

BALLET HISPANICO OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

BALLET HISPANICO OF NEW YORK, INC.

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LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

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, 2017 and 2016, 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 of 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, 2017 and 2016, 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.

Lotz + Carr, LLP

New York, New York
December 5, 2017

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets								
Cash and cash equivalents (Notes 1b and 4)	\$ -	\$ 1,455,615	\$ 286,348	\$ 1,741,963	\$ -	\$ 343,911	\$ 300,975	\$ 644,886
Interfund receivable (payable)	(657,370)	209,305	448,065	-	(950,766)	400,329	550,437	-
Unconditional promises to give (Notes 1c and 5)								
Unrestricted	86,373	-	-	86,373	190,938	-	-	190,938
Restricted to future programs and periods	-	287,375	-	287,375	-	85,000	-	85,000
Accounts receivable	96,297	-	-	96,297	96,679	-	-	96,679
Prepaid expenses	52,371	-	-	52,371	98,646	-	-	98,646
Investments (Notes 1d and 3)	-	-	725,007	725,007	-	-	608,008	608,008
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 7)	9,462,438	-	-	9,462,438	9,666,285	-	-	9,666,285
Artwork	15,650	-	-	15,650	15,650	-	-	15,650
Total Assets	\$ 9,055,759	\$ 1,952,295	\$ 1,459,420	\$12,467,474	\$ 9,117,432	\$ 829,240	\$ 1,459,420	\$11,406,092
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 309,938	\$ -	\$ -	\$ 309,938	\$ 259,237	\$ -	\$ -	\$ 259,237
Deferred revenue	150,986	-	-	150,986	168,980	-	-	168,980
Line of credit (Note 8)	-	-	-	-	250,000	-	-	250,000
Mortgage payable (Note 9)	3,953,334	-	-	3,953,334	4,233,333	-	-	4,233,333
Total Liabilities	<u>4,414,258</u>	<u>-</u>	<u>-</u>	<u>4,414,258</u>	<u>4,911,550</u>	<u>-</u>	<u>-</u>	<u>4,911,550</u>
Commitment and Contingency (Notes 10 and 11)								
Net Assets (Note 2)								
Operating	4,718,857	1,687,546	-	6,406,403	4,346,862	679,240	-	5,026,102
Cash reserve	-	114,749	-	114,749	-	-	-	-
Working capital reserve	-	150,000	-	150,000	-	150,000	-	150,000
Endowment (Note 6)	(77,356)	-	1,459,420	1,382,064	(140,980)	-	1,459,420	1,318,440
Total Net Assets	<u>4,641,501</u>	<u>1,952,295</u>	<u>1,459,420</u>	<u>8,053,216</u>	<u>4,205,882</u>	<u>829,240</u>	<u>1,459,420</u>	<u>6,494,542</u>
Total Liabilities and Net Assets	\$ 9,055,759	\$ 1,952,295	\$ 1,459,420	\$12,467,474	\$ 9,117,432	\$ 829,240	\$ 1,459,420	\$11,406,092

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Changes in Net Assets								
Revenue and Operating Support								
Performance income	\$ 456,156	\$ -	\$ -	\$ 456,156	\$ 555,226	\$ -	\$ -	\$ 555,226
Tuition	1,274,145	-	-	1,274,145	1,048,743	-	-	1,048,743
Studio rental income	279,244	-	-	279,244	123,782	-	-	123,782
Endowment spending allocation (Note 6)	45,482	-	-	45,482	45,172	-	-	45,172
Miscellaneous	29,428	-	-	29,428	22,142	-	-	22,142
Contributions								
Government	296,571	-	-	296,571	218,967	-	-	218,967
Foundations (Note 1a)	1,579,896	1,487,249	-	3,067,145	1,431,317	77,500	-	1,508,817
Corporations	288,909	-	-	288,909	292,500	-	-	292,500
Individuals	439,061	-	-	439,061	542,667	-	38,320	580,987
Donated services	13,530	-	-	13,530	5,500	-	-	5,500
Fundraising benefits	1,094,243	-	-	1,094,243	1,046,382	-	-	1,046,382
Less: Direct fundraising costs	(161,368)	-	-	(161,368)	(158,961)	-	-	(158,961)
	5,635,297	1,487,249	-	7,122,546	5,173,437	77,500	38,320	5,289,257
Net assets released from restrictions								
Satisfaction of time and program restrictions	364,194	(364,194)	-	-	733,368	(733,368)	-	-
	5,999,491	1,123,055	-	7,122,546	5,906,805	(655,868)	38,320	5,289,257
Expenses								
Program Services								
Dance Company	2,257,690	-	-	2,257,690	2,815,968	-	-	2,815,968
School of Dance	1,898,098	-	-	1,898,098	1,820,145	-	-	1,820,145
Community Arts Partnerships	688,031	-	-	688,031	441,254	-	-	441,254
Total Program Services	4,843,819	-	-	4,843,819	5,077,367	-	-	5,077,367
Supporting Services								
Management and general	486,175	-	-	486,175	331,728	-	-	331,728
Fundraising	563,939	-	-	563,939	471,466	-	-	471,466
Total Supporting Services	1,050,114	-	-	1,050,114	803,194	-	-	803,194
	5,893,933	-	-	5,893,933	5,880,561	-	-	5,880,561
Increase (Decrease) in Net Assets from Operating Activity								
	105,558	1,123,055	-	1,228,613	26,244	(655,868)	38,320	(591,304)
Non-Operating Activity								
Insurance claim from flood damage (Note 12)	522,485	-	-	522,485	-	-	-	-
Loss on flood damage (Note 12)	(256,667)	-	-	(256,667)	-	-	-	-
Net investment income (Note 3)	109,725	-	-	109,725	8,588	-	-	8,588
Endowment spending allocation (Note 6)	(45,482)	-	-	(45,482)	(45,172)	-	-	(45,172)
	330,061	-	-	330,061	(36,584)	-	-	(36,584)
Increase (decrease) in net assets								
	435,619	1,123,055	-	1,558,674	(10,340)	(655,868)	38,320	(627,888)
Net assets, beginning of year	4,205,882	829,240	1,459,420	6,494,542	4,216,222	1,485,108	1,421,100	7,122,430
	\$ 4,641,501	\$ 1,952,295	\$ 1,459,420	\$8,053,216	\$ 4,205,882	\$ 829,240	\$ 1,459,420	\$6,494,542

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services			Total Expenses
	Dance Company	School of Dance	Community Arts Partnerships	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and employee benefits	\$ 981,912	\$1,084,363	\$ 356,514	\$2,422,789	\$ 370,653	\$ 441,664	\$ 812,317	\$3,235,106
Professional fees	275,962	117,245	71,411	464,618	27,543	17,050	44,593	509,211
Transportation, lodging and per diems	193,918	21,345	88,004	303,267	851	3,965	4,816	308,083
Advertising, printing and promotion	63,316	28,390	2,878	94,584	1,634	2,097	3,731	98,315
Production	193,437	25,080	5,692	224,209	377	765	1,142	225,351
Office supplies and expenses	40,236	51,133	9,871	101,240	5,744	10,621	16,365	117,605
Theatre and studio rental	35,000	16,054	-	51,054	-	-	-	51,054
Warehouse rental, facility maintenance and utilities	194,786	172,542	73,101	440,429	48,695	-	48,695	489,124
Interest expense	53,348	46,680	20,006	120,034	13,337	-	13,337	133,371
Scholarships	-	147,326	-	147,326	-	-	-	147,326
Insurance	24,381	16,473	6,715	47,569	4,477	-	4,477	52,046
Indirect benefit expense	-	-	-	-	-	55,799	55,799	55,799
Bank/credit card fees and other expenses	20,047	43,333	16,274	79,654	3,929	3,921	7,850	87,504
Total expenses before depreciation and amortization	2,076,343	1,769,964	650,466	4,496,773	477,240	535,882	1,013,122	5,509,895
Depreciation and amortization	181,347	128,134	37,565	347,046	8,935	28,057	36,992	384,038
Total Expenses	<u>\$2,257,690</u>	<u>\$1,898,098</u>	<u>\$ 688,031</u>	<u>\$4,843,819</u>	<u>\$ 486,175</u>	<u>\$ 563,939</u>	<u>\$1,050,114</u>	<u>\$5,893,933</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services			Total Expenses
	Dance Company	School of Dance	Community Arts Partnerships	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and employee benefits	\$1,339,936	\$1,101,005	\$ 277,327	\$2,718,268	\$ 186,697	\$ 286,879	\$473,576	\$3,191,844
Professional fees	370,794	89,830	19,012	479,636	56,777	84,558	141,335	620,971
Transportation, lodging and per diems	246,201	4,197	29,985	280,383	1,650	148	1,798	282,181
Advertising, printing and promotion	110,688	29,092	1,871	141,651	339	8,572	8,911	150,562
Production	161,609	18,348	3,807	183,764	1,481	7,477	8,958	192,722
Office supplies and expenses	47,625	45,155	6,288	99,068	7,499	7,329	14,828	113,896
Theatre and studio rental	32,500	12,961	-	45,461	-	-	-	45,461
Warehouse rental, facility maintenance and utilities	229,719	160,439	45,868	436,026	45,869	-	45,869	481,895
Interest expense	65,560	39,336	13,112	118,008	13,111	-	13,111	131,119
Scholarships	-	149,367	-	149,367	-	-	-	149,367
Insurance	19,436	12,466	3,887	35,789	3,887	-	3,887	39,676
Indirect benefit expense	-	-	-	-	-	33,115	33,115	33,115
Bank/credit card fees and other expenses	18,162	29,815	2,532	50,509	9,019	15,331	24,350	74,859
Total expenses before depreciation and amortization	2,642,230	1,692,011	403,689	4,737,930	326,329	443,409	769,738	5,507,668
Depreciation and amortization	173,738	128,134	37,565	339,437	5,399	28,057	33,456	372,893
Total Expenses	<u>\$2,815,968</u>	<u>\$1,820,145</u>	<u>\$ 441,254</u>	<u>\$5,077,367</u>	<u>\$ 331,728</u>	<u>\$ 471,466</u>	<u>\$803,194</u>	<u>\$5,880,561</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$1,558,674	\$ (627,888)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Bad debt expense	26,105	-
Depreciation and amortization	384,038	372,893
Loss from flood (Note 12)	256,667	-
Net realized and unrealized (gain) loss	(95,605)	7,011
Donated stock	(21,479)	(2,582)
Donated equipment	(106,524)	-
(Increase) decrease in:		
Unconditional promises to give	(115,162)	10,863
Accounts receivable	(8,371)	(21,096)
Prepaid expenses	46,275	(43,412)
Increase (decrease) in:		
Accounts payable and accrued expenses	50,701	(24,695)
Deferred revenue	(17,994)	96,393
Net Cash Provided (Used) By Operating Activities	<u>1,957,325</u>	<u>(232,513)</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	(330,334)	(147,341)
Purchase of investments	(563)	(2,724)
Sale of investments	648	643
Net Cash Used By Investing Activities	<u>(330,249)</u>	<u>(149,422)</u>
 Cash Flows From Financing Activities		
Proceeds (repayment) from/of line of credit	(250,000)	250,000
Mortgage and line of credit repayments	(279,999)	(280,000)
Net Cash Used By Financing Activities	<u>(529,999)</u>	<u>(30,000)</u>
 Net increase (decrease) in cash and cash equivalents	1,097,077	(411,935)
Cash and cash equivalents, beginning of year	<u>644,886</u>	<u>1,056,821</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$1,741,963</u></u>	<u><u>\$ 644,886</u></u>
 Supplemental Disclosure		
Interest paid	<u><u>\$ 133,371</u></u>	<u><u>\$ 131,049</u></u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Ballet Hispanico of New York, Inc. (the "Organization") provides a year-round program of extra-curricular and pre-professional dance training at its studios as well as extended dance education residencies in public schools and community centers throughout the New York City area. The professional dance company performs nationally and internationally with a repertory of works choreographed by established and emerging artists of Latino descent.

In each of the years ended June 30, 2017 and 2016, 44% and 28% of the Organization's contributions came from the same foundation.

During the year ended June 30, 2015, the Organization was awarded grants from two foundations, aggregating \$4,500,000, primarily for the purpose of building the Organization's administrative staff capacity and strengthen its administrative infrastructure. \$2,400,000 of these grants was received during the year ended June 30, 2017 and \$1,000,000 of these grants was received during the year ended June 30, 2015, and recognized as income in the accompanying financial statements. The balance will be recognized as income as the conditions are met.

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 to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

d - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently 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 unrestricted net assets if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

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 the 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.

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 and Capitalized Financing Costs

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. Costs incurred in connection with the refinancing of the Organization's long-term obligation have been capitalized and are being amortized on a straight-line basis over the life of the loan.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**f - Advertising

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

g - Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

h - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - 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.

j - Subsequent Events

The Organization has evaluated subsequent events through December 5, 2017, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Net Assetsa - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are restricted for future programs and future years. Temporarily restricted net assets include a cash reserve fund of \$114,749 and working capital reserve fund of \$150,000, of which \$209,305 and \$150,000 were borrowed for operations at June 30, 2017 and 2016, respectively.

b - Permanently Restricted Net Assets

The Organization's endowment funds were \$1,459,420 at June 30, 2017 and 2016.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 3 - Investments

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

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Common Stocks	\$ 21,479	\$ 21,479	\$ -	\$ -
Mutual index and equity funds	<u>703,528</u>	<u>333,404</u>	<u>608,008</u>	<u>333,431</u>
	<u>\$725,007</u>	<u>\$354,883</u>	<u>\$ 608,008</u>	<u>\$333,431</u>

Net investment income (loss) consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 14,120	\$15,599
Net realized gain (loss)	58	(83)
Net unrealized gain (loss)	<u>95,547</u>	<u>(6,928)</u>
	<u>\$109,725</u>	<u>\$ 8,588</u>

Note 4 - 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 5 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 6 - Endowment Fund

The Organization's endowment funds are donor-restricted endowment funds and are described in Note 2b. As required by generally accepted accounting principles, 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 and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The Organization's endowment fund net asset classification is summarized as follows at June 30:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds, 2017	<u>\$ (77,356)</u>	<u>\$1,459,420</u>	<u>\$1,382,064</u>
Donor-restricted endowment funds, 2016	<u>\$(140,980)</u>	<u>\$1,459,420</u>	<u>\$1,318,440</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 6 - Endowment Fund (continued)

Changes in the Organization's endowment fund for the years ended June 30, 2017 and 2016 are summarized as follows:

	2017		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	\$(140,980)	\$1,459,420	\$1,318,440
Net Investment Return:			
Investment income	13,705	-	13,705
Net realized and unrealized gain	<u>95,401</u>	<u>-</u>	<u>95,401</u>
Total Net Investment Return	<u>109,106</u>	<u>-</u>	<u>109,106</u>
Appropriation of endowment assets for expenditure	<u>(45,482)</u>	<u>-</u>	<u>(45,482)</u>
Endowment Funds, End of Year	<u><u>\$ (77,356)</u></u>	<u><u>\$1,459,420</u></u>	<u><u>\$1,382,064</u></u>
	2016		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	\$(104,384)	\$1,421,100	\$1,316,716
Contributions	<u>-</u>	<u>38,320</u>	<u>38,320</u>
Net Investment Return:			
Investment income	15,383	-	15,383
Net realized and unrealized loss	<u>(6,807)</u>	<u>-</u>	<u>(6,807)</u>
Total Net Investment Return	<u>8,576</u>	<u>-</u>	<u>8,576</u>
Appropriation of endowment assets for expenditure	<u>(45,172)</u>	<u>-</u>	<u>(45,172)</u>
Endowment Funds, End of Year	<u><u>\$ (140,980)</u></u>	<u><u>\$1,459,420</u></u>	<u><u>\$1,318,440</u></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 that are reported in unrestricted net assets were \$77,356 and \$140,980 as of June 30, 2017 and 2016, respectively. This deficiency resulted from prior years' excess spending of endowment funds.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 6 - Endowment Fund (continued)

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.

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 7 - Property and Equipment and Capitalized Financing Cost

Property and equipment consist of the following:

	<u>Life</u>	<u>2017</u>	<u>2016</u>
Building and improvements	10-40 years	\$ 3,695,740	\$ 3,673,406
Condominium - Cocodrilo Development Corporation	40 years	9,715,751	9,715,751
Capitalized financing cost	20 years	61,496	61,496
Furniture, fixtures and equipment	3-10 years	<u>608,724</u>	<u>469,200</u>
		14,081,711	13,919,853
Less: Accumulated depreciation and amortization		<u>(4,619,273)</u>	<u>(4,253,568)</u>
		<u>\$ 9,462,438</u>	<u>\$ 9,666,285</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****Note 7 - Property and Equipment and Capitalized Financing Cost (continued)**

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$384,038 and \$372,893, respectively.

During the year ended June 30, 2017, The City of New York spent \$106,524 for capital appropriations relating to the Organization's dance facilities. The City's investment of capital funding obligated the Organization to operate the facility and/or maintain equipment as a non-profit entity, open to be used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

Note 8 - 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%. The balance outstanding at June 30, 2016 was \$250,000. Interest expense for the years ended June 30, 2017 and 2016 was \$3,799 and \$6,943, respectively.

Note 9 - 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.

Under the terms of the mortgage, Ballet Hispanico was obligated to make monthly payments of \$41,385, applied first to interest at the rate of 7.24%, and the balance to principal, through July 1, 2012, the maturity date.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****Note 9 - Mortgage Payable (continued)**

On April 23, 2012, the Cocodrilo Development Corporation refinanced the mortgage with Chase bank and borrowed an additional \$344,144. The mortgage requires monthly principal payments of \$23,333, plus interest at the LIBOR rate plus 2.4%, through its maturity on April 23, 2032. Interest expense for the years ended June 30, 2017 and 2016 was \$129,493 and \$121,050, respectively. The mortgage may be prepaid in whole or in part without 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.

Note 10 - Commitment and Contingency

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

Note 11 - Retirement Plan

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 1% of their gross salaries. Contributions to the plan were \$14,356 and \$14,091 for the years ended June 30, 2017 and 2016, respectively.

Note 12 - Flood Income and losses

The Organization lost costumes, props, sets and lighting equipment when a flood devastated the Organization's facilities on August 29, 2016. The Organization also incurred structural damages to its facilities. The Organization received \$522,485 of proceeds and wrote off property and equipment with a net book value of \$256,667.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****Note 13 - Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.