
Donor and volunteer	1,772	-	-	1,772
	<u>\$ 1,747,399</u>	<u>\$ 216,952</u>	<u>\$ 225,731</u>	<u>\$ 2,190,082</u>

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

TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION AND TAMPA THEATRE I, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,922,416	\$ 1,193,505
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	149,446	99,742
Provision for uncollectible pledges	15,000	(10,000)
Unrealized gain on investment in asset held by others	(2,510)	(5,949)
Unrealized gain on investment	(729)	(1,646)
Changes in operating assets and liabilities:		
Accounts receivable	(172,120)	7,326
Prepaid expenses	21,818	(37,488)
Inventory	5,162	(6,759)
Capital campaign pledges receivable	121,511	(79,233)
Accounts payable	152,528	24,641
Deferred revenue	240,968	70,781
Accrued expenses	30,059	2,928
	2,483,549	1,257,848
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,665,265)	(737,251)
Distributions from investments in assets held by others	3,960	2,710
	(3,661,305)	(734,541)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan advances (payments), net advances and payments	465,322	(32,447)
	465,322	(32,447)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(712,434)	490,860
CASH AND CASH EQUIVALENTS, beginning of year	1,825,786	1,334,926
CASH AND CASH EQUIVALENTS, end of year	\$ 1,113,352	\$ 1,825,786
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 39,858	\$ 17,772

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

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

The Tampa Theatre, Inc., a/k/a Tampa Theatre Foundation, is a not-for-profit organization incorporated to support the Tampa Theatre, a historically designated theatrical and cinema venue located in downtown Tampa, Florida, and its associated properties; to promote understanding and appreciation of the performing and cinematic arts in all forms; to raise, receive and maintain funds to assist with the preservation, restoration, programming, and operations of the Tampa Theatre; and to present and promote educational programs and events which promote a greater appreciation and understanding of the Tampa Theatre's specific historical significance.

On March 9, 2005, Tampa Theatre I, LLC (the "LLC") was organized as a for-profit entity under the sponsorship of the Tampa Theatre, Inc. Article IV, Operating Agreement, of the LLC's Articles of Organization, provides for an operating agreement to contain provisions or requirements for the management or conduct of its business. The Tampa Theatre, Inc. has de facto control over the LLC. The LLC purchased an interest in real estate with borrowed funds.

The consolidated financial statements present the financial position, changes in net assets and cash flows of The Tampa Theatre, Inc. and the LLC. These consolidated financial statements refer to the consolidated entities as the "Organization."

Basis of Presentation

The Organization has presented its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets.

- Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations, and those resources invested in land, buildings, and equipment.
- Temporarily restricted net assets are those which are restricted by donors for specific purposes.
- Permanently restricted amounts are those that are restricted by donors for future activities without a specific termination date.

Basis of Accounting

The Organization's consolidated financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when incurred.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Tampa Theatre, Inc. and Tampa Theatre I, LLC. All inter-company accounts have been eliminated. The results of activities of the Organization are included in the consolidated financial statements.

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Use of Estimates

The preparation of consolidated 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. Accordingly, actual results could differ from those estimates.

Fair Value

The carrying amounts of financial instruments including cash, investments, accounts receivable, and accounts payable approximate their fair values because of the relatively short maturity of these instruments. The recorded value of notes payable approximates fair value, as the contracted interest rate approximates market rates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purpose of determining cash flows.

Accounts Receivable

The accounts receivable balance is made up of amounts due from lessees and donations pledged for special events. At September 30, 2018 and 2017 management believes that all accounts are collectible; therefore, no allowance for doubtful accounts exists.

Grants Receivable

Grants receivable consist of a grant due from Hillsborough County Board of Commissioners to promote historic preservation.

Capital Campaign Pledges Receivable

Capital campaign pledges receivable represent written unconditional promises to give by donors and are recognized in the year the pledge is made. The long-term portion of capital campaign pledges receivable has been discounted (4.25% at September 30, 2018 and 2017) to reflect the present value of estimated future cash flows. At September 30, 2018 and 2017, an allowance for uncollectible pledges of \$45,000 and \$60,000, respectively, was recorded.

Inventory

Inventory consists of food and beverages on hand for the concession stand and is valued at the lower of cost or market using the first-in, first-out method.

Property and Equipment

Property and equipment is recorded at historical cost and includes expenditures which substantially increase the useful lives of existing property and equipment. Donations of property and equipment or unconditional promises to allow the use of property and equipment are recorded as contributions at their estimated fair value and are reported as restricted or unrestricted based on the restrictions placed on the asset by the donor.

Maintenance and repairs are charged to operations when incurred. It is the Organization's policy to capitalize property and equipment over \$5,000.

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and Equipment (Continued)

Depreciation expense amounted to \$149,446 and \$99,742, for the years ended September 30, 2018 and 2017, respectively. Depreciation of property and equipment is computed using the straight line method based on the estimated useful life of the asset, which ranges from 7 to 40 years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Donated Services

A substantial number of volunteers have donated significant amounts of their time in the administration of the Organization's affairs, fund raising, and program services. However, since no objective basis exists for recording and assigning values to their services, they are not reflected in the accompanying consolidated financial statements.

Advertising Costs

Advertising costs are expensed when incurred. During the years ended September 30, 2018 and 2017, advertising expense charged to activities amounted to \$17,132 and \$27,556, respectively.

Concentration of Credit Risk

The Organization maintains cash balances at several financial institutions that are insured under the Federal Deposit Insurance Corporation (FDIC) Transaction Account Guarantee Program. From time to time, cash balances in these accounts exceed federally insured limits. The Organization has not experienced any losses on its deposits with financial institutions.

Income Taxes

The Tampa Theatre, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state corporate income tax under applicable Florida statutes. The Organization has no unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

As a single member Florida limited liability company, the LLC's tax reporting will be consolidated with The Tampa Theatre, Inc. Any income tax liability on the LLC's activities will flow through to its sole member.

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Taxes (Continued)

GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of September 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to examinations for years before 2014.

Subsequent Events

Management has evaluated subsequent events through January 17, 2019, which was the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements. There were no material subsequent events that required recognition or additional disclosure.

NOTE B - INVESTMENTS:

Investments recorded in the consolidated statements of financial position represent a \$10,000 investment in assets held by the Community Foundation of Greater Tampa, Inc. (the "Community Foundation") with the Organization as the beneficiary. Under the terms of the fund agreement, the Community Foundation has various powers to carry out the purpose of the fund. The Organization is the beneficiary of the fund and receives distributions of income, subject to the Community Foundation's spending policy. The Organization has chosen to reinvest the earnings until such time as withdrawals are made at the Organization's discretion. The investment was recorded as follows as of September 30:

	2018	2017
Permanently restricted	\$ 10,000	\$ 10,000
Unrestricted	7,052	6,323
	\$ 17,052	\$ 16,323

The Organization received a beneficial interest in investments held by the Community Foundation in November 2011 valued at \$55,880. This amount was recorded as permanently restricted contributions in the consolidated statements of activities during the year ended September 30, 2012. This beneficial interest consists of an endowment fund established for the benefit of the Tampa Theatre organ fund and includes earnings thereon, net of distributions received. Distribution of income earned is received at various times throughout the year based on the spending policy of the Community Foundation. As of September 30, 2018 the value of this fund was \$55,573; net of distributions amounting to \$3,960 and investment gain of \$2,510 for the year then ended. As of September 30, 2017 the value of this fund was \$57,023; net of distributions amounting to \$2,710 and investment gains of \$5,949 for the year then ended.

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE C - FAIR VALUE MEASUREMENTS:

ASC 820, Fair Value Measurements, establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This guidance does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Three levels of inputs may be used to measure fair value:

- Level 1 - Observable inputs such as quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the FASB's standard. The three valuation techniques are as follows:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

Investments and investments in assets held by others are valued at the closing price reported on the active market on which the individual securities of the underlying pool are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future values. Furthermore, while 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 estimate of fair value at the reporting date.

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED):

The following table presents the financial instruments carried at fair value as of September 30, 2018 and 2017 reported on the statement of financial position and by ASC 820 valuation hierarchy (as described above). Investments and investments in assets held by others were valued using Level 3 inputs and are as follows:

	2018	2017
Investments	\$ 17,052	\$ 16,323
Investments in assets held by others	55,573	57,023
	\$ 72,625	\$ 73,346

The following table sets forth a summary of changes in fair value of the Organization's Level 3 assets for the year ended September 30, 2018:

	Investments	Investments in assets held by others	Total
Balance at October 1, 2017	\$ 16,323	\$ 57,023	\$ 73,346
Change in value	729	2,510	3,239
Distributions	-	(3,960)	(3,960)
Balance at September 30, 2018	\$ 17,052	\$ 55,573	\$ 72,625

The following table sets forth a summary of changes in fair value of the Organization's Level 3 assets for the year ended September 30, 2017:

	Investments	Investments in assets held by others	Total
Balance at October 1, 2016	\$ 14,677	\$ 53,784	\$ 68,461
Change in value	1,646	5,949	7,595
Distributions	-	(2,710)	(2,710)
Balance at September 30, 2017	\$ 16,323	\$ 57,023	\$ 73,346

NOTE D - CAPITAL CAMPAIGN PLEDGES RECEIVABLE:

The expected collection of capital campaign pledges receivable consisted of the following at September 30, 2018:

<u>Years ending September 30,</u>	
2019	\$ 221,618
2020	131,125
2021	107,931
2022	74,097
2023	28,691
	563,462
Less: allowance for uncollectible pledges	(45,000)
Less: present value discount	(22,177)
	\$ 496,285

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE E - PROPERTY AND EQUIPMENT:

Property and equipment is made up of the following:

	2018	2017
Land	\$ 207,500	\$ 207,500
Building	7,193,178	3,075,387
Construction in progress	-	452,526
Equipment	362,262	362,262
	7,762,940	4,097,675
Less: Accumulated depreciation	(773,013)	(623,567)
	\$ 6,989,927	\$ 3,474,108

NOTE F - UNCONDITIONAL PROMISE OF USE:

The Organization entered into a lease with the City of Tampa for its operating location commencing October 1, 2010 and expiring 50 years from that date. The Organization can prepay the full amount on the commencement date. The lease automatically renews for another 50 years at the expiration date. The lease payments are \$1 annually. In return for the discounted lease, the Organization must maintain certain operations standards for the term of the lease. This lease has been recorded as a building with the fair market value of \$2,000,000. Accumulated depreciation amounted to \$405,054 and \$354,421 at September 30, 2018 and 2017, respectively. These amounts are included in property and equipment in the statements of financial position.

NOTE G - NOTES PAYABLE:

In April 2011, the Organization financed a \$150,000 unsecured note payable with a 5.5% interest rate, payable in monthly principal and interest payments of \$1,612 over a 10 year period. In August 2012, the interest rate was reduced to 5.25%. The note payable had a balance of \$47,230 and \$63,606 at September 30, 2018 and 2017, respectively.

In January 2016, the Organization entered into a loan agreement with the same financial institution for \$340,000. The loan agreement is secured by an Agreement not to Encumber or Transfer Property on real property located in Hillsborough County, Florida. The loan agreement has an interest rate of 4.25% and requires monthly payments of \$2,573 over a 5 year period with a balloon payment of approximately \$253,073 at the conclusion of the loan. The loan balance amounted to \$295,721 and \$314,023 at September 30, 2018 and 2017, respectively.

In November 2017 the Organization entered into two loan agreements with the Bank of Tampa for \$1,800,000 for a term of nine months and \$500,000 for a term of five years. The loan for \$1,800,000 has been satisfied with the remaining unpaid balance of \$500,000 being transferred to the \$500,000 loan. The loan agreements are secured by assignment of future proceeds from Capital Campaign Pledges with a interest rate of Prime Rate, floating, adjusting day of change. Interest was approximately 4.8% for fiscal year 2018. Minimum of annual principal reduction is \$100,000.

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE G - NOTES PAYABLE (CONTINUED):

Notes payable maturities are as follows:

<u>Years ending September 30,</u>	
2019	\$ 135,995
2020	137,737
2021	369,219
2022	100,000
2023	100,000
	<u>\$ 842,951</u>

NOTE H - TEMPORARILY RESTRICTED NET ASSETS:

The temporarily restricted net assets of the Organization are funds with specific purpose stipulations. These stipulations are removed when the Organization expends the funds for the purpose specified. Temporarily restricted funds reflected in the accompanying consolidated statements of net assets at September 30, 2018 consisted of the following:

	Balance at September 30, 2017	Additions	Stipulations Removed	Balance at September 30, 2018
Organ fund	\$ 18,567	\$ 2,510	\$ 795	\$ 20,282
Seat fund	3,600	-	-	3,600
Capital fund	1,917,695	2,356,306	3,909,030	364,971
	<u>\$ 1,939,862,</u>	<u>\$ 2,358,816</u>	<u>\$ 3,909,825</u>	<u>\$ 388,853</u>

Temporarily restricted funds reflected in the accompanying consolidated statements of net assets at September 30, 2017 consisted of the following:

	Balance at September 30, 2016	(Losses) Additions	Stipulations Removed	Balance at September 30, 2017
Restoration society	\$ 29,077	\$ -	\$ 29,077	\$ -
Organ fund	2,943	15,949	325	18,567
Seat fund	3,600	-	-	3,600
Capital fund	1,313,675	1,363,164	759,144	1,917,695
	<u>\$ 1,349,295</u>	<u>\$ 1,379,113</u>	<u>\$ 788,546</u>	<u>\$ 1,939,862</u>

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE I - BOARD RESTRICTED FUND:

The Board of Directors of the Organization created a board restricted fund through board resolution to set aside \$.50 of every film ticket and \$2 of every concert ticket to fund facility and restoration costs. The board restricted an additional \$30,000 during the year ended September 30, 2015. The board restricted fund amounted to \$356,937 and \$317,090 at September 30, 2018 and 2017, respectively. The board restricted fund is a component of unrestricted net assets on the consolidated statements of financial position. The increase in this fund balance for the year ended September 31, 2018 amounted to \$39,847, \$43,295 in receipts net of expenditures of \$3,448. The increase in this fund balance for the year ended September 30, 2017 amounted to \$38,988, \$40,048 in receipts net of expenditures of \$1,060.

Unrestricted net assets are as follows:

	2018	2017
Unrestricted	\$ 6,552,492	\$ 3,118,914
Board restricted:		
Operating reserve	30,000	30,000
Restoration fund	326,937	287,090
	\$ 6,909,429	\$ 3,436,004

NOTE J - PROGRAMS:

The Organization's activities and services to the community are organized into six different program areas. Each program area reflects activities which support and deliver multiple shows and events. All programs contribute to the Theatre's goal to promote understanding and appreciation of the performing and cinematic arts in all forms, to raise, receive and maintain funds to assist with the preservation, restoration, programming, and operations for the Tampa Theatre, and to present and promote educational programs and events which promote a greater appreciation and understanding of the Tampa Theatre's specific historical significance.

**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**

**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**

To the Board of Directors
Tampa Theatre, Inc.
A/K/A Tampa Theatre Foundation
(A Not-For-Profit Organization) and
Tampa Theatre I, LLC

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 Tampa Theatre as of September 30, 2018, and have issued our report thereon dated January 17, 2019.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Theatre'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 result of that testing, and not to provide an opinion on the effectiveness of the Theatre'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 Theatre's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marsocci, Appleby & Company P.A

Marsocci, Appleby & Company, P. A.
Tampa, Florida
January 17, 2019

**INDEPENDENT AUDITORS' REPORT FOR EACH MAJOR STATE PROJECT; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY CHAPTER 10.650, RULES OF
THE AUDITOR GENERAL, STATE OF FLORIDA**

**INDEPENDENT AUDITORS' REPORT FOR EACH MAJOR STATE PROJECT; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY CHAPTER 10.650, RULES OF
THE AUDITOR GENERAL, STATE OF FLORIDA**

To the Board of Directors
Tampa Theatre, Inc.
A/K/A Tampa Theatre Foundation
(A Not-For-Profit Organization) and
Tampa Theatre I, LLC

Report on Compliance for Each Major State Project

We have audited Tampa Theatre, Florida's (the Theatre) compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Theatre's state projects for the year ended September 30, 2018. The Theatre's major state 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 state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Theatre's major state 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*, State of Florida. Those standards and Chapter 10.650, *Rules of the Auditor General*, 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 state project occurred. An audit includes examining, on a test basis, evidence about the Theatre'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 state project. However, our audit does not provide a legal determination of the Theatre's compliance.

Opinion on Each Major State Project

In our opinion, the Theatre 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 state projects for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Theatre 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 Theatre's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state 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 Theatre'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 state 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 state 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 state 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on Schedule of Expenditures of State Financial Assistance Required by Chapter 10.650, Rules of the Auditor General

We have audited the financial statements of the Theatre as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Theatre's basic financial statements. We issued our report thereon January 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General*, and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marsocci, Appleby & Company P.A

Marsocci, Appleby & Company, P. A.
Tampa, Florida
January 17, 2019

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

STATE OF FLORIDA GRANT:	STATE CSFA	GRANT/CONTRACT NUMBER	TOTAL EXPENDITURES
Florida Dept. of State, Division of Cultural Affairs:			
Cultural Facilities Grant	45.014	17-9912	\$ 1,000,000
General Program Support Grant	45.061	18.c.ps 109.188	<u>48,743</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,048,743</u>

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section I – Summary of Auditors’ Result

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

State Financial Assistance:

Internal control over major projects:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.656, Rules of the Auditor General?	No

Identification of Major State Financial Assistance Projects:

Name of State Project:	State CSFA	Grant/Contract Number
Cultural Facilities Grant	45.014	17-9912

Dollar threshold used to distinguish between Type A and Type B programs:

State	\$750,000
-------	-----------

**TAMPA THEATRE, INC. A/K/A TAMPA THEATRE FOUNDATION
AND TAMPA THEATRE I, LLC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section II – Financial Statement Findings

No items noted

Section III – State Financial Assistance Findings and Questioned Costs

No items noted

No management letter is required because there were no findings required to be reported in the management letter.

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or State projects.