

BALLET HISPANICO OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

BALLET HISPANICO OF NEW YORK, INC.

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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, 2016 and 2015, 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, 2016 and 2015, 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
February 2, 2017

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets								
Cash and cash equivalents (Notes 1b and 4)	\$ -	\$ 343,911	\$ 300,975	\$ 644,886	\$ -	\$ 746,807	\$ 310,014	\$ 1,056,821
Interfund receivable (payable)	(950,766)	400,329	550,437	-	(1,014,031)	513,301	500,730	-
Unconditional promises to give (Notes 1c and 5)								
Unrestricted	190,938	-	-	190,938	61,801	-	-	61,801
Restricted to future programs and periods	-	85,000	-	85,000	-	225,000	-	225,000
Accounts receivable	96,679	-	-	96,679	75,583	-	-	75,583
Prepaid expenses	98,646	-	-	98,646	55,234	-	-	55,234
Investments (Notes 1d and 3)	-	-	608,008	608,008	-	-	610,356	610,356
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 7)	9,666,285	-	-	9,666,285	9,891,837	-	-	9,891,837
Artwork	15,650	-	-	15,650	15,650	-	-	15,650
Total Assets	\$ 9,117,432	\$ 829,240	\$ 1,459,420	\$11,406,092	\$ 9,086,074	\$ 1,485,108	\$ 1,421,100	\$11,992,282
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 259,237	\$ -	\$ -	\$ 259,237	\$ 283,932	\$ -	\$ -	\$ 283,932
Deferred revenue	168,980	-	-	168,980	72,587	-	-	72,587
Line of credit (Note 8)	250,000	-	-	250,000	-	-	-	-
Mortgage payable (Note 9)	4,233,333	-	-	4,233,333	4,513,333	-	-	4,513,333
Total Liabilities	4,911,550	-	-	4,911,550	4,869,852	-	-	4,869,852
Commitment and Contingency (Notes 10 and 11)								
Net Assets (Note 2)								
Operating	4,346,862	679,240	-	5,026,102	4,320,606	1,335,108	-	5,655,714
Working capital reserve	-	150,000	-	150,000	-	150,000	-	150,000
Endowment (Note 6)	(140,980)	-	1,459,420	1,318,440	(104,384)	-	1,421,100	1,316,716
Total Net Assets	4,205,882	829,240	1,459,420	6,494,542	4,216,222	1,485,108	1,421,100	7,122,430
Total Liabilities and Net Assets	\$ 9,117,432	\$ 829,240	\$ 1,459,420	\$11,406,092	\$ 9,086,074	\$ 1,485,108	\$ 1,421,100	\$11,992,282

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Changes in Net Assets								
Revenue and Operating Support								
Performance income	\$ 555,226	\$ -	\$ -	\$ 555,226	\$ 456,958	\$ -	\$ -	\$ 456,958
Tuition	1,048,743	-	-	1,048,743	980,783	-	-	980,783
Studio rental income	123,782	-	-	123,782	97,092	-	-	97,092
Endowment spending allocation (Note 6)	45,172	-	-	45,172	43,679	-	-	43,679
Miscellaneous	22,142	-	-	22,142	40,766	-	-	40,766
Contributions								
Government	218,967	-	-	218,967	194,436	-	-	194,436
Foundations (Note 1a)	1,431,317	77,500	-	1,508,817	1,435,535	708,063	-	2,143,598
Corporations	292,500	-	-	292,500	315,500	-	-	315,500
Individuals	542,667	-	38,320	580,987	338,690	-	-	338,690
Donated services	5,500	-	-	5,500	7,096	-	-	7,096
Fundraising benefits	1,046,382	-	-	1,046,382	1,096,542	-	-	1,096,542
Less: Direct fundraising costs	(158,961)	-	-	(158,961)	(215,789)	-	-	(215,789)
	<u>5,173,437</u>	<u>77,500</u>	<u>38,320</u>	<u>5,289,257</u>	<u>4,791,288</u>	<u>708,063</u>	<u>-</u>	<u>5,499,351</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions	733,368	(733,368)	-	-	1,265,049	(1,265,049)	-	-
	<u>5,906,805</u>	<u>(655,868)</u>	<u>38,320</u>	<u>5,289,257</u>	<u>6,056,337</u>	<u>(556,986)</u>	<u>-</u>	<u>5,499,351</u>
Total Revenue and Operating Support								
Expenses								
Program Services								
Dance Company	2,815,968	-	-	2,815,968	2,327,443	-	-	2,327,443
School of Dance	1,820,145	-	-	1,820,145	1,565,371	-	-	1,565,371
Community Arts Partnerships	441,254	-	-	441,254	548,827	-	-	548,827
Total Program Services	<u>5,077,367</u>	<u>-</u>	<u>-</u>	<u>5,077,367</u>	<u>4,441,641</u>	<u>-</u>	<u>-</u>	<u>4,441,641</u>
Supporting Services								
Management and general	331,728	-	-	331,728	417,227	-	-	417,227
Fundraising	471,466	-	-	471,466	450,597	-	-	450,597
Total Supporting Services	<u>803,194</u>	<u>-</u>	<u>-</u>	<u>803,194</u>	<u>867,824</u>	<u>-</u>	<u>-</u>	<u>867,824</u>
Total Expenses	<u>5,880,561</u>	<u>-</u>	<u>-</u>	<u>5,880,561</u>	<u>5,309,465</u>	<u>-</u>	<u>-</u>	<u>5,309,465</u>
Increase (Decrease) in Net Assets from Operating Activity	<u>26,244</u>	<u>(655,868)</u>	<u>38,320</u>	<u>(591,304)</u>	<u>746,872</u>	<u>(556,986)</u>	<u>-</u>	<u>189,886</u>
Non-Operating Activity								
Net investment income (Note 3)	8,588	-	-	8,588	29,923	-	-	29,923
Endowment spending allocation (Note 6)	(45,172)	-	-	(45,172)	(43,679)	-	-	(43,679)
Total Non-Operating Activity	<u>(36,584)</u>	<u>-</u>	<u>-</u>	<u>(36,584)</u>	<u>(13,756)</u>	<u>-</u>	<u>-</u>	<u>(13,756)</u>
Increase (decrease) in net assets	(10,340)	(655,868)	38,320	(627,888)	733,116	(556,986)	-	176,130
Net assets, beginning of year	<u>4,216,222</u>	<u>1,485,108</u>	<u>1,421,100</u>	<u>7,122,430</u>	<u>3,483,106</u>	<u>2,042,094</u>	<u>1,421,100</u>	<u>6,946,300</u>
Net Assets, End of Year	<u>\$ 4,205,882</u>	<u>\$ 829,240</u>	<u>\$ 1,459,420</u>	<u>\$6,494,542</u>	<u>\$ 4,216,222</u>	<u>\$ 1,485,108</u>	<u>\$ 1,421,100</u>	<u>\$7,122,430</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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	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	\$1,213,848	\$1,015,131	\$ 400,643	\$2,629,622	\$ 237,767	\$ 134,967	\$ 372,734	\$3,002,356
Professional fees	197,357	53,834	11,064	262,255	84,730	211,687	296,417	558,672
Transportation, lodging and per diems	152,412	4,723	31,031	188,166	628	348	976	189,142
Advertising, printing and promotion	91,638	17,360	3,988	112,986	37	7,251	7,288	120,274
Production	121,097	11,902	8,693	141,692	1,733	618	2,351	144,043
Office supplies and expenses	35,765	28,730	5,003	69,498	9,099	4,774	13,873	83,371
Theatre and studio rental	74,500	13,209	500	88,209	500	-	500	88,709
Warehouse rental, facility maintenance and utilities	182,529	102,607	34,077	319,213	33,778	-	33,778	352,991
Interest expense	64,079	38,448	12,816	115,343	12,816	-	12,816	128,159
Scholarships	-	118,997	-	118,997	-	-	-	118,997
Insurance	23,346	14,008	4,669	42,023	4,669	-	4,669	46,692
Indirect benefit expense	-	-	-	-	-	62,382	62,382	62,382
Bank/credit card fees and other expenses	7,674	25,976	1,047	34,697	26,501	2,117	28,618	63,315
Total expenses before depreciation and amortization	2,164,245	1,444,925	513,531	4,122,701	412,258	424,144	836,402	4,959,103
Depreciation and amortization	163,198	120,446	35,296	318,940	4,969	26,453	31,422	350,362
Total Expenses	<u>\$2,327,443</u>	<u>\$1,565,371</u>	<u>\$ 548,827</u>	<u>\$4,441,641</u>	<u>\$ 417,227</u>	<u>\$ 450,597</u>	<u>\$ 867,824</u>	<u>\$5,309,465</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (627,888)	\$ 176,130
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	372,893	350,362
Net realized and unrealized (gain) loss	7,011	(14,885)
Donated stock	(2,582)	-
Donated property	-	(37,169)
(Increase) decrease in:		
Unconditional promises to give	10,863	(56,837)
Accounts receivable	(21,096)	(22,731)
Prepaid expenses and other assets	(43,412)	(16,438)
Increase (decrease) in:		
Accounts payable and accrued expenses	(24,695)	70,066
Deferred revenue	96,393	(20,216)
Net Cash Provided (Used) By Operating Activities	<u>(232,513)</u>	<u>428,282</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	(147,341)	(613,066)
Purchase of investments	(2,724)	(1,214)
Sale of investments	643	378
Net Cash Used By Investing Activities	<u>(149,422)</u>	<u>(613,902)</u>
 Cash Flows From Financing Activities		
Proceeds from line of credit	250,000	-
Mortgage and line of credit repayments	(280,000)	(300,800)
Net Cash Used By Financing Activities	<u>(30,000)</u>	<u>(300,800)</u>
 Net decrease in cash and cash equivalents	(411,935)	(486,420)
Cash and cash equivalents, beginning of year	<u>1,056,821</u>	<u>1,543,241</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 644,886</u>	<u>\$1,056,821</u>
 Supplemental Disclosure		
Interest paid	<u>\$ 131,049</u>	<u>\$ 128,496</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****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.

During the year ended June 30, 2016 and 2015, 28% and 22% of the Organization's contribution came from one foundation, respectively.

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. \$1,000,000 of these grants was received during each of the years ended June 30, 2016 and 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, 2016 AND 2015****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.

f - Advertising

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

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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 - Prior Year Information

For comparability, certain 2015 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2016.

k - Subsequent Events

The Organization has evaluated subsequent events through February 2, 2017, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Net Assets**a - 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 working capital reserve fund of \$150,000, which was borrowed for operations at June 30, 2016 and 2015.

b - Permanently Restricted Net Assets

The Organization's endowment funds were \$1,459,420 and \$1,421,100 at June 30, 2016 and 2015, respectively.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual index and equity funds	<u>\$608,008</u>	<u>\$333,431</u>	<u>\$610,356</u>	<u>\$328,851</u>

Net investment income (loss) consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$15,599	\$15,038
Net realized loss	(83)	(86)
Net unrealized gain (loss)	<u>(6,928)</u>	<u>14,971</u>
	<u>\$ 8,588</u>	<u>\$29,923</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, 2016 AND 2015

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, 2016	<u>\$(140,980)</u>	<u>\$1,459,420</u>	<u>\$1,318,440</u>
Donor-restricted endowment funds, 2015	<u>\$(104,384)</u>	<u>\$1,421,100</u>	<u>\$1,316,716</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 6 - Endowment Fund (continued)

Changes in the Organization's endowment fund for the years ended June 30, 2016 and 2015 are summarized as follows:

	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	-	38,320	38,320
Net Investment Return:			
Investment income	15,383	-	15,383
Net realized and unrealized loss	(6,807)	-	(6,807)
Total Net Investment Return	8,576	-	8,576
Appropriation of endowment assets for expenditure	(45,172)	-	(45,172)
Endowment Funds, End of Year	<u>\$(140,980)</u>	<u>\$1,459,420</u>	<u>\$1,318,440</u>
	2015		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	\$ (88,136)	\$1,421,100	\$1,332,964
Net Investment Return:			
Investment income	12,546	-	12,546
Net realized and unrealized gain	14,885	-	14,885
Total Net Investment Return	27,431	-	27,431
Appropriation of endowment assets for expenditure	(43,679)	-	(43,679)
Endowment Funds, End of Year	<u>\$(104,384)</u>	<u>\$1,421,100</u>	<u>\$1,316,716</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 \$140,980 and \$104,384 as of June 30, 2016 and 2015, respectively. This deficiency resulted from prior years' excess spending of endowment funds.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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>2016</u>	<u>2015</u>
Building and improvements	10-40 years	\$ 3,673,406	\$ 3,581,470
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>469,200</u>	<u>413,795</u>
		13,919,853	13,772,512
Less: Accumulated depreciation and amortization		<u>(4,253,568)</u>	<u>(3,880,675)</u>
		<u>\$ 9,666,285</u>	<u>\$ 9,891,837</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****Note 7 - Property and Equipment and Capitalized Financing Cost (continued)**

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$372,893 and \$350,362, respectively.

During the year ended June 30, 2015, The City of New York spent \$37,169 for capital appropriations relating to the Organization's building improvements. 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, 2016 and 2015 was \$6,943 and \$1,020, respectively. The line of credit was repaid on September 28, 2016.

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, 2016 AND 2015****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, 2016 and 2015 was \$121,050 and \$123,432, 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 \$14,091 and \$16,227 for the years ended June 30, 2016 and 2015, respectively.

Note 12 - Subsequent Event

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 is currently requesting reimbursement from the insurance company and various government agencies.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****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.