

**THE FLAGER AUDITORIUM
GOVERNING BOARD, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Flagler Auditorium Governing Board, Inc. (the Board), a component unit of Flagler County District School Board (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Board's 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.

Auditors' 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 auditors' 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 auditors consider 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 Board, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Statements

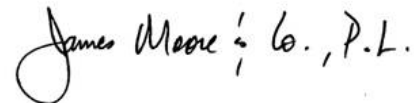
The financial statements of The Flagler Auditorium Governing Board, Inc. for the year ended June 30, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on September 7, 2017.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 August 29, 2018, on our consideration of the 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 the 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 Board's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style and is enclosed within a thin black rectangular border.

Daytona Beach, Florida
August 29, 2018

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

As financial management of The Flagler Auditorium Governing Board, Inc. (hereinafter referred to as "the Board"), we offer the readers of these basic financial statements this narrative overview and analysis of the Board's financial activities for the fiscal year that ended on June 30, 2018. 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 Board's financial statements, which follow this information.

Financial Highlights

- The Board's overall combined assets totaled \$883,286 at the close of the 2018 fiscal year, compared to \$812,228 at the close of the 2017 fiscal year and \$711,307 in 2016. Total assets exceeded liabilities by \$832,445 (*combined net position*) compared with \$767,376 and \$698,128 one and two years earlier, respectively.
- The Board's combined net position increased by \$65,069 in 2018, compared to increases of \$69,248 in 2017 and \$86,599 in 2016. Amounts invested in net capital assets and not available for spending totaled \$3,500 at the end of 2018 and 2017. Net position temporarily restricted for expendable uses totaled \$22,000 at the end of 2018 and 2017, which consists of restricted community support donations. Unrestricted net position increased by \$65,069 in 2018, compared to \$74,248 in 2017 and \$83,099 in 2016, all of which represents unrestricted and internally designated amounts that may be used to meet the Board's ongoing obligations for its program activities.
- Amounts in unrestricted net position include \$386,822, which is designated by the board for capital additions, and \$24,062 which is designated by the board for use of state designated art license plate funds. These amounts are internally designated to be used for capital matching purposes for State of Florida Cultural Facility Grants. This grant qualification requires facilities to match the request amount with non-state funds, part of which may be in cash-on-hand and part of which may be in qualifying expenditures. At present, the Auditorium is anticipating the award of a matching grant of \$500,000 to be expended on capital improvements in fiscal year 2019.
- The Board generated gross performance, advertising and concession related revenues totaling \$505,447 in 2018, which was approximately 1% below the \$510,633 generated in 2017, and approximately 11% below the \$567,553 generated in 2016. These decreases were the result of unanticipated losses due to same two performances being cancelled. Direct production costs consisting of producers, artists, contractors, advertising and concessions expenses totaled \$539,445 compared to \$527,613 and \$546,884 one and two years earlier, respectively. Other community support and fundraising activities produced net revenues of \$100,590 and \$97,768 during 2018 and 2017, respectively.
- The Auditorium receives substantial support from the community in the form of volunteer hours donated for services such as Board Committees, ushering, concession operation, and general administrative work. The Auditorium also receives donated services from the Flagler County School Board related to the staffing and use of the facility for community use of the facility. The costs of these services are not recorded in the financial statements.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

Overview of the Financial Statements

The Board presents its financial statements for the fiscal years ended June 30, 2018 and 2017, which include for comparative purposes the fiscal year ended June 30, 2017, certain accounts of which have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The 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 Board accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB). The Board is considered a Business-Type Activity under the provisions of GASBs 34 and 35.

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

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

The basic financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Board's financial activities, which are operated like commercial enterprises. These statements report information about the 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 Board's assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported.

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

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

**THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017**

Entity-Wide Financial Analysis

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

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

Net position is the sum of assets (both financial and tangible) minus all current liabilities and short and long-term debt obligations. Net position is a valuable measure of creditworthiness and financial health since the calculation includes both financial obligations and the capacity to service those obligations. This year, the Board's combined total assets exceeded liabilities (net position) by \$832,445 compared to \$767,376 at the end of 2017, and \$698,128 at the end of 2016.

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

	Net Position		
	<u>2018</u>	<u>June 30, 2017</u>	<u>2016</u>
Assets:			
Current and other assets	\$ 205,753	\$ 320,029	\$ 266,480
Investments	674,033	488,699	441,327
Capital assets	3,500	3,500	3,500
Total assets	<u>883,286</u>	<u>812,228</u>	<u>711,307</u>
Liabilities:			
Current liabilities	50,841	44,852	13,179
Net Position:			
Invested in capital assets	3,500	3,500	3,500
Restricted:			
Expendable	22,000	22,000	27,000
Unrestricted	806,945	741,876	667,628
Total Net Position	<u>\$ 832,445</u>	<u>\$ 767,376</u>	<u>\$ 698,128</u>

Total assets increased over last year by \$65,069 to a total of \$832,445 or an increase of 8.5% over last year's \$767,376. Total assets consist primarily of cash and cash equivalents, which make up 21% of total assets, noncurrent investments which include certificates of deposit make up 76%, accounts receivable and other current assets which make up 2%, and capital assets which make up 1%.

The Board's total liabilities consist of accounts payable and accrued liabilities for current period operating activities of \$46,341 at the end of 2018, compared to \$42,052 in 2017 and \$3,454 2016 respectively.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

Unearned ticket and advertising revenues received in advance totaled \$4,500 at the end of 2018, compared to \$2,800 and \$9,725 at the end of 2017 and 2016, respectively.

The portion of net position invested in capital assets remained unchanged at \$3,500 at the end of 2018 and 2017. This represents architectural and design costs borne by the Board associated with the future expansion of the Auditorium, which is anticipated to occur in the next fiscal year. When the improvements are completed and placed in service, the final costs of the capital additions will be recognized as a contribution/donation to the Flagler County District School Board.

Amounts temporarily restricted for donor designated uses totaled \$22,000, compared to \$22,000 at the end of 2017 and 27,000 at the end of 2016. Unrestricted net position increased by \$65,069 and totaled \$806,945 at the end of 2018, compared to \$741,876 and \$667,628 at the end of 2017 and 2016, respectively.

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

	For the Year Ended June 30,		
	2018	2017	2016
Operating Revenues:			
Performances, concessions, showbills and advertising	\$ 489,097	\$ 492,033	\$ 553,325
Community support	66,955	73,230	68,079
Fundraising	55,682	50,787	35,422
Auditorium and equipment rentals	16,350	18,600	14,228
Total operating revenues	628,084	634,650	671,054
Operating Expenses:			
Program services	550,731	549,807	564,274
Support services	43,084	61,164	54,226
Operating income	34,269	23,679	52,554
Total operating expenses	593,815	610,971	618,500
Nonoperating Income (Expense):			
Investment income	7,268	6,422	6,045
State and local grants	33,229	42,156	28,000
Contributions to School District	(9,697)	(3,009)	-
Total nonoperating income (expense)	30,800	45,569	34,045
Increase in Net Position			
Expendable	65,069	69,248	86,599
Net position, beginning of year	767,376	698,128	611,529
Net position, end of year	\$ 832,445	\$ 767,376	\$ 698,128

While the statement of net position shows a snapshot of the Board's financial position at the end of the fiscal year, the statement of activities provides answers as to the nature and sources of those changes that occurred during the year. During fiscal 2018, the Board's operating revenues decreased by \$6566, or 1%, compared to a decrease of 36,404 or 5.4% in 2017 and an increase of \$42,740 in 2016, respectively. This year's decrease in performance revenues was primarily due to two unanticipated performance cancellations and Hurricane Irma that devastated our community.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

During fiscal 2018, approximately 80.5% of the Board's operating revenue was derived from performance tickets, showbills, concessions and auditorium rentals (\$505,447), compared to approximately 84.5% of the \$510,633 earned in 2017, and the 86.0% of the \$567,553 earned in 2016. At the same time, the Board's combined revenues from local community patronage and support, state and local grants, and fundraising events totaled \$155,866 in 2018, compared to \$166,173 in 2017 and \$131,501 in 2016.

The Board's spending on entertainment productions, advertising and concessions increased by \$11,832 in fiscal 2018 and totaled \$539,445, compared to \$527,613 and \$546,884 in 2017 and 2016, respectively. Total amounts paid for student scholarships and other awards totaled \$11,286 in 2018, compared to \$22,194 and \$17,390 for years ended 2017 and 2016, respectively.

The primary fundraising activities included the annual Holiday Extravaganza, Patron Gala, Afternoon Tea, Masquerade 5K, and Homeshow events, which together produced fundraising revenues totaling \$55,682 in fiscal 2018, compared to \$50,787 in 2017 and \$35,422 in 2016. During these periods, overall fundraising expenses decreased by only \$4,202 in 2018 and totaled \$22,047 compared to costs of \$26,249 and \$24,838 in 2017 and 2016, respectively. The Board's general and administrative costs decreased to 21,037 in 2018 compared to \$29,388 in 2016 to \$34,915 in 2017, largely due to decreased contributions to the School Board for certain staffing costs.

Overall, The Board's net position increased by \$65,069 in 2018, compared to \$69,249 in 2017, and \$86,599 in 2016.

Cash Flows

Net cash generated from operating activities continues to remain steady and totaled \$36,949 for the 2018 fiscal year, compared to \$53,944 in 2017 and \$56,823 earned in 2016. This represents a decrease of \$16,995 in cash flows from the Board's total operating activities in 2018, which was the net result of a decrease in net performance settlements.

Net cash from capital and related financing activities totaled \$38,299 in 2018, which is the net result of the receipt of funds from state and local grants, less amounts spent by the Board on property and equipment which was subsequently transferred to the School District. Amounts actually received by the Board from state and local grant receipts totaled \$38,229 in 2018, compared to \$45,156 one year earlier. The net book value of capital assets contributed to the District totaled \$9,697, \$3,009, and \$3,500 during 2018, 2017 and 2016, respectively.

Actual net cash received from investing activities included interest payments totaling \$7,268 in 2018, compared to \$5,756 and \$2,840 in 2017 and 2016, respectively.

Capital Assets

Capital Assets. During 2018, the Board purchased capital assets totaling \$9,697 which were subsequently transferred to the Flagler County School District. The Board's investment in capital assets, net of depreciation, for all activities is reflected in the following schedule.

**THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017**

Capital Assets

Year Ended June 30, 2018

	Balance 7/1/17	Additions	Disposals	Balance 6/30/17
Capital Assets:				
Construction in progress	\$ 3,500	\$ 9,697	\$ (9,697)	\$ 3,500

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

Economic Factors That Will Affect The Future

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

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

- The most recent estimates available for unemployment data in Flagler County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a 3.1% increase in the countywide Civilian Labor Force of 47,506 at the end of June 2018, compared with 46,097 at the end of June 2017. The number of unemployed workers dropped from 2,196 (or 4.8%) at the end of June 2017, to 2,040 (or 4.3%) at the end of June 2018.
- 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 Board's finances and to demonstrate the 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

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 161,176	\$ 273,761
Restricted cash and cash equivalents	22,000	22,000
Accounts and grants receivable, net	17,121	18,700
Inventories	3,390	3,100
Prepaid items	2,066	2,468
Total current assets	205,753	320,029
Non-current assets		
Investments	674,033	488,699
Capital assets	3,500	3,500
Total non-current assets	677,533	492,199
Total Assets	\$ 883,286	\$ 812,228
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,399	\$ 2,040
Due to Due to Flagler County District School Board	44,942	40,012
Customer deposits	4,500	2,800
Total Liabilities	\$ 50,841	\$ 44,852
<u>NET POSITION</u>		
Net investment in capital assets	\$ 3,500	\$ 3,500
Restricted for capital improvements	22,000	22,000
Unrestricted	806,945	741,876
Total Net Position	\$ 832,445	\$ 767,376

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

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating revenues		
Performances	\$ 447,303	\$ 427,634
Showbills and advertising	20,206	23,800
Concessions	21,588	40,599
Community patronage and support	66,955	73,230
Fundraising	55,682	50,787
Auditorium and equipment rentals	16,350	18,600
Total operating revenues	628,084	634,650
Operating expenses		
Program services:		
Productions, contractors, and facilities	413,335	409,360
Advertising and showbill	115,086	96,279
Concessions	11,024	21,974
Scholarships and awards	11,286	22,194
Total program services	550,731	549,807
Support services:		
General and administrative	21,037	34,915
Fundraising	22,047	26,249
Total support services	43,084	61,164
Total operating expenses	593,815	610,971
Operating income	34,269	23,679
Nonoperating revenues (expenses)		
Investment income	7,268	6,422
State and local grants	33,229	42,156
Contributions to Flagler County District School Board	(9,697)	(3,009)
Total nonoperating revenue (expense)	30,800	45,569
Change in net position	65,069	69,248
Net position, beginning of year	767,376	698,128
Net position, end of year	\$ 832,445	\$ 767,376

The accompanying notes to financial statements are an integral part of this statement.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from performances, advertising, and concessions	\$ 487,376	\$ 550,210
Cash received from community patronage and support and grants	66,955	67,255
Cash received from fundraising	55,682	50,787
Cash received from auditorium and equipment rentals	16,350	15,200
Cash paid for productions, advertising, and concessions	(479,878)	(472,091)
Cash paid for Flagler County District School Board reimbursements	(55,166)	(75,234)
Cash paid for personal services	-	(7,610)
Cash paid for scholarship awards and grants	(11,286)	(22,194)
Cash paid for fundraising	(22,047)	(23,868)
Cash paid for administrative costs	(21,037)	(28,511)
Net cash provided by (used in) operating activities	<u>36,949</u>	<u>53,944</u>
Cash flows from capital and related financing activities		
Payments to acquire and construct plant property	(9,697)	(3,009)
Capital grants	38,229	45,156
Net cash provided by (used in) capital and related financing activities	<u>28,532</u>	<u>42,147</u>
Cash flows from investing activities		
Proceeds from investment maturities	-	146,294
Sales (purchases) of investments	(185,334)	(193,000)
Interest received	7,268	5,756
Net cash provided by (used in) investing activities	<u>(178,066)</u>	<u>(40,950)</u>
Net increase (decrease) in cash and cash equivalents	<u>(112,585)</u>	<u>55,141</u>
Cash and cash equivalents, beginning of year	295,761	240,620
Cash and cash equivalents, end of year	<u>\$ 183,176</u>	<u>\$ 295,761</u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Cash flows from operating activities		
Operating income	\$ 34,269	\$ 23,679
Adjustments to reconcile operating income to net cash provided by operating activities:		
Bad debt expense	-	2,445
Changes in assets and liabilities		
Decrease (Increase) in accounts receivable	(3,421)	(3,245)
Decrease (Increase) in inventory	(290)	(951)
Decrease (Increase) in prepaid expenses	402	343
Increase (Decrease) in accounts payable and accrued expenses	4,289	38,598
Increase (Decrease) in customer deposits payable	1,700	(6,925)
Total adjustments	<u>2,680</u>	<u>30,265</u>
Net cash provided by (used in) operating activities	<u>\$ 36,949</u>	<u>\$ 53,944</u>
Cash and cash equivalents presented as:		
Cash and cash equivalents	\$ 161,176	\$ 273,761
Restricted cash and cash equivalents	22,000	22,000
	<u>\$ 183,176</u>	<u>\$ 295,761</u>
Supplemental schedule of noncash investing, capital, and financing activities		
Capital assets transfer to Flagler County District School Board	\$ (9,697)	\$ (3,009)

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

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The Flagler Auditorium Governing Board, Inc. (the 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 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 position to the School District exists pursuant to Section 1001.453(1)(a)(1), Florida Statutes.

(b) **Basis of presentation**—As a component unit of the School District, the financial statements of the 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 Board utilizes the accrual basis of accounting in accordance with the GASB Codification.

(c) **Basis of accounting and financial reporting**—For financial reporting purposes, the Board is considered a special-purpose government entity engaged exclusively in business-type activities. Accordingly, the 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.

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

(e) **Fund accounting**—To ensure observance of limitations and restrictions placed on the use of resources available to the Board, the accounts of the 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 Board's financial activity is accounted for in a single business-type fund, which contains restricted and unrestricted components. The 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.

(f) **Income taxes**—The Board is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management of the Board considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Board's status as a not-for-profit entity. Management believes the Board met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Board's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **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.

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 position is 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.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **Classification of revenues**—The 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 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, Board management, and fundraising.

(i) **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.

(j) **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 Board are insured by Federal depository insurance to the extent of regulatory requirements.

(k) **Investments**—Investments include certificates of deposit with initial maturities of greater than three months and are carried at cost plus accrued interest, which approximates fair value. Investment income consists of interest income earned.

(l) **Accounts and pledges receivable**—The Board's accounts receivable mainly consists of amounts receivable for showbill advertising, sponsorships and grant reimbursements and are reported on the balance sheet net of estimated uncollectible amounts. The Board records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses.

(m) **Inventories**—Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

(n) **Capital assets**—The Board's operations are maintained at facilities owned and operated by the School District at no cost to the Board. When applicable, capital asset acquisitions intended for direct contribution to the School District are recorded as expenditures in the 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 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.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(o) **Restricted net position**—The Board's net position is classified as follows:

- Restricted Net Position – Expendable – includes resources the 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.

(p) **Donated property**—Donated marketable securities and other noncash donations used to further the purposes of the Board are recorded at estimated acquisition value at the time of donation, when applicable.

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

(r) **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.

(s) **Employee salaries and benefits**—Generally, all administration and management functions of the Board are performed by individuals whose salaries, wages and related employee benefits are paid by the School District. The 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.

(t) **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.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(2) **Deposits and Investments:**

(a) **Deposits**—The Board holds cash on deposit with various financial institutions. Certain cash deposits are classified as restricted assets because their use is restricted by applicable donor covenants.

(b) **Investments**—The Board measures and records its investments using fair value measurement guidelines. However, all current period investments are limited to certificates of deposit which are valued at historical cost, including accrued interest.

(c) **Custodial credit risk**—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. At June 30, 2018 and 2017, the fair value of the Board's investments in certificates of deposit totaled \$674,033 and \$488,699, respectively, all of which was covered by federal depository insurance. At As of June 30, 2018 and 2017, the carrying amount of the Board's cash deposits was \$183,176 and \$295,761, respectively, and the bank balances were \$199,631 and \$302,263, respectively, all of which was covered by federal depository insurance.

(d) **Credit risk**—Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. State Statutes authorize the 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 Board's investment policy specifically provides that sufficient cash, as determined by the Treasurer and Finance Committee, will be maintained in bank or money market accounts that are fully insured. Other financial investments shall be made for periods up to 5 years, provided that there is an opportunity to withdraw funds in an emergency, and will only be made in instruments that are fully FDIC insured, or equivalent protection.

(e) **Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The 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 Board's Investment Policies and related state statutes. Generally, the 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. The investment maturities of the Board's investment portfolio range from 1 month to 30 months.

(f) **Foreign currency risk**— The Board is not exposed to any foreign currency risk at June 30, 2018.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(3) **Accounts Receivable:**

Receivables at June 30, 2018 and 2017, consist of the following:

	2018	2017
Accounts receivable	\$ 7,121	\$ 6,145
Due from other governments	10,000	15,000
Gross accounts receivable	17,121	21,145
Less: Allowance for uncollectable accounts	-	(2,445)
Net total receivables	\$ 17,121	\$ 18,700

(4) **Capital Assets:**

Changes in the Board's capital assets for the years ended June 30, 2018 and 2017 were as follows:

	June 30, 2017	Increases	Decreases	June 30, 2018
Capital assets:				
Construction in progress	\$ 3,500	\$ 9,697	\$ (9,697)	\$ 3,500

	June 30, 2016	Increases	Decreases	June 30, 2017
Capital assets:				
Construction in progress	\$ 3,500	\$ 3,009	\$ (3,009)	\$ 3,500

There was no depreciation expense for the years ended June 30, 2018 and 2017.

During the years ended June 30, 2018 and 2017, capital asset acquisitions, including construction costs and rehabilitation projects related to capital assets of the School District, which were transferred to the School District totaled \$9,697 and \$3,009, respectively. During the year ended June 30, 2016, the Board incurred preliminary professional engineering and architectural costs totaling \$3,500 associated with the planning of a future capital expansion program. The Board is anticipating that its construction program will commence in the subsequent fiscal year.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(5) Net Position Restrictions and Designations:

Restricted – Nonexpendable – The Board did not have any balances that included permanent, nonexpendable, donor-imposed corpus restrictions at June 30, 2018 and 2017.

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, 2018 and 2017:

<u>Year Ended June 30, 2018</u>	<u>July 1, 2017</u>	<u>Contributions</u>	<u>Uses</u>	<u>June 30, 2018</u>
R. and J. Hamilton Capital Fund	\$ 22,000	\$ -	\$ -	\$ 22,000
<u>Year Ended June 30, 2017</u>	<u>July 1, 2016</u>	<u>Contributions</u>	<u>Uses</u>	<u>June 30, 2017</u>
R. and J. Hamilton Capital Fund	\$ 22,000	\$ -	\$ -	\$ 22,000
C. W. Elliott Capital Fund	5,000	-	(5,000)	-
Total	<u>\$ 27,000</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ 22,000</u>

Unrestricted - Designated – A summary of net changes in net position that included unrestricted, but discretionary board-imposed designations consisted of the following at June 30, 2018 and 2017:

<u>Year Ended June 30, 2018</u>	<u>July 1, 2017</u>	<u>Contributions</u>	<u>Uses</u>	<u>June 30, 2018</u>
Internally designated Capital Fund	\$ 386,822	\$ -	\$ -	\$ 386,822
Arts Education Grants	24,062	-	-	24,062
Total	<u>\$ 410,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,884</u>
<u>Year Ended June 30, 2017</u>	<u>July 1, 2016</u>	<u>Contributions</u>	<u>Uses</u>	<u>June 30, 2017</u>
Internally designated Capital Fund	\$ 382,422	\$ 5,000	\$ (600)	\$ 386,822
Arts Education Grants	24,333	3,329	(3,600)	24,062
Total	<u>\$ 406,755</u>	<u>\$ 8,329</u>	<u>\$ (4,200)</u>	<u>\$ 410,884</u>

(6) Related Party Transactions:

The 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 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 Board throughout the year by the District without remuneration. The Board has elected to not include the value of these donated materials and services, which are significant to the operations of the Board, in the accompanying financial statements.

THE FLAGLER AUDITORIUM GOVERNING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(6) Related Party Transactions: (Continued)

Throughout the year, the School District utilizes the Flagler Auditorium for school related functions and activities. In conjunction with those activities, the 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 Board on behalf of the School District in the form of auditorium admission fees, rentals and concessions during the fiscal years ended June 30, 2018 and 2017, totaled approximately \$122,000 and \$97,000, respectively. Reimbursements collected by the Board for the payment of performance related expenses and other expense reimbursements totaled approximately \$56,000 and \$38,000, respectively, for the years ended June 30, 2018 and 2017. The resultant amount of settlements paid to the School District by the Board during the fiscal years ended June 30, 2018 and 2017, totaled approximately \$66,000 and \$59,000, respectively.

During the years ended June 30, 2018 and 2017, the Board reimbursed the School District for a portion of the salaries and related employee benefits paid by the School District for the Executive Director and Public Relations and Marketing representative in the amounts of approximately \$60,000 and \$56,000, respectively. For the years ended June 30, 2018 and 2017, the amounts payable to the School District were approximately \$45,000 and \$40,000, respectively.

(7) Commitments and Contingencies:

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

(8) Subsequent Events:

Subsequent to year end, the Board has entered into formal contract commitments with various agents and performers totaling approximately \$367,000 for productions that will occur in the next fiscal year.

(9) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (“GASB”) has issued new or modifications to, or interpretations of, existing accounting guidance during the year ended June 30, 2018. The Board has considered the new pronouncements that altered accounting principles generally accepted in the United States of America and does not believe that any other new or modified principles will have a material impact on the Board’s reported financial net position or activities in the near term, except for the following pronouncements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Flagler Auditorium Governing Board, Inc. (the Board) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies identified below to be significant deficiencies:

2018-001 – Segregation of Duties

We noted the Bookkeeper to be responsible for all aspects of journal entries, including the preparation, approval, and posting of journal entries. The bookkeeper also completed the bank

reconciliations with no formal review process. While this is not uncommon for an entity of the Board's size, this presents a greater risk due to the lack of segregation of duties. We recommend the Board consider opportunities to achieve a greater level of segregation of duties over such processes, potentially by further involving a second individual in the process to approve the journal entries and bank reconciliations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

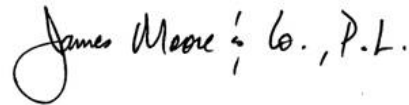
Response to Findings

The Board's responses to the findings identified in our audit are described starting on page 22. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Daytona Beach, Florida
August 29, 2018

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style and is enclosed within a thin black rectangular border.

MANAGEMENT'S RESPONSE TO FINDINGS

August 29, 2018

2018-001 – Segregation of Duties

The Board will update its accounting policies and procedures to include an approval of all bank reconciliations.