

**THE FLAGLER AUDITORIUM
GOVERNING BOARD, INC.
PALM COAST, FLORIDA**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2017 AND 2016

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Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Flagler Auditorium Governing Board, Inc.
Palm Coast, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Flagler Auditorium Governing Board, Inc. (Governing Board), component unit of Flagler County District School Board, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Governing Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Governing Board as of June 30, 2017 and 2016, and the respective changes in financial position, and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017, on our consideration of the Governing Board'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 the Governing Board's internal control over financial reporting and compliance.

BMC CPAs

September 7, 2017

Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of The Flagler Auditorium Governing Board, Inc. (hereinafter referred to as the "Governing Board"), we offer the readers of these basic financial statements this narrative overview and analysis of the Governing Board's financial activities for the fiscal year that ended on June 30, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Governing Board's financial statements, which follow this information.

Financial Highlights

- The Governing Board's overall combined assets totaled \$812,228 at the close of the 2017 fiscal year, compared to \$711,307 at the close of the 2016 fiscal year and \$622,025 in 2015. Total assets exceeded liabilities by \$767,376 (*combined net position*) compared with \$698,128 and \$611,529 one and two years earlier, respectively.
- The Governing Board's combined net position increased by \$69,248 in 2017, compared to increases of \$86,599 in 2016 and \$47,079 in 2015. Amounts invested in net capital assets and not available for spending totaled \$3,500 at the end of 2017 and 2016. Net position temporarily restricted for expendable uses totaled \$22,000 at year end (compared to \$27,000 one year earlier), which consists of restricted community support donations. Unrestricted net position increased by \$74,248 in 2017, compared to \$83,099 in 2016 and \$584,529 in 2015, all of which represents unrestricted and internally designated amounts that may be used to meet the Governing Board's ongoing obligations for its program activities.
- Amounts in unrestricted net position include \$386,822, which is designated by the board for capital additions, and \$24,062 which is designated by the board for use of state designated art license plate funds. The Governing Board increased its discretionary designation of other restricted funds by \$5,000 through the release of restricted funds granted by the donor in June 2017. These amounts are internally designated to be used for capital matching purposes for State of Florida Cultural Facility Grants. This grant qualification requires facilities to match the request amount with non-state funds, part of which may be in cash-on-hand and part of which may be in qualifying expenditures. At present, the Auditorium is anticipating the award of a matching grant of \$500,000 to be expended on capital improvements in the fiscal year 2017-18.
- The Governing Board generated gross performance, advertising and concession related revenues totaling \$510,633 in 2017, which was approximately 10% below the \$567,553 generated in 2016, and approximately 5% below the \$540,512 generated in 2015. This decrease was adversely affected by two unanticipated performance cancellations that occurred in March and April. Direct production costs consisting of producers, artists, contractors, advertising and concessions expenses totaled \$527,613 compared to \$546,884 and \$483,572 one and two years earlier, respectively. These decreases were also the result of the unanticipated loss of these same two performances. Other community support and fundraising activities produced net revenues of \$139,924, \$106,663 and \$225,045 during 2016, 2015, and 2014, respectively.
- The Auditorium receives substantial support from the community in the form of volunteer hours donated for services such as Board Committees, ushering, concession operation, and general administrative work. The Auditorium also receives donated services from the Flagler County School Board related to the staffing and use of the facility for community use of the facility. These costs of these services are not recorded in the financial statements.

Overview of the Financial Statements

The Governing Board presents its financial statements for the fiscal years ended June 30, 2017 and 2016, which include for comparative purposes the fiscal year ended June 30, 2015, certain accounts of which have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The Governing Board is a direct support organization and a component unit of the Flagler County District School Board (a governmental agency). It also possesses the necessary characteristics of a governmental organization since the potential for unilateral dissolution with the reversion of its net position to the School District exists pursuant to Section 1001.453(1)(a)(1), Florida Statutes. The Governing Board accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB). The Governing Board is considered a Business-Type Activity under the provisions of GASB 34 and 35.

The Governing Board's financial statements are comprised of two parts: 1) management's discussion and analysis, and 2) the basic financial statements, including notes to the financial statements.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the Governing Board's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Governing Board's financial activities, which are operated like commercial enterprises. These statements report information about the Governing Board using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Governing Board's assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported.

The basic financial statements of the Governing Board include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements, which are described as follows:

- The statement of net position (formerly the balance sheet) presents the financial position of the Governing Board on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.
- The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Governing Board's various cost centers and administrative activities.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets, when applicable.
- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Governing Board's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Entity-Wide Financial Analysis

The Governing Board's entity-wide financial statements report its net position and how they have changed over the reporting period. Net position (the difference between assets and liabilities) may serve as a useful indicator of the Governing Board's financial position. Over time, increases or decreases in net position are a useful indicator of whether the Governing Board's financial health is improving or deteriorating, respectively. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation must be considered to adequately assess its overall health.

The material portion of the Governing Board's net position (97%) reflects its investment in surplus cash funds and investments, the material portion of which is designated for capital expansion of the Flagler Auditorium. The Governing Board's assets do not include any physical real or personal property of the Flagler Auditorium, which is owned exclusively by the Flagler County District School Board.

Net position is the sum of assets (both financial and tangible) minus all current liabilities and short and long-term debt obligations. Net position is a valuable measure of creditworthiness and financial health since the calculation includes both financial obligations and the capacity to service those obligations. This year, the Governing Board's combined total assets exceeded liabilities (net position) by \$767,376, compared to \$698,128 at the end of 2016, and \$611,529 at the end of 2015.

The net position of the Governing Board at June 30, is summarized as follows:

Net Position			
June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Current and other assets	\$ 320,029	266,480	433,903
Investments	488,699	441,327	188,122
Capital assets	<u>3,500</u>	<u>3,500</u>	-
Total assets	<u>812,228</u>	<u>711,307</u>	<u>622,025</u>
Liabilities:			
Current liabilities	<u>44,852</u>	<u>13,179</u>	<u>10,496</u>
Net Position:			
Invested in capital assets	3,500	3,500	-
Restricted:			
Expendable	22,000	27,000	27,000
Unrestricted	<u>741,876</u>	<u>667,628</u>	<u>584,529</u>
Total net position	<u>\$ 767,376</u>	<u>698,128</u>	<u>611,529</u>

Total assets increased over last year by \$69,248 to a total of \$767,376, or an increase of 9.9% over last year's \$698,128. Total assets consist primarily of cash and cash equivalents, which make up 36% of total assets, noncurrent investments which include certificates of deposit make up 60%, accounts receivable and other current assets which make up 3%, and capital assets which make up 1%.

The Governing Board's total liabilities consist of accounts payable and accrued liabilities for current period operating activities of \$42,052 at the end of 2017, compared to \$3,454 and \$719 at the end of 2016 and 2015, respectively. Unearned ticket and advertising revenues received in advance totaled \$2,800 at the end of 2017, compared to \$9,725 and \$9,777 at the end of 2016 and 2015, respectively.

The portion of net position invested in capital assets remained unchanged at \$3,500 at the end of 2017 and 2016. This represents architectural and design costs borne by the Governing Board associated with the future expansion of the Auditorium, which is anticipated to occur in the next fiscal year. When the improvements are completed and placed in service, the final costs of the capital additions will be recognized as a contribution/donation to the Flagler County District School Board.

Amounts temporarily restricted for donor designated uses were reduced by \$5,000 in 2017 and totaled \$22,000, compared to \$27,000 at the end of 2016 and 2015. This reduction was authorized by the grantor to be used exclusively to finance costs associated with the expansion of the auditorium facilities. Unrestricted net position increased by \$74,248 and totaled \$741,876 at the end of 2017, compared to \$667,628 and \$584,529 at the end of 2016 and 2015, respectively.

The following is a summary of changes in net position for the fiscal years:

Revenues, Expenses and Changes in Net Position
For the Year Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Performances, concessions, showbills and advertising.....	\$ 492,033	553,325	528,437
Community support.....	73,230	68,079	64,502
Fundraising.....	50,787	35,422	23,300
Auditorium and equipment rentals.....	<u>18,600</u>	<u>14,228</u>	<u>12,075</u>
Total operating revenues.....	<u>634,650</u>	<u>671,054</u>	<u>628,314</u>
Operating Expenses:			
Program services.....	549,807	564,274	498,884
Support services.....	<u>61,164</u>	<u>54,226</u>	<u>35,850</u>
Total operating expenses.....	<u>610,971</u>	<u>618,500</u>	<u>534,734</u>
Operating income.....	23,679	52,554	93,580
Nonoperating income (expense):			
Investment income.....	6,422	6,045	3,099
State and local grants.....	42,156	28,000	150,000
Contributions to School District.....	<u>(3,009)</u>	<u>-</u>	<u>(199,600)</u>
Total nonoperating income (expense).....	<u>45,569</u>	<u>34,045</u>	<u>(46,501)</u>
Increase in net position.....	69,248	86,599	47,079
Net position - beginning of year.....	<u>698,128</u>	<u>611,529</u>	<u>564,450</u>
Net position - end of year.....	<u>\$ 767,376</u>	<u>698,128</u>	<u>611,529</u>

While the statement of net position shows a snapshot of the Governing Board's financial position at the end of the fiscal year, the statement of activities provides answers as to the nature and sources of those changes that occurred during the year. During fiscal 2017, the Governing Board's operating revenues decreased by \$36,404, or 5.4%, compared to increases of \$42,740 (to a total of \$671,054) and \$27,925 (to a total of \$628,314) in 2016 and 2015, respectively. This year's decrease in performance revenues was primarily due to two unanticipated performance cancellations which ultimately negatively impacted this year's final performance ticket sales and concessions revenues.

During fiscal 2017, approximately 80.5% of the Governing Board's operating revenue was derived from performance tickets, showbills, concessions and auditorium rentals (\$510,633), compared to approximately 84.5% of the \$567,553 earned in 2016, and the 86.0% of the \$540,512 earned in 2015. At the same time, the Governing Board's combined revenues from local community patronage and support, state and local grants, and fundraising events totaled \$166,173 in 2017, compared to \$131,501 in 2016 and \$237,802 in 2015.

The Governing Board's spending on entertainment productions, advertising and concessions decreased by \$19,271 in fiscal 2017 and totaled \$527,613, compared to \$546,884 and \$483,572 in 2016 and 2015, respectively. Total amounts paid for student scholarships and other awards totaled \$22,194 in 2017, compared to \$17,390 and \$15,312 for years ended 2016 and 2015, respectively.

The Governing Board's substantially expanded its fundraising activities in fiscal 2017. The primary fundraising activities included the annual Holiday Extravaganza, Patron Gala, Afternoon Tea, Masquerade 5K, 25th Anniversary Cruise, and Homeshow events, which together produced fundraising revenues totaling \$50,787 in fiscal 2017, compared to \$35,422 in 2016 and \$23,300 in 2015. During these periods, overall fundraising expenses increased by only \$1,411 in 2017 and totaled \$26,249, compared to costs of \$24,838 and \$12,757 in 2016 and 2015, respectively. The Board's general and administrative costs increased from \$23,093 in 2015 to \$29,388 in 2016 to \$34,915 in 2017, largely due to increased contributions to the School Board for certain staffing costs.

Overall, The Governing Board's net position increased by \$69,249 in 2017, compared to \$86,599 in 2016, and \$47,079 in 2015.

Cash Flows

Net cash generated from operating activities continues to remain strong and totaled \$53,944 for the 2017 fiscal year, compared to \$56,823 earned in 2016 and \$96,460 in 2015. This represents a slight decrease of \$2,879 in cash flows from the Governing Board's total operating activities in 2016, which was the net result of an increase in net performance settlements received during the prior year.

Net cash from capital and related financing activities totaled \$45,156 in 2017, which is the net result of the receipt of funds from state and local grants, less amounts spent by the Governing Board on property and equipment which was subsequently transferred to the School District. Amounts actually received by the Governing Board from state and local grant receipts totaled \$45,156 in 2017, compared to \$10,000 one year earlier. The net book value of capital assets contributed to the District totaled \$3,009, \$3,500 and \$184,818 during 2017, 2016 and 2015, respectively.

Actual net cash received from investing activities included interest payments totaling \$5,756 in 2017, compared to \$2,840 and \$1,063 in 2016 and 2015, respectively.

Capital Assets

Capital Assets. During 2017, the Governing Board purchased capital assets totaling \$3,099 which were subsequently transferred to the Flagler County School District. The Governing Board’s investment in capital assets, net of depreciation, for all activities is reflected in the following schedule.

Capital Assets				
Year Ended June 30, 2017				
	Balance			Balance
	<u>07/01/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>06/30/17</u>
Capital Assets:				
Construction in progress.....	\$ 3,500	<u>3,009</u>	<u>(3,009)</u>	\$ <u>3,500</u>

Amounts capitalized in 2016 represent partial payments to a professional architect for preliminary design fees associated with anticipated future auditorium improvements. These costs, and all other capital costs incurred with the project, will be accumulated and conveyed to the Flagler County School District when the project is completed and the improved assets are placed in service.

Economic Factors That Will Affect The Future

Attendance of the Governing Board productions and charitable contributions is affected by various economic factors, such as the general state of the economy, the health of the stock market, surrounding competition and prospective donors' perception of the benefiting organization. The Governing Board has enjoyed a very positive reputation in the communities it serves and continues to see steady growth in charitable giving as well as maintaining strong attendance.

Some of the major factors considered by the Governing Board in the process of predicting future economic factors are the local economy, civilian labor force, unemployment rates, and inflation rates.

- The most recent estimates available for unemployment data in Flagler County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a 3.2% increase in the countywide Civilian Labor Force of 46,097 at the end of June 2017, compared with 44,673 at the end of June 2016. The number of unemployed workers dropped from 2,428 (or 5.4%) at the end of June 2016, to 2,196 (or 4.8%) at the end of June 2017.
- Inflationary trends for Flagler County compare favorably with those trends experienced at the state and national levels.

Requests for Information

This financial report is designed to provide our donors, grantors, recipients, and creditors with a general overview of the Governing Board’s finances and to demonstrate the Governing Board’s accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Executive Director, The Flagler Auditorium Governing Board, Inc., P. O. Box 755, Bunnell, Florida 32110-0755.

Financial Statements

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STATEMENTS OF NET POSITION

June 30, 2017 and 2016

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Palm Coast, Florida

	2017	2016
Assets:		
Current Assets:		
Cash and cash equivalents.....	\$ 273,761	213,620
Restricted cash and cash equivalents.....	22,000	27,000
Accounts receivable (net).....	18,700	20,900
Inventories.....	3,100	3,443
Prepaid expenses.....	<u>2,468</u>	<u>1,517</u>
Total current assets	320,029	266,480
Noncurrent Assets:		
Investments.....	488,699	441,327
Capital assets (net).....	<u>3,500</u>	<u>3,500</u>
Total assets	<u>\$ 812,228</u>	<u>711,307</u>
Liabilities and Net Position:		
Current Liabilities:		
Accounts payable and accrued liabilities.....	\$ 42,052	3,454
Customer deposits received in advance.....	<u>2,800</u>	<u>9,725</u>
Total current liabilities	<u>44,852</u>	<u>13,179</u>
Net Position:		
Invested in capital assets.....	3,500	3,500
Restricted:		
Expendable.....	22,000	27,000
Unrestricted.....	<u>741,876</u>	<u>667,628</u>
Total net position.....	<u>767,376</u>	<u>698,128</u>
Total liabilities and net position.....	<u>\$ 812,228</u>	<u>711,307</u>

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

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Palm Coast, Florida

	2017	2016
Operating Revenues:		
Performances.....	\$ 427,634	486,710
Showbills and advertising.....	23,800	23,475
Concessions.....	40,599	43,140
Community patronage and support.....	73,230	68,079
Fundraising.....	50,787	35,422
Auditorium and equipment rentals.....	<u>18,600</u>	<u>14,228</u>
Total operating revenues.....	<u>634,650</u>	<u>671,054</u>
Operating Expenses:		
Program Services:		
Productions, contractors and facilities.....	409,360	410,886
Advertising and showbill.....	96,279	107,844
Concessions.....	21,974	28,154
Scholarships and awards.....	<u>22,194</u>	<u>17,390</u>
Total program services.....	<u>549,807</u>	<u>564,274</u>
Support Services:		
General and administrative.....	34,915	29,388
Fundraising.....	<u>26,249</u>	<u>24,838</u>
Total support services.....	<u>61,164</u>	<u>54,226</u>
Total operating expenses.....	<u>610,971</u>	<u>618,500</u>
Operating income.....	23,679	52,554
Nonoperating Revenue (Expenses):		
Investment income.....	6,422	6,045
State and local grants.....	42,156	28,000
Contributions to Flagler County School District.....	<u>(3,009)</u>	<u>-</u>
Nonoperating revenue.....	<u>45,569</u>	<u>34,045</u>
Change in net position.....	69,248	86,599
Net Position, beginning of year.....	<u>698,128</u>	<u>611,529</u>
Net Position, end of year.....	<u>\$ 767,376</u>	<u>698,128</u>

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Palm Coast, Florida

	2017	2016
Cash Flows From Operating Activities:		
Cash received from performances, advertising and concessions.....	\$ 550,210	621,409
Cash received from community patronage, support and grants.....	67,255	68,079
Cash received from fundraising.....	50,787	35,422
Cash received from auditorium and equipment rentals.....	15,200	14,228
Cash paid for productions and concessions.....	(472,091)	(488,869)
Cash paid for Flagler School District reimbursements.....	(75,234)	(122,548)
Cash paid for personal services.....	(7,610)	(7,548)
Cash paid for scholarship awards and grants.....	(22,194)	(17,390)
Cash paid for fundraising.....	(23,868)	(27,185)
Cash paid for administrative costs.....	<u>(28,511)</u>	<u>(18,775)</u>
Net cash provided by operating activities.....	<u>53,944</u>	<u>56,823</u>
Cash Flows From Capital and Related Financing Activities:		
Cash received from government grants.....	45,156	10,000
Acquisition and construction of capital assets.....	<u>(3,009)</u>	<u>(3,500)</u>
Net cash provided by (used in) capital and related financing activities.....	<u>42,147</u>	<u>6,500</u>
Cash Flows From Investing Activities:		
Cash received from investment maturities.....	146,294	-
Cash paid for purchase of certificates of deposit.....	(193,000)	(250,000)
Cash received from interest.....	<u>5,756</u>	<u>2,840</u>
Net cash used in investing activities.....	<u>(40,950)</u>	<u>(247,160)</u>
Net increase in cash and cash equivalents.....	55,141	(183,837)
Cash and Cash Equivalents - Beginning of Year.....	<u>240,620</u>	<u>424,457</u>
Cash and Cash Equivalents - End of Year.....	<u>\$ 295,761</u>	<u>240,620</u>
Reconciliation to Statement of Net Position:		
Cash and Cash Equivalents - unrestricted.....	\$ 273,761	213,620
Cash and Cash Equivalents - restricted.....	<u>22,000</u>	<u>27,000</u>
Total Cash and Cash Equivalents.....	<u>\$ 295,761</u>	<u>240,620</u>
Non-cash Capital and Related Financing Activities:		
Capital asset transfers to Flagler County School District.....	<u>\$ (3,009)</u>	<u>-</u>

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

STATEMENTS OF CASH FLOWS

(Continued)

For the Years Ended June 30, 2017 and 2016

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Palm Coast, Florida

	2017	2016
Reconciliation of Increase in Net Assets To Net Cash Provided By Operating Activities:		
Operating income.....	\$ 23,679	52,554
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Bad debt expense.....	2,445	-
Changes in Assets - (Increase) Decrease In:		
Accounts receivable.....	(3,245)	(1,336)
Prepaid expenses.....	(951)	4,682
Inventories.....	343	(1,760)
Changes in Liabilities - Increase (Decrease) In:		
Accounts payable and accrued liabilities.....	38,598	2,735
Customer deposits received in advance.....	<u>(6,925)</u>	<u>(52)</u>
Net cash provided by operating activities.....	<u>\$ 53,944</u>	<u>56,823</u>

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

Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Palm Coast, Florida

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Flagler Auditorium Governing Board, Inc. (the “Governing Board”) is a direct support organization (as defined in Section 1001.453, Florida Statutes), and is considered a component unit of the Flagler County District School Board (the “School District”) for financial reporting purposes. The Governing Board was formed as an I.R.C. Section 501(c)(3) nonprofit corporation on July 26, 1991, whose objective is to promote the performing arts and community use of the Flagler Auditorium in Flagler County, Florida. It also possesses the necessary characteristics of a governmental organization since the potential for unilateral dissolution with the reversion of its net assets to the School District exists pursuant to Section 1001.453(1)(a)(1), Florida Statutes.

Basis of Presentation – As a component unit of the School District, the financial statements of the Governing Board have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (the “GASB”) is the standard setting body for governmental accounting and financial reporting. The Governing Board has followed the financial presentation model of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*.

Basis of Accounting and Financial Reporting – For financial reporting purposes, the Governing Board is considered a special-purpose government entity engaged exclusively in business-type activities. Accordingly, the Governing Board’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

Financial Statement Classification – The basic financial statements required for proprietary funds by GASB 34 are: a statement of net position or a balance sheet; a statement of activities; and a statement of cash flows. The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the Governing Board’s policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

Fund Accounting – To ensure observance of limitations and restrictions placed on the use of resources available to the Governing Board, the accounts of the Governing Board are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. All of the Governing Board’s financial activity is accounted for in a single business-type fund, which contains restricted and unrestricted components. The Governing Board’s Operating Account includes unrestricted and restricted resources, representing the portion of expendable and nonexpendable funds that are available for support of operations and funds available for use in accordance with specific restrictions, respectively.

Classification of Revenues - The Governing Board’s principal operating activity is in performing arts programs, education program support programs and student scholarships. Operating revenues include the primary activities of presenting performances, conducting fundraising events, soliciting and accepting

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

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donor contributions and other program revenues. Non-operating revenues include investment income and earnings and contributions restricted for capital additions or endowments, when applicable. Operating expenses include all fiscal transactions related to performing arts, Governing Board management, and fundraising.

Donor Restricted Accounts – Restricted net position is cash that has been received through fundraising events, community support and grant funds that are designated for specific program funding and scholarships. Investment income, including unrealized appreciation and depreciation, is allocated to restricted accounts on a pro rata basis based on the nonexpendable account balance, when applicable. In accordance with state law, these funds are then available for expenditure when the specific restrictive donor criteria are met.

Cash and Cash Equivalents - Cash and cash equivalents represent both restricted and unrestricted cash in checking and money market accounts and include all highly liquid investments with initial maturities of three months or less. Cash deposits of the Governing Board are insured by Federal depository insurance to the extent of regulatory requirements.

Investments - Investments include certificates of deposit with initial maturities of greater than three months. Investment income consists of interest income earned.

Accounts and Pledges Receivable - The Governing Board's accounts receivable mainly consists of amounts receivable for showbill advertising, sponsorships and grant reimbursements and are reported on the balance sheet net of estimated uncollectible amounts. The Governing Board records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses.

Inventories: Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Capital Assets – The Governing Board's operations are maintained at facilities owned and operated by the School District at no cost to the Governing Board. When applicable, capital asset acquisitions intended for direct contribution to the School District are recorded as expenditures in the Governing Board's accounting records. Similarly, the costs of ongoing construction and/or rehabilitation projects related to capital assets of the School District are accumulated until completion of construction, at which time the aggregate costs are recognized as a direct contribution to the School District in the Governing Board's accounting records.

Capital asset acquisitions are recorded at cost, if purchased. Assets are capitalized having a useful life of greater than one year and with an original cost of \$500 or greater. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets, which is generally five years. Expenditures for repairs and maintenance are expensed as incurred.

During the year ended June 30, 2017, the Governing Board made asset acquisitions totaling \$3,009 which were subsequently contributed to the School District.

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Net Position – The Governing Board's net position is classified as follows:

- Restricted Net Position – Expendable - includes resources the Governing Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Restricted Net Position – Nonexpendable - consists of endowment and similar type funds in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income.
- Unrestricted - represents net position that is not restricted for any purpose and available for current operations.

Fair Value of Financial Instruments - The Governing Board did not hold any derivative instruments for trading purposes at June 30, 2017 and 2016, and does not invest in derivative instruments. The carrying amount of cash, receivables and payables approximates fair value.

Donated Property – Donated marketable securities and other noncash donations used to further the purposes of the Governing Board are recorded at estimated fair value at the time of donation, when applicable.

In-kind Contributions - In-kind contributions represent the fair market values for goods and services provided for the Governing Board. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. These contributions are included in the Statement of Activities under the caption labeled "in-kind contributions", when applicable.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include the allocation of salary costs to different program services and support services.

Revenue Recognition – An exchange or exchange-like transaction is one in which each party receives and sacrifices something of approximate equal value. Amounts received from exchange transactions (i.e., performance ticket fees, charges for advertising, etc.) are recognized as revenue when the exchange transaction takes place.

A non-exchange transaction is one in which one party receives something of value without directly giving value in exchange. Non-exchange transactions may include, but are not limited to:

- Gifts/donations - Assets are recognized when all eligibility requirements are met or funds are received; whichever is first. Revenue is recognized when all eligibility requirements have been met. If gift is received prior to meeting eligibility requirements, it is recorded as deferred revenue.

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Eligibility requirements are conditions specified by a donor that must be met, such as time requirements, matching requirements. Purpose restrictions are not eligibility requirements and do not affect revenue recognition. Gifts received with purpose restrictions are reported as restricted until used for designated purpose or until restriction expires.

Some gifts are received with the stipulation that the resources cannot be sold, disbursed, or consumed until a specified number of years have passed or a specific event has occurred, such as endowments, term endowments, works of art and historical treasures. For these gifts, revenues are recognized when the resources are received, provided that all eligibility requirements are met. Resulting net assets are reported as restricted for as long as the restrictions or time requirements remain in effect.

- Certain grants, entitlements - Assets are recognized when all eligibility requirements are met or funds are received; whichever is first. Revenue is recognized when all eligibility requirements have been met. If grant funds are received prior to meeting eligibility requirements, they are recorded as deferred revenue. Eligibility requirements are conditions specified by the grantor that must be met, such as an eligible recipient, time requirements, matching requirements, etc. Purpose restrictions are not eligibility requirements and do not affect revenue recognition. Grants received with purpose restrictions are reported as restricted.
- Promises to give (pledges) – Amounts must be promised by a non-governmental entity – individual, business, or organization. Asset (receivable) and revenue are recognized when all eligibility requirements are met and amount is verifiable, measurable, and collection is probable (likely to occur). Endowment pledges are generally not recognized until received since the promise to not sell, disburse, or consume the asset cannot be honored until the asset has been received.

Contributions received are recorded as unrestricted or 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.

Investment earnings with donor restrictions are recorded in restricted net position based on the nature of the restrictions.

Employee Salaries and Benefits – Generally, all administration and management functions of the Governing Board are performed by individuals whose salaries, wages and related employee benefits are paid by the School District. During the year ended June 30, 2017 and 2016, the Governing Board agreed to reimburse the School District for a portion of the salaries, wages and related employee benefits paid by the School District in the amounts of \$56,434 and \$53,076, respectively.

The Governing Board does not recognize any pro-rata portion of liabilities for employment related benefits (i.e., employee insurance premiums, pension obligations, and other post-employment benefit obligations) of the School District.

Income Taxes - The Governing Board is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Governing Board has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Section 509(a) of the Internal Revenue Code; Accordingly, no provision for Federal and state income taxes has been made in the accompanying financial statements.

The Governing Board has adopted the standard for accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Governing Board's tax returns (Form 990 and attachments) are subject to review and examination by the Federal and State authorities. The Governing Board is not aware of any activities that would jeopardize its tax-exempt status. The Governing Board is not aware of any activities that are subject to tax on unrelated business income or excise taxes. The tax returns for the fiscal years ending 2014 to 2017 are open to examination by Federal and state authorities.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

New Accounting Standards – The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

- Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68.*" Statement No. 73 establishes accounting and financial reporting requirements to defined benefit pension plans not subject to GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions.*" There was no impact to the Governing Board's financial statements as a result of this guidance.
- Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact to the Governing Board's financial statements as a result of this guidance.
- Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. There was no impact to the Governing Board's financial statements as a result of this guidance.

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- Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" The objective of this Statement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact to the Governing Board's financial statements as a result of this guidance.
- Statement No. 77, "*Tax Abatement Disclosures.*" Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. There was no impact to the Governing Board's financial statements as a result of this guidance.
- Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*" The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. There was no impact to the Governing Board's financial statements as a result of this guidance.
- Statement No. 79, "*Certain External Investment Pools and Pool Participants.*" This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. There was no impact to the Governing Board's financial statements as a result of this guidance.
- Statement No. 80, "*Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.*" The objective of this Statement is to improve financial reporting by

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clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. There was no impact to the Governing Board's financial statements as a result of this guidance.

- Statement No. 81, "*Irrevocable Split-Interest Agreements.*" The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Governing Board is not a party to any such agreements. The implementation of this statement did not materially change the financial statement presentation.
- Statement 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73.*" The objective of this Statement is to address certain issues that have been raised with respect to GASB. 67, *Financial Reporting for Pension Plans*, GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an actuarial Standard Practice for Financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There was no impact to the Governing Board's financial statements as a result of this guidance.

The Governing Board is currently evaluating the effects that the following Governmental Accounting Standards Board (GASB) Statements, which will be implemented in future financial statements, will have on its financial statements for subsequent fiscal years.

- Statement 83, "*Certain Asset Retirement Obligations.*" The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement is currently under review to evaluate the impact it may have on the Governing Board's financial statement presentation. The provisions of this statement are effective for fiscal years beginning June 15, 2018.
- Statement 84, "*Fiduciary Activities.*" The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is currently under review to evaluate the impact it may have on the Governing Board's financial statement presentation. The provisions of this statement are effective for fiscal years beginning December 15, 2018.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits - At June 30, 2017, the carrying amount of the Governing Board's cash deposits was \$295,761, and the bank balances were \$302,263, including brokerage money market accounts of \$3,493, all of which was covered by federal depository insurance. Included in the carrying amount of the governing Board's cash deposits is \$300 of petty cash.

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At June 30, 2016, the carrying amount of the Governing Board's cash deposits was \$240,620, and the bank balances were \$244,839, including brokerage money market accounts of \$2,461, all of which was covered by federal depository insurance. Included in the carrying amount of the governing Board's cash deposits is \$300 of petty cash.

Investments - Long-term investments are stated at fair value. All current period investments are limited to certificates of deposit which are valued at historical cost, including accrued interest. At June 30, 2017, the fair value of the Governing Board's investments in certificates of deposit totaled \$488,699, all of which was covered by federal depository insurance.

At June 30, 2016, the fair value of the Governing Board's investments in certificates of deposit totaled \$441,327, all of which was covered by federal depository insurance.

The Governing Board's investments were limited exclusively to certificates of deposit, all of which are included in the summary of deposits above. The investment maturities of the Governing Board's investment portfolio range from 1 month to 42 months, as follows:

Investment Type	Fair Value	Investment Maturities (Years)	
		Less Than 1	From 1 - 5
At June 30, 2017:			
Certificates of deposit.....	\$ 488,699	114,946	373,753
At June 30, 2016:			
Certificates of deposit.....	\$ 441,327	107,221	334,106

Restrictions. Certain cash deposits are classified as restricted assets because their use is restricted by applicable donor covenants.

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Governing Board has developed formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments are governed by the Governing Board's Investment Policies and related state statutes. Generally, the Governing Board limits the acquisition of investments with maturities of greater than forty-eight months, unless such investments are purchased for holding to maturity. Interest rate risk is minimized for all other investments, which are normally held for periods of less than one year. At June 30, 2017, the Governing Board had \$488,699 invested in bank certificates of deposit with an average yield of 1.50% and average maturities of 15.3 months.

Credit Risk. State Statutes authorize the Governing Board to invest in obligations of the U.S. Treasury and federal agency securities, along with certain pre-refunded public obligations, such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state. The Governing Board's investment policy specifically provides that

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sufficient cash, as determined by the Treasurer and Finance Committee, will be maintained in bank or money market accounts that are fully insured. Other financial investments shall be made for periods up to 5 years, provided that there is an opportunity to withdraw funds in an emergency, and will only be made in instruments that are fully FDIC insured, or equivalent protection.

Custodial Credit Risk. Custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. At June 30, 2017, the Governing Board's had investments in certificates of deposit totaling \$488,699 are uncollateralized, but are covered by federal deposit insurance.

Foreign Currency Risk. The Governing Board is not exposed to any foreign currency risk at September 30, 2017.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Accounts receivable - rental	\$ 3,400	-
Public donations.....	300	1,250
Advertising contracts and other.....	2,445	1,650
Due from other governments.....	<u>15,000</u>	<u>18,000</u>
	21,145	20,900
Less allowance for uncollectible accounts.....	<u>(2,445)</u>	<u>-</u>
Accounts receivable, net.....	<u>\$ 18,700</u>	<u>20,900</u>

NOTE 4 – CAPITAL ASSETS

Property and equipment as of June 30, 2017 and 2016 consisted of the following:

Year ended June 30, 2017	Balance <u>07/01/16</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/17</u>
Capital Assets:				
Construction in progress.....	\$ 3,500	<u>3,009</u>	<u>(3,009)</u>	<u>3,500</u>

Year ended June 30, 2016	Balance <u>07/01/15</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/16</u>
Capital Assets:				
Construction in progress.....	\$ -	<u>3,500</u>	<u>-</u>	<u>3,500</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$-0- and \$-0-, respectively.

During the years ended June 30, 2017 and 2016, capital asset acquisitions, including construction costs and rehabilitation projects related to capital assets of the School District, which were transferred to the School District totaled \$3,009 and \$-0-, respectively. During the year ended June 30, 2016, the Governing Board incurred preliminary professional engineering and architectural costs totaling \$3,500 associated with the planning of a future capital expansion program. This Governing Board is anticipating that its construction program will commence in the next fiscal year.

NOTE 5 – NET POSITION RESTRICTIONS AND DESIGNATIONS

Restricted – Nonexpendable – The Governing Board did not have any balances that included permanent, nonexpendable, donor-imposed corpus restrictions at June 30, 2017 and 2016.

Restricted - Expendable – A summary of net changes in net position that included restricted, but expendable donor-imposed or board-imposed restrictions consisted of the following at June 30, 2017 and 2016:

<u>Year ended June 30, 2017</u>	<u>Balances</u> <u>07/01/16</u>	<u>Contributions</u>	<u>Uses</u>	<u>Balances</u> <u>06/30/17</u>
R. and J. Hamilton Capital Fund.....	\$ 22,000	-	-	22,000
C. W. Elliott Capital Fund.....	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
Total.....	<u>\$ 27,000</u>	<u>-</u>	<u>(5,000)</u>	<u>22,000</u>

<u>Year ended June 30, 2016</u>	<u>Balances</u> <u>07/01/15</u>	<u>Contributions</u>	<u>Uses</u>	<u>Balances</u> <u>06/30/16</u>
R. and J. Hamilton Capital Fund.....	\$ 22,000	-	-	22,000
C. W. Elliott Capital Fund.....	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total.....	<u>\$ 27,000</u>	<u>-</u>	<u>-</u>	<u>27,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Unrestricted - Designated – A summary of net changes in net position that included unrestricted, but discretionary board-imposed designations consisted of the following at June 30, 2017 and 2016:

<u>Year ended June 30, 2017</u>	<u>Balances</u> <u>07/01/16</u>	<u>Contributions</u>	<u>Uses</u>	<u>Balances</u> <u>06/30/17</u>
Internally designated Capital Fund.....	\$ 382,422	5,000	(600)	386,822
Arts Education grants.....	<u>24,333</u>	<u>3,329</u>	<u>(3,600)</u>	<u>24,062</u>
Total.....	<u>\$ 406,755</u>	<u>8,329</u>	<u>(4,200)</u>	<u>410,884</u>

<u>Year ended June 30, 2016</u>	<u>Balances</u> <u>07/01/15</u>	<u>Contributions</u>	<u>Uses</u>	<u>Balances</u> <u>06/30/16</u>
Internally designated Capital Fund.....	\$ 345,218	37,204	-	382,422
Arts Education grants.....	<u>21,677</u>	<u>2,688</u>	<u>(32)</u>	<u>24,333</u>
Total.....	<u>\$ 366,895</u>	<u>39,892</u>	<u>(32)</u>	<u>406,755</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The Governing Board is a legally established direct-support organization and component unit of the Flagler County District School Board, whose objective is to promote the performing arts and community use of The Flagler Auditorium in Flagler County, Florida. To meet this objective, the Governing Board is permitted to use the Flagler Auditorium, certain other property, facilities, and personal services of the District, provided the rules of the School Board are followed. As a result, various administrative and internal service functions are provided to the Governing Board throughout the year by the District without remuneration. The Governing Board has elected to not include the value of these donated materials and services, which are significant to the operations of the Governing Board, in the accompanying financial statements.

Throughout the year, the School District utilizes the Flagler Auditorium for school related functions and activities. In conjunction with those activities, the Governing Board collects school-related admission fees and rentals and makes payments for activity related expenses on behalf of the School District. Amounts collected by the Governing Board on behalf of the School District in the form of auditorium admission fees, rentals and concessions during the fiscal years ended June 30, 2017 and 2016, totaled \$96,863 and \$104,268, respectively. Reimbursements collected by the Governing Board for the payment of performance related expenses and other expense reimbursements totaled \$38,051 and \$36,557, respectively, for the years ended June 30, 2017 and 2016. The resultant amount of settlements paid to the School District by the Governing Board during the fiscal years ended June 30, 2017 and 2016, totaled \$58,812 and \$68,237, respectively.

During the years ended June 30, 2017 and 2016, the Governing Board reimbursed the School District for a portion of the salaries and related employee benefits for the Executive Director and Public Relations and Marketing representative in the amount of \$56,434 and \$53,076, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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NOTE 7 – COMMITMENTS

The Governing Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural causes for which the Governing Board carries commercial insurance. The Governing Board has incurred no losses in excess of coverage in the last three years.

NOTE 8 – SUBSEQUENT EVENTS

Performance Productions and Contracts. Subsequent to year end, the Governing Board anticipates entering into formal contract commitments with various agents and performers totaling approximately \$350,000 for productions that will occur in the next fiscal year.

Grants and Capital Renovations. The Governing Board has been awarded a State of Florida Cultural Facility Grant of approximately \$500,000 for the purpose of financing various capital improvements to the Flagler Auditorium. This grant for facilities improvements requires the grantee to match the grant request amount with non-state funds, part of which may be in cash-on-hand and part of which may be in qualifying expenditures. The Governing Board anticipates using its current restricted and its designated unrestricted funds in the aggregate amount of up to \$500,000 as the required local match for this project in the next fiscal year.

Events and Transactions. In preparing these financial statements, the Governing Board has evaluated events and transactions for potential recognition or disclosure through September 7, 2017, the date the financial statements were available to be issued.

Compliance Reports

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INDEPENDENT AUDITOR'S 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
The Flagler Auditorium Governing Board, Inc.
Palm Coast, 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 Flagler Auditorium Governing Board, Inc. (a nonprofit organization hereinafter referred to as the "Governing Board"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Governing Board'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governing Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governing Board'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.

To the Board of Directors
The Flagler Auditorium Governing Board, Inc.
Palm Coast, Florida
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Governing Board'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*.

Prior Audit Findings

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BMC CPAs

September 7, 2017