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THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED

JUNE 30, 2014 AND 2013

**THE FLAGLER AUDITORIUM
GOVERNING BOARD, INC.
BUNNELL, FLORIDA**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2014 AND 2013

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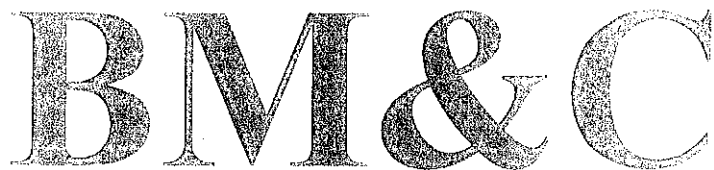
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INDEPENDENT AUDITORS' REPORTS
 June 30, 2014 and 2013
 THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
 Bunnell, Florida

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Independent Auditors' Report

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BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Flagler Auditorium Governing Board, Inc. (the "Organization"), a component unit of Flagler County District School Board, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Organization'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 audit 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 Organization as of June 30, 2014 and 2013, and the 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 Matters

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 15 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 10, 2014, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

Brent Milliken & Co., P.A.

September 10, 2014

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 "Organization"), we offer the readers of these basic financial statements this narrative overview and analysis of the Organization's financial activities for the fiscal year that ended on June 30, 2014. 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 Organization's financial statements, which follow this information.

Financial Highlights

- The Organization's overall combined assets totaled \$568,032 at the close of the 2014 fiscal year compared to \$474,189 last year. Total assets exceeded liabilities by \$564,450 (*combined net position*) compared with \$468,011 one year earlier.
- The Organization's combined net position increased by \$96,439 in 2014, compared to an increase of \$35,761 in 2013. Amounts invested in net capital assets and not available for spending totaled \$14,782 at the end of 2014 and \$27,450 at the end of 2013. Net position temporarily restricted for expendable uses totaled \$27,000 at year end, which consists of restricted community support donations. Amounts in unrestricted net position include \$345,218 which is designated by the board for capital additions and \$20,158 which is designated by the board for use of state designated art license plate funds. Unrestricted net position increased by \$109,107 in 2014 to a total of \$522,668, compared to \$413,561, one year earlier, all of which represents unrestricted and internally designated amounts that may be used to meet the Organization's ongoing obligations for its program activities.
- The Organization generated gross performance, advertising and concession related revenues totaling \$499,040 in 2014, which was approximately 17% above the \$425,898 generated in 2013. Direct production costs consisting of producers, artists, contractors, advertising and concessions expenses totaled \$409,286, compared to \$428,462 one year earlier. Other community support, grants and fundraising activities produced net revenues of \$92,524 and \$86,376 during 2014 and 2013, respectively.
- The Organization provided student scholarships and grants of \$23,473 and \$11,745 in the years ended June 30, 2014 and 2013, respectively.

Overview of the Financial Statements

The Organization presents its financial statements for the fiscal year ended June 30, 2014, which include for comparative purposes the fiscal year ended June 30, 2013, certain accounts of which have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The Organization 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 Organization accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB). The Organization is considered a Business-Type Activity under the provisions of GASB 34 and 35.

The Organization'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.

The objective of the Management's Discussion and Analysis is to focus on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and the accompanying notes.

The financial statements include the following:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

The financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Organization's overall financial status, including its business-type activities. These statements report information about the Organization using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Organization's assets and liabilities, both financial and capital, and short-term and long-term debt (when applicable) are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported.

The financial statements also include notes which 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 Organization's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Statements of Net Position

Net Position. As noted previously, 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 Organization's combined total assets exceeded liabilities (net position) by \$564,450 at the end of 2014, compared to \$468,011 at the end of 2013. The net position of the Organization at June 30, 2014 and 2013 is summarized as follows:

Net Position				
June 30, 2014 and 2013				
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current and other assets.....	\$ 367,164	224,782	142,382	63.3%
Noncurrent assets.....	<u>200,868</u>	<u>249,407</u>	<u>(48,539)</u>	-19.5%
Total assets.....	<u>568,032</u>	<u>474,189</u>	<u>93,843</u>	19.8%
Liabilities:				
Current liabilities.....	<u>3,582</u>	<u>6,178</u>	<u>(2,596)</u>	-42.0%
Total liabilities.....	<u>3,582</u>	<u>6,178</u>	<u>(2,596)</u>	-42.0%
Net Position:				
Invested in capital assets.....	14,782	27,450	(12,668)	-46.1%
Restricted:				
Nonexpendable.....	-	-	-	
Expendable.....	27,000	27,000	-	0.0%
Unrestricted.....	<u>522,668</u>	<u>413,561</u>	<u>109,107</u>	26.4%
Total net position.....	<u>\$ 564,450</u>	<u>468,011</u>	<u>96,439</u>	20.6%

Total assets increased over last year by \$93,843 to a total of \$568,032, or an increase of 19.8% over last year's \$474,189. Total assets consist primarily of cash and cash equivalents, which make up 62% of total assets, short-term investments which include certificates of deposit make up 33%, accounts receivable which make up 2% of total assets and net capital assets, which make up 3%.

The Organization's total liabilities consist of accounts payable and accrued liabilities for current period operating activities of \$731 at the end of 2014, compared to \$2,236 at the end of 2013, and unearned ticket and advertising revenue received in advance totaling \$2,851 at the end of 2014, compared to \$3,942 at the end of 2013.

The portion of net position invested in capital assets totaled \$14,782 at the end of 2014, compared to \$27,450 at the end of 2013. The reduction in 2014 was the result of the current year transfer to the Flagler County School District of physical assets previously acquired and/or constructed by the Organization, the full benefit of which was for the District. Amounts at year end represent construction in progress, which upon completion is intended to be transferred to the District. Amounts temporarily restricted for donor designated uses remained unchanged in 2014 and totaled \$27,000. Unrestricted net position increased by \$109,107 during 2014 and totaled \$522,668 at year end, compared to \$413,561 at the end of 2013.

Statements of Revenues, Expenses and Changes in Net Position

Changes in Net Position. While the statement of net position shows a snapshot of the Organization's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes. During 2014, the Organization's total operating revenues increased by \$81,939 to a total of \$600,389, compared to \$518,450 earned in the prior year. This year's increase was primarily due to an increase in performance ticket sales in the current year. During 2014, approximately 83% of the Organization's revenue was derived from performance tickets, showbills, concessions and auditorium rentals (\$499,040), compared with 82% (\$425,898) in the previous year. At the same time, the Organization's combined revenues from local community patronage and support, state grants and fundraising revenues remained strong and totaled \$101,349 in 2014, compared to \$92,552 in 2013.

The Organization's spending on entertainment productions, advertising and concessions decreased in 2014 and totaled \$409,284, compared to \$428,462 in 2013, primarily from the decreased costs of individual productions and advertising. Total amounts paid for student scholarships were \$23,474 and \$11,745, respectively for years ended 2014 and 2013.

The Organization's fundraising activities included Holiday Extravaganza and Gala, which produced fundraising revenues totaling \$28,999, compared to \$23,881 one year earlier. Overall fundraising expenses increased from \$6,176 in 2013 to \$8,825 in 2014.

The Organization's general and administrative costs decreased slightly from \$39,978 in 2013 to \$37,465 in 2014. Overall, administrative costs continue to represent approximately 7% of the Organization's spending in 2014 and 2013.

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

Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Performances, concessions, showbills and advertising.....	\$ 482,290	405,698	76,592	18.9%
Community support.....	70,017	68,671	1,346	2.0%
Performance grants.....	2,333	-	2,333	100.0%
Fundraising.....	28,999	23,881	5,118	21.4%
Auditorium and equipment rentals.....	<u>16,750</u>	<u>20,200</u>	<u>(3,450)</u>	-17.1%
Total operating revenues.....	<u>600,389</u>	<u>518,450</u>	<u>81,939</u>	15.8%
Operating Expenses:				
Program services.....	461,420	440,207	21,213	4.8%
Support services.....	<u>46,290</u>	<u>46,154</u>	<u>136</u>	0.3%
Total operating expenses.....	<u>507,710</u>	<u>486,361</u>	<u>21,349</u>	4.4%
Operating income.....	92,679	32,089	60,590	188.8%
Nonoperating income:				
Investment income.....	<u>3,760</u>	<u>3,672</u>	<u>88</u>	2.4%
Increase in net position.....	96,439	35,761	60,678	169.7%
Net position - beginning of year.....	<u>468,011</u>	<u>432,250</u>	<u>35,761</u>	8.3%
Net position - end of year.....	<u>\$ 564,450</u>	<u>468,011</u>	<u>96,439</u>	20.6%

Statements of Cash Flows

Net cash generated from operating activities amounted to \$114,241 during 2014, compared to net cash provided by operating activities of \$35,246 in the previous year. This represents a considerable increase of \$78,995 in cash flows from operating activities in 2013, which was due primarily to a substantial increase in net performance settlements received during the current year.

The Organization did not receive any net cash from noncapital investing activities in 2014. All amounts received in 2013 and earlier are attributed to a expendable endowments, the proceeds of which are temporarily restricted at the discretion of the governing board.

Net cash provided by (used in) investing activities amounted to \$23,109 in 2014, compared to (\$3,966) in the prior year. During the prior year, the Organization purchased a certificate of deposit of \$80,700 with a maturity date of five years. The five year maturity was selected to take advantage of a higher rate of return.

Capital Assets

Capital Assets. At June 30, 2014 and 2013, the Organization's investment in capital assets for its business type activities totaled \$14,782 and \$27,450, respectively. During 2014, the Organization contributed previously acquired capital assets with a net basis of \$28,661 to the Flagler County School District. Amounts capitalized at the end of 2014 represent renovation improvements, all of which are intended to be contributed to the District upon completion. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule.

Capital Assets
June 30, 2014 and 2013

	Balance <u>07/01/13</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/14</u>
Capital Assets:				
Machinery and equipment.....	\$ 88,820	1,740	(90,560)	-
Construction in progress.....	-	14,782	-	14,782
Accumulated Depreciation:				
Machinery and equipment.....	<u>(61,370)</u>	<u>(529)</u>	<u>61,899</u>	<u>-</u>
Capital Assets, net.....	<u>\$ 27,450</u>	<u>15,993</u>	<u>(28,661)</u>	<u>14,782</u>

Economic Factors That Will Affect The Future

Attendance at, and participation in, Organization productions along with charitable giving continue to be significantly affected by many factors including the general state of the economy, the health of the stock market and prospective donors' perception of the benefiting organization. Toward this latter factor, the Organization has historically enjoyed a very positive reputation in the communities it serves. While economic factors do ultimately affect charitable giving in general, the Organization has developed a history of steady growth regardless of changes in these factors.

Some of the major factors considered by the Organization 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 countywide unemployment rate of 6.1% at the end of June 2014. This rate is lower than the countywide rate of 7.7% experienced approximately one year earlier.
- 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 Organization's finances and to demonstrate the Organization'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.

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Financial Statements

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STATEMENT OF NET POSITION

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

	2014	2013
Assets:		
Current Assets:		
Cash and cash equivalents (unrestricted).....	\$ 324,752	187,402
Cash and cash equivalents (restricted).....	27,000	27,000
Accounts receivable (net).....	12,425	9,654
Inventories.....	2,050	526
Prepaid expenses.....	<u>937</u>	<u>200</u>
Total current assets	367,164	224,782
Noncurrent Assets:		
Investments.....	186,086	221,957
Capital assets (net).....	<u>14,782</u>	<u>27,450</u>
Total assets	<u>\$ 568,032</u>	<u>474,189</u>
Liabilities and Net Position:		
Current Liabilities:		
Accounts payable and accrued liabilities.....	\$ 731	2,236
Customer deposits received in advance.....	<u>2,851</u>	<u>3,942</u>
Total current liabilities	<u>3,582</u>	<u>6,178</u>
Net Position:		
Invested in capital assets.....	14,782	27,450
Restricted:		
Nonexpendable.....	-	-
Expendable.....	27,000	27,000
Unrestricted.....	<u>522,668</u>	<u>413,561</u>
Total net position.....	<u>564,450</u>	<u>468,011</u>
Total liabilities and net position.....	<u>\$ 568,032</u>	<u>474,189</u>

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

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

	2014	2013
Operating Revenues:		
Performances.....	\$ 424,046	363,275
Showbills and advertising.....	28,000	21,300
Concessions.....	30,244	21,123
Community patronage and support.....	70,017	68,671
Performance grants.....	2,333	-
Fundraising.....	28,999	23,881
Auditorium and equipment rentals.....	<u>16,750</u>	<u>20,200</u>
Total operating revenues.....	<u>600,389</u>	<u>518,450</u>
Operating Expenses:		
Program Services:		
Producers and contractors.....	286,920	315,973
Advertising and showbill.....	101,588	98,669
Concessions.....	20,778	13,820
Donations and grants.....	28,661	-
Scholarships.....	<u>23,473</u>	<u>11,745</u>
Total program services.....	<u>461,420</u>	<u>440,207</u>
Support Services:		
General and administrative.....	37,390	37,915
Fundraising.....	8,825	6,176
Bad debt expense.....	<u>75</u>	<u>2,063</u>
Total support services.....	<u>46,290</u>	<u>46,154</u>
Total operating expenses.....	<u>507,710</u>	<u>486,361</u>
Operating income.....	92,679	32,089
Nonoperating Revenue:		
Investment income.....	<u>3,760</u>	<u>3,672</u>
Change in net position.....	96,439	35,761
Net Position, beginning of year.....	<u>468,011</u>	<u>432,250</u>
Net Position, end of year.....	<u>\$ 564,450</u>	<u>468,011</u>

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

	2014	2013
Cash Flows From Operating Activities:		
Cash received from performances, advertising and concessions.....	\$ 487,178	399,970
Cash received from grants and community support.....	63,600	68,671
Cash received from fundraising.....	28,999	23,881
Cash received from auditorium and equipment rentals.....	16,750	20,200
Cash paid for productions and concessions.....	(413,052)	(428,530)
Cash paid for scholarship awards and grants.....	(23,473)	(11,745)
Cash paid for fundraising.....	(8,825)	(6,176)
Cash paid for administrative costs.....	(36,936)	(31,025)
Net cash provided by operating activities.....	<u>114,241</u>	<u>35,246</u>
Cash Flows From Investing Activities:		
Cash received from investment maturities.....	118,062	15,992
Cash paid for purchase of certificates of deposit.....	(80,000)	-
Cash received from interest.....	1,569	500
Cash paid for purchase of equipment.....	(16,522)	(20,458)
Net cash used in investing activities.....	<u>23,109</u>	<u>(3,966)</u>
Net increase in cash and cash equivalents.....	137,350	31,280
Cash and Cash Equivalents - Beginning of Year.....	<u>214,402</u>	<u>183,122</u>
Cash and Cash Equivalents - End of Year.....	<u>\$ 351,752</u>	<u>214,402</u>
Reported in Statement of Net Assets as:		
Cash and Cash Equivalents - unrestricted.....	\$ 324,752	187,402
Cash and Cash Equivalents - restricted.....	<u>27,000</u>	<u>27,000</u>
Total Cash and Cash Equivalents.....	<u>\$ 351,752</u>	<u>214,402</u>

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

STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended June 30, 2014 and 2013
THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
Bunnell, Florida

	2014	2013
Reconciliation of Increase in Net Assets To Net		
Cash Provided By Operating Activities:		
Operating income.....	\$ 92,679	32,089
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation expense.....	529	6,890
Bad debt expense.....	75	2,063
Equipment disposals granted to School District.....	28,661	-
Changes in Assets - (Increase) Decrease In:		
Accounts receivable.....	(2,846)	(2,551)
Due from Flagler District School Board.....	-	(4,354)
Prepaid expenses.....	(2,261)	(726)
Changes in Liabilities - Increase (Decrease) In:		
Accounts payable and accrued liabilities.....	(1,505)	1,417
Customer deposits received in advance.....	(1,091)	418
Net cash provided by operating activities.....	<u>\$ 114,241</u>	<u>35,246</u>

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

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Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Flagler Auditorium Governing Board, Inc. (the “Organization”) 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 Organization 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 Organization 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 Organization 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 Organization is considered a special-purpose government entity engaged exclusively in business-type activities. Accordingly, the Organization’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 – Pursuant to the provisions of GASB Statement No. 20, *Accounting and Financial Reporting/or Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Organization has elected to not apply all Financial Accounting Standards Board (FASB) statements issued after November 30, 1989, to its proprietary fund activities.

The basic financial statements required for proprietary funds by GASB 34 are: a statement of net position or a balance sheet; a statement of revenues, expenses, and changes in net position; 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 Organization’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 Organization, the accounts of the Organization 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 Organization’s financial activity is accounted for in a single business-type fund, which contains restricted and unrestricted components. The Organization’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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

Classification of Revenues - The Organization'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 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, Organization 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 Organization are held by banks qualified as public depositories under Florida Statute Chapter 280. All such deposits are insured by Federal depository insurance.

Investments - Investments include certificates of deposit (bank time deposits) with initial maturities of greater than three months. Investment income consists exclusively of interest income earned.

Accounts and Pledges Receivable - The Organization's accounts receivable mainly consists of amounts receivable from showbill advertising and sponsorships. The Organization considers its receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The Organization does not recognize any pledges for future amounts receivable from various entities and individuals for scholarships until such amounts are considered earned.

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

Capital Assets – Capital asset acquisitions intended to further the purpose of the Organization are accounted for as transfers to a separate net position amount entitled “Net Investment in Capital Assets”. These assets 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.

The Organization’s operations are maintained at facilities owned and operated by the School District at no cost to the Organization. When applicable, capital asset acquisitions intended for direct contribution to the School District are recorded as expenditures in the Organization'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 Organization's accounting records.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

Net Position - The Organization's net position is classified as follows:

- **Restricted Net Position – Expendable** - includes resources the Organization 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 Organization did not hold any derivative instruments for trading purposes at June 30, 2014 and 2013, and does not invest in derivative instruments. The carrying amount of cash, receivables and payables approximates fair value.

Donated Property, Materials and Services – When applicable, donated property used to further the purposes of the Organization is recorded at estimated fair value at the time of donation. However, the Organization does not recognize the value of donated materials and services used to further the purposes of the Organization in its financial statements.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

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 – All administration and management functions of the Organization are performed by individuals whose salaries, wages and related employee benefits are paid by the School District. Accordingly, the Organization 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 Organization 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 Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of 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 Organization 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

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The Organization's tax returns (Form 990 and attachments) are subject to review and examination by the Federal and State authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization 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 2011 to 2014 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 is a summary of the new accounting standards applicable to the financial activities of the Organization:

GASB Statement 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62 (GASB 66) was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB 54 and GASB 62. The requirements of GASB 66 were implemented for fiscal year 2014. This change is not expected to have a material impact on the Organization's financial position.

GASB Statement 67, Accounting and Financial Reporting for Pension Plans an amendment of GASB Statement No. 25 (GASB 67) was issued to establish standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. The requirements of GASB 67 are effective for fiscal year 2014. The implementation of GASB 67 will not have any impact on the Organization's financial statements since it does not provide any separately issued financial reports for pension activities.

GASB Statement 68, Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27 (GASB 68) was issued to establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The requirements of GASB 68 are effective for fiscal year 2015. The implementation of GASB 68 is not anticipated to have any impact on the Organization's financial statements since it contracts for all personal services with the School District.

NOTE 2 – BANK DEPOSITS

The carrying amount of all cash deposits at June 30, 2014 was \$537,838, and the related bank balances were \$533,764. At June 30, 2013, the carrying amount of all cash deposits was \$436,059, and the related bank balances were \$444,084. Included in these amounts at June 30, 2014 and 2013, are investments in certificates of deposit of \$186,086 and \$221,957, respectively. At June 30, 2014, the balance of these deposits was not in excess of federally insured limits. Petty cash and change drawer funds of \$300 and \$300 are also included in the reported balances at June 30, 2014 and 2013, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

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

Interest Rate Risk. Generally, the Organization limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of five years or less. At June 30, 2014, the organization had \$186,086 invested in bank certificates of deposit with an average yield of 1.58% and average maturities of 48 months.

Credit Risk – State Statutes authorize the Organization 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 Organization has no investment policy that would further limit its investment choices. During the years ended June 30, 2014 and 2013, the Organization did not make any qualifying investments.

Custodial Credit Risk-Deposits. 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, 2014, the Organization's cash deposits did not exceed federally insured limits. By state statutes, all of this custodial credit risk can be mitigated. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State's Chief Financial Officer as eligible to receive deposits from qualifying depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State's Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer. As of June 30, 2014, the Organization had not met these supplemental collateral management requirements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 June 30, 2014 and 2013
 THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
 Bunnell, Florida

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Advertising contracts and other.....	\$ 2,425	3,750
Due from other governments.....	10,000	1,250
Due from Flagler District School Board-Internal Account.....	<u>-</u>	<u>4,654</u>
	12,425	9,654
Less allowance for uncollectible accounts.....	<u>-</u>	<u>-</u>
Accounts receivable, net.....	<u>\$ 12,425</u>	<u>9,654</u>

NOTE 4 – CAPITAL ASSETS

Property and equipment as of June 30, 2014 and 2013, consisted of the following:

	Balance <u>07/01/13</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/14</u>
Capital Assets:				
Machinery and equipment.....	\$ 88,820	1,740	(90,560)	-
Construction in progress.....	-	14,782	-	14,782
Accumulated Depreciation:				
Machinery and equipment.....	<u>(61,370)</u>	<u>(529)</u>	<u>61,899</u>	<u>-</u>
Capital Assets, net.....	<u>\$ 27,450</u>	<u>15,993</u>	<u>(28,661)</u>	<u>14,782</u>
	Balance <u>07/01/12</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/2013</u>
Capital Assets:				
Machinery and equipment.....	\$ 68,362	20,458	-	88,820
Accumulated Depreciation:				
Machinery and equipment.....	<u>(54,480)</u>	<u>(6,890)</u>	<u>-</u>	<u>(61,370)</u>
Capital Assets, net.....	<u>\$ 13,882</u>	<u>13,568</u>	<u>-</u>	<u>27,450</u>

Depreciation expense for the years ended June 30, 2014 and 2013 totaled \$529 and \$6,890, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 June 30, 2014 and 2013
 THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
 Bunnell, Florida

NOTE 5 – RESTRICTIONS ON NET POSITION

Restricted – Nonexpendable - The Organization did not have any balances that included permanent, nonexpendable, donor-imposed corpus restrictions at June 30, 2014 and 2013.

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, 2014 and 2013:

Year ended June 30, 2014	Balances <u>07/01/13</u>	<u>Contributions</u>	<u>Uses</u>	Balances <u>06/30/14</u>
R. and J. Hamilton Capital Fund.....	\$ 22,000	-	-	22,000
C. W. Elliott Capital Fund.....	<u>5,000</u>	-	-	<u>5,000</u>
Total.....	<u>\$ 27,000</u>	<u>-</u>	<u>-</u>	<u>27,000</u>

Year ended June 30, 2013	Balances <u>07/01/12</u>	<u>Contributions</u>	<u>Uses</u>	Balances <u>6/30/13</u>
R. and J. Hamilton Capital Fund.....	\$ 19,000	3,000	-	22,000
C. W. Elliott Capital Fund.....	<u>5,000</u>	-	-	<u>5,000</u>
Total.....	<u>\$ 24,000</u>	<u>3,000</u>	<u>-</u>	<u>27,000</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization 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 Organization 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 Organization throughout the year by the District without remuneration. The Organization has elected to not include the value of these donated materials and services, which are significant to the operations of the Organization, 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 Organization collects school-related admission fees and rentals and makes payments for activity related expenses on behalf of the School District. Amounts collected by the Organization on behalf of the School District in the form of auditorium admission fees, rentals and concessions during the fiscal year ended June 30, 2014, totaled \$102,151. After reimbursement for the payment of performance related expenses and other expense reimbursements of \$41,970, the amount of settlements paid to the School District by the Organization during the fiscal year ended June 30, 2014, totaled \$60,181.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

NOTE 7 – COMMITMENTS

The Organization 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 Organization carries commercial insurance. The Organization has incurred no losses in excess of coverage in the last three years.

NOTE 8 – SUBSEQUENT EVENTS

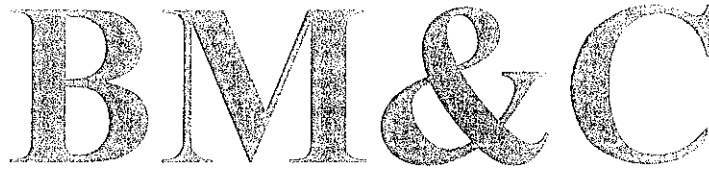
Performance Productions and Contracts – Subsequent to year end, the Organization entered into formal contract commitments with various agents and performers totaling approximately \$290,000 for productions that will occur in the next fiscal year.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 10, 2014, the date the financial statements were available to be issued.

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Compliance Reports

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BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors
The Flagler Auditorium Governing Board, Inc.
Bunnell, 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. (the "Organization"), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Brent Milliken & Co., P.A.

September 10, 2014