

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2015 AND 2014

This Page Intentionally Left Blank.

TABLE OF CONTENTS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
 June 30, 2015 and 2014
 THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
 Bunnell, Florida

	<u>Page</u>
Independent Auditors' Report.....	7
Management's Discussion and Analysis.....	11
Financial Statements:	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Net Assets	21
Statement of Cash Flows.....	22
Notes to Financial Statements	27
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39

This Page Intentionally Left Blank.

Independent Auditors' Report

This Page Intentionally Left Blank.

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 "Governing Board"), a component unit of Flagler County District School Board, as of and for the years ended June 30, 2015 and 2014, 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 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 opinions.

Opinions

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, 2015 and 2014, 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 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 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 2, 2015, 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 2, 2015

Management's Discussion and Analysis

This Page Intentionally Left Blank.

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, 2015. 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 \$622,025 at the close of the 2015 fiscal year compared to \$568,032 last year. Total assets exceeded liabilities by \$611,529 (*combined net position*) compared with \$564,450 one year earlier.
- The Governing Board's combined net position increased by \$47,079 in 2015, compared to an increase of \$96,439 in 2014. Amounts invested in net capital assets and not available for spending totaled \$14,782 at the end of 2014. In 2015, this investment, along with additional capital acquisitions and improvements totaling \$184,818 (total \$199,600), was donated to the Flagler County School District. 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 \$22,277 which is designated by the board for use of state designated art license plate funds. Unrestricted net position increased by \$61,861 in 2015 to a total of \$584,529, compared to \$522,668, one year earlier, 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.
- The Governing Board generated gross performance, advertising and concession related revenues totaling \$540,512 in 2015, which was approximately 8% above the \$499,040 generated in 2014. Direct production costs consisting of producers, artists, contractors, advertising and concessions expenses totaled \$483,572, compared to \$430,930 one year earlier. Other community support, grants and fundraising activities produced net revenues of \$225,045 and \$90,191 during 2015 and 2014, respectively.
- The Governing Board provided student scholarships and grants of \$15,312 and \$23,473 in the years ended June 30, 2015 and 2014, respectively. Amounts expended on auditorium renovations and other capital asset improvements (transferred to the Flagler County School District) totaled \$199,600 and \$28,661 during 2015 and 2014, respectively.

Overview of the Financial Statements

The Governing Board presents its financial statements for the fiscal year ended June 30, 2015, which include for comparative purposes the fiscal year ended June 30, 2014, 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.

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 Governing Board's overall financial status, including its business-type activities. 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 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 Governing Board'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 Governing Board's combined total assets exceeded liabilities (net position) by \$611,529 at the end of 2015, compared to \$564,450 at the end of 2014.

The net position of the Governing Board at June 30, 2015 and 2014 is summarized as follows:

Net Position				
June 30, 2015 and 2014				
	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current and other assets.....	\$ 433,903	367,164	66,739	18.2%
Investments.....	188,122	186,086	2,036	1.1%
Capital assets.....	<u>-</u>	<u>14,782</u>	<u>(14,782)</u>	-100.0%
Total assets.....	<u>622,025</u>	<u>568,032</u>	<u>53,993</u>	9.5%
Liabilities:				
Current liabilities.....	<u>10,496</u>	<u>3,582</u>	<u>6,914</u>	193.0%
Net Position:				
Invested in capital assets.....	-	14,782	(14,782)	-100.0%
Restricted:				
Expendable.....	27,000	27,000	-	0.0%
Unrestricted.....	<u>584,529</u>	<u>522,668</u>	<u>61,861</u>	11.8%
Total net position.....	<u>\$ 611,529</u>	<u>564,450</u>	<u>47,079</u>	8.3%

Total assets increased over last year by \$53,993 to a total of \$622,025, or an increase of 9.5% over last year's \$568,032. Total assets consist primarily of cash and cash equivalents, which make up 69% of total assets, short-term investments which include certificates of deposit make up 30%, accounts receivable which make up less than 1%.

The Governing Board's total liabilities consist of accounts payable and accrued liabilities for current period operating activities of \$719 at the end of 2015, compared to \$731 at the end of 2014. Unearned ticket and advertising revenues received in advance totaled \$9,777 at the end of 2015, compared to \$2,851 at the end of 2014.

The portion of net position invested in capital assets is zero at the end of 2015, compared to \$14,782 at the end of 2014. The reduction in 2015 was the result of the current year transfer to the Flagler County School District of physical assets previously acquired and/or constructed by the Governing Board, the full benefit of which was for the District. Amounts at the end of 2014 represent construction in progress, which upon completion was transferred to the District. Amounts temporarily restricted for donor designated uses remained unchanged in 2015 and totaled \$27,000. Unrestricted net position increased by \$61,861 during 2015 and totaled \$584,529 at year end, compared to \$522,668 at the end of 2014.

Statements of Revenues, Expenses and Changes in Net Position

Changes in Net Position. 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 changes in net position provides answers as to the nature and sources of those changes. During 2015, the Governing Board's total operating revenues increased by \$30,258 to a total of \$628,314, compared to \$598,056 earned in the prior year. This year's increase was primarily due to an increase in performance ticket sales. During 2015, approximately 86% of the Governing Board's revenue was derived from performance tickets, showbills, concessions and auditorium rentals (\$540,512), compared with 83% (\$499,040) in the previous year. At the same time, the Governing Board's combined revenues from local community patronage and support, state and local grants, and fundraising events remained strong and totaled \$237,802 in 2015, compared to \$101,349 in 2014. Amounts in 2015 include a \$150,000 capital grant from the Flagler County Tourist Development Council, the proceeds of which were used to make auditorium renovations and capital improvements to real property owned by the Flagler County School District.

At the beginning of 2015, the Governing Board agreed to reimburse the Flagler County School District for the hiring of an individual to serve in a new position to assist the Board in its local public relations and marketing efforts. Funds totaling \$32,100 were advance funded to the Flagler County School District from Board's fundraising account to finance the cost and benefits for this new position in 2015, which expense totaled \$28,088.

The Governing Board's spending on entertainment productions, advertising and concessions increased in 2015 and totaled \$483,572, compared to \$430,930 in 2014. This increase of \$52,642 was the result of increased production offerings and the additional costs associated with the new Public Relations/Marketing position. Total amounts paid for student scholarships were \$15,312 and \$23,473, respectively for years ended 2015 and 2014.

The Governing Board's fundraising activities included the annual Holiday Extravaganza and Gala events, which produced fundraising revenues totaling \$23,300 in 2015, compared to \$26,315 one year earlier. Overall fundraising expenses increased from \$8,825 in 2014 to \$12,757 in 2015. The Board's general and administrative costs increased from \$15,821 in 2014 to \$23,093 in 2015. The primary portion of this increase was the result of assuming additional administrative costs that were previously borne by the Flagler County School District.

Overall, The Governing Board's net position increased by \$47,079 in 2015, compared to an increase of \$96,439 one year earlier.

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Performances, concessions, showbills and advertising.....	\$ 528,437	482,290	46,147	9.6%
Community support.....	64,502	72,701	(8,199)	-11.3%
Fundraising.....	23,300	26,315	(3,015)	-11.5%
Auditorium and equipment rentals.....	<u>12,075</u>	<u>16,750</u>	<u>(4,675)</u>	-27.9%
Total operating revenues.....	<u>628,314</u>	<u>598,056</u>	<u>30,258</u>	5.1%
Operating Expenses:				
Program services.....	498,884	454,403	44,481	9.8%
Support services.....	<u>35,850</u>	<u>24,646</u>	<u>11,204</u>	45.5%
Total operating expenses.....	<u>534,734</u>	<u>479,049</u>	<u>55,685</u>	11.6%
Operating income.....	93,580	119,007	(25,427)	-21.4%
Nonoperating income (expense):				
Investment income.....	3,099	3,760	(661)	-17.6%
State and local grants.....	150,000	2,333	147,667	6329.5%
Contributions to School District.....	<u>(199,600)</u>	<u>(28,661)</u>	<u>(170,939)</u>	596.4%
Total nonoperating income (expense).....	<u>(46,501)</u>	<u>(22,568)</u>	<u>(23,933)</u>	106.0%
Increase in net position.....	47,079	96,439	(49,360)	-51.2%
Net position - beginning of year.....	<u>564,450</u>	<u>468,011</u>	<u>96,439</u>	20.6%
Net position - end of year.....	<u>\$ 611,529</u>	<u>564,450</u>	<u>47,079</u>	8.3%

Statements of Cash Flows

Net cash generated from operating activities amounted to \$97,360 during 2015, compared to net cash provided by operating activities of \$111,908 in the previous year. This represents a slight decrease of \$14,548 in cash flows from operating activities in 2014, which was the net result of an increase in net performance settlements received during the current year, and the first-year costs (approximately \$30,000) of engaging a Public Relations/Marketing manager.

Net cash used in capital and related financing activities totaled \$24,818 and \$14,189 during the year ended June 30, 2015 and 2014, respectively. The Governing Board's state and local grant receipts totaled \$160,000 in 2015, the majority of which were used to acquire and construct auditorium improvements, all of which were subsequently donated to the Flagler County School District. The net book value of capital assets contributed to the District totaled \$184,818 and \$16,522 during 2015 and 2014, respectively.

Net cash provided by investing activities amounted to \$1,063 in 2015, compared to \$23,109 in 2014. Amounts collected in 2015 represent actual interest earnings received by the Governing Board, compared to interest collections of \$1,569 in 2014. The remaining increases include investment redemptions and certificate of deposit maturities, which are reported net of amounts reinvested in certificates of deposit with maturity dates of five years. The five year maturities were selected to take advantage of higher rates of return.

Capital Assets

Capital Assets. At June 30, 2015 and 2014, the Governing Board's investment in capital assets for its business type activities totaled \$-0- and \$14,782, respectively. During 2015, the Governing Board acquired assets and made additional auditorium renovation improvements totaling \$170,036. The combined balance of capital assets (totaling \$184,818) at the end of 2015, along with previously acquired capital assets with a net basis totaling \$28,661 in 2014, were contributed to the Flagler County School District. This ongoing investment in capital assets, net of depreciation, for all activities is reflected in the following schedule.

Capital Assets Year Ended June 30, 2015

	Balance <u>07/01/14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/15</u>
Capital Assets:				
Construction in progress.....	\$ 14,782	<u>184,818</u>	<u>(199,600)</u>	<u>\$ -</u>

Economic Factors That Will Affect The Future

Attendance at, and participation in, Governing Board 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 Governing Board has historically enjoyed a very positive reputation in the communities it serves. While economic factors do ultimately affect charitable giving in general, the Governing Board has developed a history of steady growth regardless of changes in these factors.

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 countywide unemployment rate of 6.3% at the end of June 2015. This rate is substantially lower than the countywide rate of 7.6% 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 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

This Page Intentionally Left Blank.

STATEMENT OF NET POSITION

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

	2015	2014
Assets:		
Current Assets:		
Cash and cash equivalents.....	\$ 397,457	324,752
Restricted cash and cash equivalents.....	27,000	27,000
Accounts receivable (net).....	1,564	12,425
Inventories.....	1,683	2,050
Prepaid expenses.....	<u>6,199</u>	<u>937</u>
Total current assets	433,903	367,164
Noncurrent Assets:		
Investments.....	188,122	186,086
Capital assets (net).....	<u>-</u>	<u>14,782</u>
Total assets	<u>\$ 622,025</u>	<u>568,032</u>
Liabilities and Net Position:		
Current Liabilities:		
Accounts payable and accrued liabilities.....	\$ 719	731
Customer deposits received in advance.....	<u>9,777</u>	<u>2,851</u>
Total current liabilities	<u>10,496</u>	<u>3,582</u>
Net Position:		
Invested in capital assets.....	-	14,782
Restricted:		
Nonexpendable.....	-	-
Expendable.....	27,000	27,000
Unrestricted.....	<u>584,529</u>	<u>522,668</u>
Total net position.....	<u>611,529</u>	<u>564,450</u>
Total liabilities and net position.....	<u>\$ 622,025</u>	<u>568,032</u>

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

This Page Intentionally Left Blank.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

	2015	2014
Operating Revenues:		
Performances.....	\$ 470,465	424,046
Showbills and advertising.....	25,650	28,000
Concessions.....	32,322	30,244
Community patronage and support.....	64,502	72,701
Fundraising.....	23,300	26,315
Auditorium and equipment rentals.....	<u>12,075</u>	<u>16,750</u>
Total operating revenues.....	<u>628,314</u>	<u>598,056</u>
Operating Expenses:		
Program Services:		
Productions, contractors and facilities.....	365,769	308,564
Advertising and showbill.....	99,043	101,588
Concessions.....	18,760	20,778
Scholarships.....	<u>15,312</u>	<u>23,473</u>
Total program services.....	<u>498,884</u>	<u>454,403</u>
Support Services:		
General and administrative.....	23,093	15,821
Fundraising.....	<u>12,757</u>	<u>8,825</u>
Total support services.....	<u>35,850</u>	<u>24,646</u>
Total operating expenses.....	<u>534,734</u>	<u>479,049</u>
Operating income.....	93,580	119,007
Nonoperating Revenue (Expenses):		
Investment income.....	3,099	3,760
State and local grants.....	150,000	2,333
Contributions to Flagler County School District.....	<u>(199,600)</u>	<u>(28,661)</u>
Nonoperating revenue.....	<u>(46,501)</u>	<u>(22,568)</u>
Change in net position.....	47,079	96,439
Net Position, beginning of year.....	<u>564,450</u>	<u>468,011</u>
Net Position, end of year.....	<u>\$ 611,529</u>	<u>564,450</u>

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

	2015	2014
Cash Flows From Operating Activities:		
Cash received from performances, advertising and concessions.....	\$ 535,980	487,178
Cash received from community patronage and support.....	64,502	61,267
Cash received from fundraising.....	23,300	28,999
Cash received from auditorium and equipment rentals.....	12,075	16,750
Cash paid for productions and concessions.....	(488,235)	(413,052)
Cash paid for scholarship awards and grants.....	(15,312)	(23,473)
Cash paid for fundraising.....	(12,757)	(8,825)
Cash paid for administrative costs.....	<u>(22,193)</u>	<u>(36,936)</u>
Net cash provided by operating activities.....	<u>97,360</u>	<u>111,908</u>
Cash Flows From Capital and Related Financing Activities:		
Cash received from capital grants.....	160,000	2,333
Acquisition and construction of capital assets.....	<u>(184,818)</u>	<u>(16,522)</u>
Net cash provided by (used in) capital and related financing activities.....	<u>(24,818)</u>	<u>(14,189)</u>
Cash Flows From Investing Activities:		
Cash received from investment maturities.....	105,044	118,062
Cash paid for purchase of certificates of deposit.....	(105,044)	(80,000)
Cash received from interest.....	<u>1,063</u>	<u>1,569</u>
Net cash used in investing activities.....	<u>1,063</u>	<u>39,631</u>
Net increase in cash and cash equivalents.....	73,605	137,350
Cash and Cash Equivalents - Beginning of Year.....	<u>351,752</u>	<u>214,402</u>
Cash and Cash Equivalents - End of Year.....	<u>\$ 425,357</u>	<u>351,752</u>
Reconciliation to Statement of Net Position:		
Cash and Cash Equivalents - unrestricted.....	\$ 397,457	324,752
Cash and Cash Equivalents - restricted.....	<u>27,000</u>	<u>27,000</u>
Total Cash and Cash Equivalents.....	<u>\$ 424,457</u>	<u>351,752</u>
Non-cash Capital and Related Financing Activities:		
Capital asset transfers to Flagler County School District.....	<u>\$ (199,600)</u>	<u>(28,661)</u>

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

STATEMENTS OF CASH FLOWS

(Continued)

For the Years Ended June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

	2015	2014
Reconciliation of Increase in Net Assets To Net Cash Provided By Operating Activities:		
Operating income.....	\$ 93,580	119,007
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation expense.....	-	529
Bad debt expense.....	900	75
Changes in Assets - (Increase) Decrease In:		
Accounts receivable.....	861	(2,846)
Prepaid expenses.....	(4,895)	(2,261)
Changes in Liabilities - Increase (Decrease) In:		
Accounts payable and accrued liabilities.....	(12)	(1,505)
Customer deposits received in advance.....	<u>6,926</u>	<u>(1,091)</u>
Net cash provided by operating activities.....	<u>\$ 97,360</u>	<u>111,908</u>

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

This Page Intentionally Left Blank.

Notes to the Financial Statements

This Page Intentionally Left Blank.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, 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 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 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, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

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 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 Governing Board's accounts receivable mainly consists of amounts receivable from showbill advertising and sponsorships. The Governing Board considers its receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The Governing Board 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 – 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

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, 2015 and 2014, 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 Governing Board is recorded at estimated fair value at the time of donation. However, the Governing Board does not recognize the value of donated materials and services used to further the purposes of the Governing Board 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, 2015 and 2014

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 – 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. Accordingly, 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.

During the year ended June 30, 2015, the Governing Board agreed to reimburse the School District for a portion of the salary and related employee benefits for a Public Relations and Marketing representative in the amount of \$30,763.

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 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

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 2012 to 2015 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 Governing Board:

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 effect on the comparability of the Governing Board'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. This change is not expected to have a material effect on the comparability of the Governing Board's financial position.

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. This change is not expected to have a material effect on the comparability of the Governing Board's financial position.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of Statement 69 is to provide specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposal of government operations. The requirements of GASB 69 are effective for fiscal year 2015. This change is not expected to have a material effect on the comparability of the Governing Board's financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of Statement 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of GASB 70 are effective for fiscal year 2015. This change is not expected to have a material effect on the comparability of the Governing Board's financial position.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 and are effective for fiscal year 2015. This change is not expected to have a material effect on the comparability of the Governing Board's financial position.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits. The carrying amount of all cash deposits at June 30, 2015 was \$537,838, and the related bank balances were \$533,764. At June 30, 2014, the carrying amount of all cash deposits was \$537,838, and the related bank balances were \$533,764. Included in these amounts at June 30, 2015 and 2014, are investments in certificates of deposit of \$188,122 and \$186,086, respectively. At June 30, 2015, the Governing Board's cash deposits and investments were diversified among three separate Florida Qualified Public Depositories, one of which was \$34,333 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, 2015 and 2014, respectively.

Investments. The Governing Board's investments were limited exclusively to certificates of deposit in Florida Qualified Public Depositories, all of which are included in the summary of deposits above. The investment maturities of the Governing Board's investment portfolio range from 19 months to 41 months, as follows:

Investment Type	Fair Value	Investment Maturities (Years)	
		Less Than 1	From 1 - 5
At June 30, 2015:			
Certificates of deposit:			
Florida Qualified Public Depositories.....	\$ 188,122	188,122	-
At June 30, 2014:			
Certificates of deposit:			
Florida Qualified Public Depositories.....	\$ 186,086	186,086	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

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. 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, 2015, the Governing Board had \$188,122 invested in bank certificates of deposit with an average yield of 1.18% and average maturities of 30 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 has no investment policy that would further limit its investment choices. During the years ended June 30, 2015 and 2014, the Governing Board 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, 2015, the Governing Board's cash deposits exceeded federally insured limits by \$34,333. 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, 2015, the Governing Board had appropriately met these supplemental collateral management requirements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Accounts receivable - ticketing	\$ 719	-
Advertising contracts and other.....	845	2,425
Due from other governments.....	<u>-</u>	<u>10,000</u>
	1,564	12,425
Less allowance for uncollectible accounts.....	<u>-</u>	<u>-</u>
Accounts receivable, net.....	<u>\$ 1,564</u>	<u>12,425</u>

NOTE 4 – CAPITAL ASSETS

Property and equipment as of June 30, 2015 and 2014, consisted of the following:

	<u>Balance</u> <u>07/01/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/15</u>
Capital Assets:				
Construction in progress.....	\$ 14,782	184,818	(199,600)	<u>-</u>

	<u>Balance</u> <u>07/01/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <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>

Depreciation expense for the years ended June 30, 2015 and 2014 totaled \$-0- and \$529, respectively.

During the years ended June 30, 2015 and 2014, capital asset acquisitions, including construction costs and rehabilitation projects related to capital assets of the School District, transferred to the School District totaled \$199,600 and \$28,661, respectively. At June 30, 2015, the Governing Board had no remaining investment in capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

NOTE 5 – RESTRICTIONS ON NET POSITION

Restricted – Nonexpendable – The Governing Board did not have any balances that included permanent, nonexpendable, donor-imposed corpus restrictions at June 30, 2015 and 2014.

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, 2015 and 2014:

Year ended June 30, 2015	Balances 07/01/14	Contributions	Uses	Balances 06/30/15
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>

Year ended June 30, 2014	Balances 07/01/13	Contributions	Uses	Balances 06/30/14
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>

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, 2015 and 2014, totaled \$103,315 and \$102,151, respectively. Reimbursements collected by the Governing Board for the payment of performance related expenses and other expense reimbursements totaled \$35,922 and \$41,970, respectively, for the years ended June 30, 2015 and 2014. The resultant amount of settlements paid to the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.

Bunnell, Florida

School District by the Governing Board during the fiscal years ended June 30, 2015 and 2014, totaled \$67,393 and \$60,181, respectively.

During the year ended June 30, 2015, the Governing Board agreed to reimburse the School District for a portion of the salary and related employee benefits for a Public Relations and Marketing representative in the amount of \$30,763.

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 entered into formal contract commitments with various agents and performers totaling approximately \$341,350 for productions that will occur in the next fiscal year.

In preparing these financial statements, the Governing Board has evaluated events and transactions for potential recognition or disclosure through September 2, 2015, the date the financial statements were available to be issued.

Compliance Reports

This Page Intentionally Left Blank.

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.
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. (a nonprofit organization hereinafter referred to as the “Governing Board”), which comprise the statement of financial position as of June 30, 2015, 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 2, 2015.

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.
Bunnell, Florida
Page 2

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*.

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 2, 2015