

BALLET HISPANICO OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



LUTZ AND GARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ballet Hispanico of New York, Inc.

We have audited the accompanying financial statements of Ballet Hispanico of New York, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ballet Hispanico of New York, Inc. as of June 30, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Ballet Hispanic of New York, Inc. has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to that matter.

Lotz + Carr, LLP

New York, New York
January 26, 2021

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020				2019			
	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Totals	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Totals
Assets								
Cash and cash equivalents (Notes 1b and 5)	\$ 53,760	\$ 1,035,967	\$ 513,255	\$ 1,602,982	\$ -	\$ 641,717	\$ 575,256	\$ 1,216,973
Interfund receivable (payable)	(34,629)	20,832	13,797	-	(357,468)	346,230	11,238	-
Unconditional promises to give (Notes 1c and 6)								
Without donor restrictions	352,100	-	-	352,100	189,035	-	-	189,035
With donor restrictions	-	3,491,216	-	3,491,216	-	1,496,465	-	1,496,465
Accounts receivable	84,085	-	-	84,085	66,437	-	-	66,437
Prepaid expenses and other assets	67,837	-	-	67,837	79,559	-	-	79,559
Deferred compensation asset (Note 13b)	61,844	-	-	61,844	38,124	-	-	38,124
Investments (Notes 1d and 4)	13,826	-	894,048	907,874	20,713	-	834,606	855,319
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 8)	8,383,523	-	-	8,383,523	8,750,581	-	-	8,750,581
Artwork	15,650	-	-	15,650	15,650	-	-	15,650
Total Assets	\$ 8,997,996	\$ 4,548,015	\$1,421,100	\$14,967,111	\$ 8,802,631	\$ 2,484,412	\$1,421,100	\$12,708,143
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 218,255	\$ -	\$ -	\$ 218,255	\$ 305,910	\$ -	\$ -	\$ 305,910
Deferred revenue	52,526	-	-	52,526	121,783	-	-	121,783
Deferred compensation liability (Note 13b)	61,844	-	-	61,844	38,124	-	-	38,124
Refundable Advance (Note 11)	160,369	-	-	160,369	-	-	-	-
Mortgage payable, net (Note 10)	2,583,087	-	-	2,583,087	2,741,488	-	-	2,741,488
Total Liabilities	3,076,081	-	-	3,076,081	3,207,305	-	-	3,207,305
Commitment and Contingencies (Notes 9, 12, 13 and 14)								
Net Assets (Note 3)								
Operating	5,921,915	4,065,365	-	9,987,280	5,595,326	1,997,642	-	7,592,968
Cash reserve	-	347,798	-	347,798	-	347,798	-	347,798
Working capital reserve	-	150,000	-	150,000	-	150,000	-	150,000
Endowment (Note 7)	-	(15,148)	1,021,100	1,005,952	-	(11,028)	1,021,100	1,010,072
Endowment - cash reserve (Note 7)	-	-	400,000	400,000	-	-	400,000	400,000
Total Net Assets	5,921,915	4,548,015	1,421,100	11,891,030	5,595,326	2,484,412	1,421,100	9,500,838
Total Liabilities and Net Assets	\$ 8,997,996	\$ 4,548,015	\$1,421,100	\$14,967,111	\$ 8,802,631	\$ 2,484,412	\$1,421,100	\$12,708,143

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Totals	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Totals
Changes in Net Assets								
Revenue and Operating Support								
Performance income	\$ 515,612	\$ -	\$ -	\$ 515,612	\$ 982,946	\$ -	\$ -	\$ 982,946
Tuition	1,303,295	-	-	1,303,295	1,718,433	-	-	1,718,433
Studio rental income	139,902	-	-	139,902	246,773	-	-	246,773
Endowment spending allocation (Note 7)	51,296	-	-	51,296	49,143	-	-	49,143
Miscellaneous	17,622	-	-	17,622	29,912	-	-	29,912
Contributions (Note 1a)								
Government (Note 11)	1,109,133	-	-	1,109,133	432,152	-	-	432,152
Foundations	850,500	1,074,006	-	1,924,506	697,716	606,296	-	1,304,012
Corporations	258,505	1,000	-	259,505	354,525	57,500	-	412,025
Individuals	863,502	1,350,946	-	2,214,448	550,609	363,922	-	914,531
Fundraising benefits	834,182	785,668	-	1,619,850	1,173,797	460,883	-	1,634,680
Less: Direct fundraising costs	-	-	-	-	(160,521)	-	-	(160,521)
	5,943,549	3,211,620	-	9,155,169	6,075,485	1,488,601	-	7,564,086
Net assets released from restrictions								
Satisfaction of time and program restrictions	1,143,897	(1,143,897)	-	-	763,890	(763,890)	-	-
Total Revenue and Operating Support	7,087,446	2,067,723	-	9,155,169	6,839,375	724,711	-	7,564,086
Expenses								
Program Services								
Dance Company	2,719,607	-	-	2,719,607	2,664,182	-	-	2,664,182
School of Dance	2,033,945	-	-	2,033,945	2,276,363	-	-	2,276,363
Community Arts Partnerships	642,428	-	-	642,428	675,618	-	-	675,618
Arnhold Center	275,062	-	-	275,062	269,195	-	-	269,195
Total Program Services	5,671,042	-	-	5,671,042	5,885,358	-	-	5,885,358
Supporting Services								
Management and general	466,404	-	-	466,404	451,497	-	-	451,497
Fundraising	654,347	-	-	654,347	681,490	-	-	681,490
Total Supporting Services	1,120,751	-	-	1,120,751	1,132,987	-	-	1,132,987
Total Expenses	6,791,793	-	-	6,791,793	7,018,345	-	-	7,018,345
Increase (Decrease) in Net Assets from Operating Activities	295,653	2,067,723	-	2,363,376	(178,970)	724,711	-	545,741
Non-Operating Activities								
Other income	30,000	-	-	30,000	-	-	-	-
Net investment income (Note 4)	936	47,176	-	48,112	2,381	70,536	-	72,917
Endowment spending allocation (Note 7)	-	(51,296)	-	(51,296)	-	(49,143)	-	(49,143)
Total Non-Operating Activities	30,936	(4,120)	-	26,816	2,381	21,393	-	23,774
Increase (decrease) in net assets	326,589	2,063,603	-	2,390,192	(176,589)	746,104	-	569,515
Net assets, beginning of year	5,595,326	2,484,412	1,421,100	9,500,838	5,771,915	1,738,308	1,421,100	8,931,323
Net Assets, End of Year	\$ 5,921,915	\$ 4,548,015	\$ 1,421,100	\$11,891,030	\$ 5,595,326	\$ 2,484,412	\$ 1,421,100	\$9,500,838

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020					2019				
	Program Services				Total	Supporting Services		Total Expenses	Total Expenses	
	Dance Company	School of Dance	Community Arts Partnerships	Arnhold Center		Management and General	Fundraising			Total
Salaries, payroll taxes and employee benefits	\$1,546,791	\$1,211,159	\$ 373,285	\$159,112	\$3,290,347	\$ 355,878	\$ 532,063	\$ 887,941	\$4,178,288	\$4,087,603
Professional fees	202,706	93,573	95,239	15,016	406,534	16,682	43,209	59,891	466,425	484,473
Transportation, lodging and per diems	319,005	18,217	31,030	2,829	371,081	368	3,821	4,189	375,270	485,680
Advertising, printing and promotion	49,491	20,977	2,965	6,211	79,644	1,481	2,150	3,631	83,275	88,297
Production	242,993	8,362	4,787	16,765	272,907	589	4,995	5,584	278,491	286,098
Office supplies and expenses	34,734	31,013	10,752	6,136	82,635	3,881	24,785	28,666	111,301	85,646
Theatre and studio rental	2,745	225	-	1,315	4,285	-	-	-	4,285	53,316
Facility maintenance and utilities	119,966	103,190	63,081	17,627	303,864	31,541	-	31,541	335,405	435,583
Interest expense	42,291	35,854	23,595	5,822	107,562	11,644	-	11,644	119,206	120,313
Scholarships	-	284,611	-	-	284,611	-	-	-	284,611	320,110
Insurance	22,661	15,657	9,812	2,706	50,836	4,905	335	5,240	56,076	53,064
Indirect benefit expense	-	-	-	-	-	-	2,163	2,163	2,163	63,194
Bad debt expense	-	-	-	-	-	16,500	-	16,500	16,500	-
Bank/credit card fees and other expenses	25,268	44,673	9,389	4,538	83,868	4,442	22,333	26,775	110,643	74,166
Total expenses before depreciation	2,608,651	1,867,511	623,935	238,077	5,338,174	447,911	635,854	1,083,765	6,421,939	6,637,543
Depreciation	110,956	166,434	18,493	36,985	332,868	18,493	18,493	36,986	369,854	380,802
Total Expenses, 2020	<u>\$2,719,607</u>	<u>\$2,033,945</u>	<u>\$ 642,428</u>	<u>\$275,062</u>	<u>\$5,671,042</u>	<u>\$ 466,404</u>	<u>\$ 654,347</u>	<u>\$1,120,751</u>	<u>\$6,791,793</u>	
Total Expenses, 2019	<u>\$2,664,182</u>	<u>\$2,276,363</u>	<u>\$ 675,618</u>	<u>\$269,195</u>	<u>\$5,885,358</u>	<u>\$ 451,497</u>	<u>\$ 681,490</u>	<u>\$1,132,987</u>		<u>\$7,018,345</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services			Total Expenses
	Dance Company	School of Dance	Community Arts Partnerships	Arnhold Center	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and employee benefits	\$1,352,241	\$1,343,511	\$ 373,766	\$161,486	\$3,231,004	\$ 351,295	\$ 505,304	\$ 856,599	\$4,087,603
Professional fees	212,320	90,714	102,862	7,366	413,262	14,273	56,938	71,211	484,473
Transportation, lodging and per diems	435,856	16,542	30,430	695	483,523	471	1,686	2,157	485,680
Advertising, printing and promotion	46,665	27,544	6,933	3,555	84,697	1,293	2,307	3,600	88,297
Production	210,859	34,367	11,037	15,444	271,707	762	13,629	14,391	286,098
Office supplies and expenses	25,426	34,469	10,262	2,487	72,644	4,412	8,590	13,002	85,646
Theatre and studio rental	36,420	15,411	-	1,485	53,316	-	-	-	53,316
Facility maintenance and utilities	155,454	134,021	81,999	23,109	394,583	41,000	-	41,000	435,583
Interest expense	44,108	35,171	23,448	5,862	108,589	11,724	-	11,724	120,313
Scholarships	-	320,110	-	-	320,110	-	-	-	320,110
Insurance	17,227	15,570	9,844	4,714	47,355	4,923	786	5,709	53,064
Indirect benefit expense	-	-	-	-	-	-	63,194	63,194	63,194
Bank/credit card fees and other expenses	13,365	37,572	5,997	4,912	61,846	2,304	10,016	12,320	74,166
Total expenses before depreciation	2,549,941	2,105,002	656,578	231,115	5,542,636	432,457	662,450	1,094,907	\$6,637,543
Depreciation	114,241	171,361	19,040	38,080	342,722	19,040	19,040	38,080	380,802
Total Expenses	<u>\$2,664,182</u>	<u>\$2,276,363</u>	<u>\$ 675,618</u>	<u>\$269,195</u>	<u>\$5,885,358</u>	<u>\$ 451,497</u>	<u>\$ 681,490</u>	<u>\$1,132,987</u>	<u>\$7,018,345</u>

See notes to financial statements.

BALLETT HISPANICO OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$2,390,192	\$ 569,515
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	16,500	-
Depreciation	369,854	380,802
Amortization of debt issuance cost	3,075	3,075
Net realized and unrealized gains on investments	(25,776)	(50,093)
Donated stock	-	(20,713)
(Increase) decrease in:		
Unconditional promises to give	(2,174,316)	(776,768)
Accounts receivable	(17,648)	(8,272)
Prepaid expenses and other assets	11,722	(58,427)
Increase (decrease) in:		
Accounts payable and accrued expenses	(87,655)	21,922
Deferred revenue	(69,257)	(29,990)
Refundable advance	160,369	-
Net Cash Provided By Operating Activities	<u>577,060</u>	<u>31,051</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(2,796)	-
Purchase of investments	(58,669)	(4,132)
Sale of investments	31,890	232
Net Cash Used By Investing Activities	<u>(29,575)</u>	<u>(3,900)</u>
Cash Flows From Financing Activities		
Repayments of mortgage payable	(161,476)	(215,299)
Borrowings on line of credit	245,000	-
Repayments of line of credit	(245,000)	-
Net Cash Used By Financing Activities	<u>(161,476)</u>	<u>(215,299)</u>
Net increase (decrease) in cash and cash equivalents	386,009	(188,148)
Cash and cash equivalents, beginning of year	<u>1,216,973</u>	<u>1,405,121</u>
Cash and Cash Equivalents, End of Year	<u>\$1,602,982</u>	<u>\$1,216,973</u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ 116,131</u>	<u>\$ 117,238</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Ballet Hispanico of New York, Inc. (the "Organization"), the premier Latino dance organization in the United States for nearly 50 years, brings individuals and communities together to celebrate and explore Latino cultures through dance. Whether dancing on stage, in school, or in the street, Ballet Hispanico creates a space where few institutions are breaking ground.

The Organization's founder, National Medal of Arts recipient Tina Ramirez, sought to give voice to the Hispanic experience and break through stereotypes. Today, Ballet Hispanico is led by Eduardo Vilaro, an acclaimed choreographer and former member of the Company, whose vision of social equity, cultural identity and quality arts education for all drives its programs.

Ballet Hispanico, a role model in and for the Latino community, is inspiring creativity and social awareness in our neighborhoods and across the country by providing access to arts education.

For the year ended June 30, 2020, 39% of the Organization's contributions came from two foundations. For the year ended June 30, 2019, 26% of the Organization's contributions came from one foundation.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term highly liquid investments, such as money market funds, to be cash equivalents.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give - those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future - are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Contributions and Unconditional Promises to Give (continued)**

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

d - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends and realized or unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investment income and net unrealized appreciation (depreciation) on investments of net assets with donor restrictions are reported as follows:

- as increases (decreases) in net assets with donor restrictions that are perpetual in nature if the terms of the gift require that they be added back to (deducted from) the principal of the contribution held in perpetuity;
- as increases (decreases) in net assets with donor restrictions for time and purpose if the terms of the gift impose restrictions on the current use of the investment income or net appreciation (depreciation).

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the Organization's investments are classified as Level 1.

e - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset.

f - Debt Issuance Costs

Costs incurred in connection with refinancing the Organization's mortgage payable are presented as a reduction in the carrying amount of the mortgage. Amortization of debt issuance costs is computed on a straight-line basis over the life of the related mortgage and is reported as interest expense in the statements of functional expenses.

g - Advertising

Advertising costs are charged to operations when the advertising first takes place.

h - Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Expenses are allocated directly to programs, where applicable, on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Certain other expenses are attributable to more than one program or supporting function and require allocation. The expenses that are allocated include salaries, payroll taxes and employee benefits, office supplies and expenses, facility maintenance and utilities, insurance, interest expense and depreciation, which are allocated on the basis of estimates of employee time and effort.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****i - Financial Statement Presentation**

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

j - Use of Estimates

The preparation of financial statements in conformity with GAAP 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 support, revenues, expenses, gains and losses during the reporting period. Actual results could differ from those estimates.

k - Subsequent Events

The Organization has evaluated subsequent events through January 26, 2021, the date that the financial statements are considered available to be issued.

l - Tax Status

Ballet Hispanico of New York, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****m - New Accounting Pronouncements**

During 2020, the Organization adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the current guidance about whether a transfer of assets is a contribution or exchange transaction. In addition, the ASU requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a measurable, performance-related barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principles of ASU 2014-09 is to clarify revenue recognition standards for contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019. The organization is currently evaluating the impact of ASU 2014-09 on its financial statements.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is composed of performance, tuition and studio and investment income and contribution revenue raised during the current year. General expenditures are comprised of expenses related to ongoing program projects and management and general and fundraising expenses incurred to support these projects.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs. Financial assets in excess of daily cash requirements are invested in common stocks and mutual funds.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organizations's financial assets as of June 30 available to meet cash needs for general expenditure within one year are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$1,602,982	\$1,216,973
Accounts receivable	84,085	66,437
Contributions receivable	3,843,316	1,685,500
Investments	<u>907,874</u>	<u>855,319</u>
Total Financial Assets	6,438,257	3,824,229
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(4,065,365)	(1,997,642)
Plus: Net assets with donor restrictions expected to be met in less than one year	1,687,119	1,085,986
Cash and working capital reserves	(497,798)	(497,798)
Net assets with donor restrictions for endowment, subject to spending policy and appropriation, in excess of amounts appropriated for expenditure within one year	(1,405,952)	(1,410,072)
Plus: Amounts appropriated for use within one year	<u>49,166</u>	<u>48,406</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$2,205,427</u>	<u>\$1,053,109</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowments:		
Subject to Spending Policy and Appropriation:		
Investment in perpetuity	\$1,405,952	\$1,410,072
Cash and working capital reserve	497,798	497,798
Subject to Expenditure for Specific Purpose:		
Gala	1,166,551	460,883
50 th Campaign	783,000	-
Community Arts Partnership Program	158,519	280,442
Instituto Coreografico	100,000	35,000
New Works Project	97,130	202,887
Occupancy Subsidy	44,150	72,175
Dance Scholarships	2,089	123,515
Technology Grant	-	150,000
Leadership Grant Project for Dance	-	44,288
Touring	-	11,250
Block Party	-	7,500
Subject to passage of time	<u>1,713,926</u>	<u>609,702</u>
Total Net Assets With Donor Restrictions	<u>\$5,969,115</u>	<u>\$3,905,512</u>

Net assets with donor restrictions were released for the following purposes during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Community Arts Partnership Program	\$ 200,000	\$250,000
Technology Grant	150,000	150,000
Gala	100,000	-
Leadership Grant Project for Dance	44,288	110,950
Dance Scholarships	121,426	137,940
New Works Project	110,000	100,000
Occupancy Subsidy	29,433	15,000
Instituto Coreografico	35,000	-
Touring	11,250	-
Block Party	7,500	-
Subject to passage of time	<u>335,000</u>	<u>-</u>
Total	<u>\$1,143,897</u>	<u>\$763,890</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 4 - Investments

Investments, which are all classified as Level 1 in the fair value hierarchy, are recorded at fair value and consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Common stocks	\$ 13,827	\$ 15,888	\$ 20,713	\$ 20,713
Mutual index and equity funds	<u>894,047</u>	<u>375,995</u>	<u>834,606</u>	<u>340,389</u>
	<u>\$907,874</u>	<u>\$391,883</u>	<u>\$855,319</u>	<u>\$361,102</u>

Net investment income consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$22,336	\$22,824
Net realized gain (loss)	4,002	(37)
Net unrealized gain	<u>21,774</u>	<u>50,130</u>
	<u>\$48,112</u>	<u>\$72,917</u>

Note 5 - Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in bank accounts and money market funds, which at times may exceed federally insured limits.

Note 6 - Promises to Give

a - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2020</u>	<u>2019</u>
Due within one year	\$1,761,130	\$ 753,465
Due in one to five years	<u>2,272,061</u>	<u>1,024,530</u>
	4,033,191	1,777,995
Less: Discount to present value	<u>(189,875)</u>	<u>(92,495)</u>
	<u>\$3,843,316</u>	<u>\$1,685,500</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 6 - Promises to Give (continued)****a - Unconditional Promises to Give (continued)**

At June 30, 2020 and 2019, approximately 62% and 56%, respectively, of the Organization's unconditional promises to give are from two foundations and one individual.

Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3%. Uncollectible pledges are expected to be insignificant.

b - Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are contingent upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statement of financial position. During 2020, the Organization received cost-reimbursable grants of \$200,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. There were no advance payments received as of June 30, 2020.

Note 7 - Endowment Fund

The Organization's endowment funds are donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law, the Organization classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund, consisting of accumulated investment earnings, that is not classified as perpetual in nature is classified as net assets subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization. In addition, the Organization classifies certain other donor-restricted funds which are not expected to be spent on a current basis, and are invested with other endowment funds, as endowment funds with donor restrictions.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7 - Endowment Fund (continued)

The Organization's endowment funds composition by type of fund and net asset classification is summarized as follows:

	<u>With Donor Restrictions</u>		
	<u>Subject to Spending Policy and Appropriation</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Donor-restricted endowment funds, 2020	<u>\$(15,148)</u>	<u>\$1,421,100</u>	<u>\$1,405,952</u>
Donor-restricted endowment funds, 2019	<u>\$(11,028)</u>	<u>\$1,421,100</u>	<u>\$1,410,072</u>

Changes in the Organization's endowment fund for the years ended June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>		
	<u>With Donor Restrictions</u>		
	<u>Subject to Spending Policy and Appropriation</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment funds, beginning of year	<u>\$(11,028)</u>	<u>\$1,421,100</u>	<u>\$1,410,072</u>
Net Investment Return:			
Interest and dividends	19,339	-	19,339
Net realized and unrealized gain	<u>27,837</u>	<u>-</u>	<u>27,837</u>
Total Net Investment Return	<u>47,176</u>	<u>-</u>	<u>47,176</u>
Appropriation of endowment assets for expenditure	<u>(51,296)</u>	<u>-</u>	<u>(51,296)</u>
Endowment Funds, End of Year	<u>\$(15,148)</u>	<u>\$1,421,100</u>	<u>\$1,405,952</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7 - Endowment Fund (continued)

	2019		
	With Donor Restrictions		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment funds, beginning of year	<u>\$(32,421)</u>	<u>\$1,421,100</u>	<u>\$1,388,679</u>
Net Investment Return:			
Interest and dividends	20,443	-	20,443
Net realized and unrealized gain	<u>50,093</u>	<u>-</u>	<u>50,093</u>
Total Net Investment Return	<u>70,536</u>	<u>-</u>	<u>70,536</u>
Appropriation of endowment assets for expenditure	<u>(49,143)</u>	<u>-</u>	<u>(49,143)</u>
Endowment Funds, End of Year	<u>\$(11,028)</u>	<u>\$1,421,100</u>	<u>\$1,410,072</u>

The fair value of assets associated with an individual donor-restricted endowment fund may fall below the level required to be retained as a fund of perpetual duration. Deficiencies of this nature totaled \$15,148 and \$11,028 as of June 30, 2020 and 2019, respectively. These deficiencies resulted from prior years' excess spending of endowment funds.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that keep pace with the market return of the asset classes invested while assuming an acceptable level of risk. The Organization expects its endowment funds, over time, to provide an average return to support an increasing demand for its programs and services.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that maintains a balance between equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7 - Endowment Fund (continued)

The Organization has a policy of appropriating for distribution each year at least 5%, but not more than 6% of the average fair value of endowment funds over the prior three fiscal years that precedes the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment to maintain the purchasing power of the assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 8 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Building and improvements	10-40 years	\$ 3,801,324	\$ 3,798,528
Condominium - Cocodrilo Development Corporation	40 years	9,715,751	9,715,751
Furniture, fixtures and equipment	3-10 years	<u>610,324</u>	<u>610,324</u>
		14,127,399	14,124,603
Less: Accumulated depreciation		<u>(5,743,876)</u>	<u>(5,374,022)</u>
		<u>\$ 8,383,523</u>	<u>\$ 8,750,581</u>

Note 9 - Line of Credit

Ballet Hispanico has a revolving line of credit with JPMorgan Chase of \$250,000. Interest is based on the prime rate plus 1.150%. At June 30, 2020 and 2019, there were no borrowings outstanding on the line of credit.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 10 - Mortgage Payable

In August of 2002, Ballet Hispanico began work on the acquisition and development of the vacant plot of land, which lay adjacent to its current building. On August 4, 2003, Ballet Hispanico entered into an agreement with the Stephen Gaynor School to form a not-for-profit development entity, Cocodrilo Development Corporation, to purchase the property and build a ten-story, 50,000 square feet building; the property was purchased on December 23, 2003. The building was completed in the summer of 2006, and as agreed with the School, Ballet Hispanico acquired 12,500 square feet on the top three floors for a project cost of \$9,652,629. On June 29, 2007, Cocodrilo Development Corporation, on behalf of Ballet Hispanico, closed on its permanent financing with a mortgage in the amount of \$5,676,000 from the North Fork Bank, replacing the interim construction loan secured by the Gaynor School. The interest on the construction loan was included as part of the acquisition and development costs.

On June 18, 2018, the Cocodrilo Development Corporation refinanced the mortgage with Chase Bank. The mortgage requires monthly principal payments of \$17,942, plus a fixed interest rate at 4%, through its maturity on May 18, 2032. The mortgage may be prepaid in whole or in part with a prepayment penalty. The Gaynor School and Cocodrilo Development Corporation are required to maintain a minimum Consolidated Debt Service Coverage ratio as defined in the mortgage agreement.

On August 26, 2020, Cocodrilo Development Corporation entered into a Change of Terms agreement with Chase Bank, which reduced the interest rate to 3.47% and increased monthly principal payments to \$18,323.

Interest expense for the years ended June 30, 2020 and 2019 was \$119,206 and \$120,313, respectively.

Mortgage payable at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Mortgage payable, due in 2032	\$2,619,470	\$2,780,946
Unamortized debt insurance costs	<u>(36,383)</u>	<u>(39,458)</u>
	<u>\$2,583,087</u>	<u>\$2,741,488</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 11 - Refundable Advance**

During 2020, the Organization received a loan totaling \$805,732 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum and may be forgiven if the Organization meets certain employee retention requirements and the funds are used for eligible expenses. Because management believes that it has met the requirements for forgiveness of the entire loan amount, it has recorded the loan as a conditional grant. Through June 30, 2020, eligible expenses totaling \$645,363 have been paid with the proceeds of the loan. The remaining \$160,369 of eligible expenses are expected to be paid during fiscal year 2021.

Note 12 - Contingency

Government supported projects are subject to audit by the applicable government granting agency.

Note 13 - Retirement Plan

- a - The Organization has a voluntary salary reduction tax deferred annuity plan for the benefit of all qualifying employees under Section 403(b) of the IRC (Internal Revenue Code). The Organization matches the employee's contributions up to 3% and 1% of their gross salaries for the years ended June 30, 2020 and 2019, respectively. Contributions to the plan were \$55,608 and \$47,466 for the years ended June 30, 2020 and 2019, respectively.
- b - During the year ended June 30, 2018, the Organization adopted a deferred compensation (Sec. 457(b)) plan for eligible employees. The assets of this plan remain the property of the Organization until distributed to the employee or their beneficiary at retirement or severance from employment. Contributions to the plan were \$18,000 for the years ended June 30, 2020 and 2019, respectively.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 14 - Risk and Uncertainties**

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As a result, the Organization suspended all in-person activities in compliance with state and local governmental recommendations. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on the Organization, it has taken steps to mitigate that impact by migrating some programmatic offerings online, instituting across-the-board budget cuts, and reducing staff via both furloughs and permanent layoffs. The Organization applied for and received a loan under the Paycheck Protection Program established by the CARES Act (Note 11). To help offset losses of revenue, appeals were made to major donors to request acceleration of their annual contributions, and to request that grants be allocated to general operating expenses rather than for donor restricted purposes and or specific programs.