

BALLET HISPANICO OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



LUTZ AND GARR
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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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 June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ballet Hispanico of New York, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ballet Hispanico of New York, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ballet Hispanico of New York, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ballet Hispanico of New York, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lotz + Carr, LLP

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022				2021			
	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)	\$ 2,225,135	\$ 826,214	\$ 400,000	\$ 3,451,349	\$15,143,603	\$ 1,991,627	\$ 400,000	\$17,535,230
Unconditional promises to give (Notes 1c and 6)								
Without donor restrictions	395,610	-	-	395,610	376,600	-	-	376,600
With donor restrictions	-	1,809,794	-	1,809,794	-	2,787,028	-	2,787,028
Accounts receivable	240,891	-	-	240,891	76,304	-	-	76,304
Prepaid expenses and other assets	61,756	-	-	61,756	114,498	-	-	114,498
Deferred compensation asset (Note 13b)	108,158	-	-	108,158	109,627	-	-	109,627
Investments (Notes 1d and 4)	9,648,138	-	874,552	10,522,690	-	56,977	1,021,100	1,078,077
Endowment deficit (Notes 3b and 7)	-	(146,548)	146,548	-	-	-	-	-
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 8)	7,910,507	-	-	7,910,507	8,081,266	-	-	8,081,266
Artwork	15,650	-	-	15,650	15,650	-	-	15,650
Total Assets	\$20,605,845	\$ 2,489,460	\$1,421,100	\$24,516,405	\$23,917,548	\$ 4,835,632	\$1,421,100	\$30,174,280
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 298,571	\$ -	\$ -	\$ 298,571	\$ 293,193	\$ -	\$ -	\$ 293,193
Deferred revenue	210,904	-	-	210,904	166,290	-	-	166,290
Deferred compensation liability (Note 13b)	108,158	-	-	108,158	109,627	-	-	109,627
Mortgage payable (Note 10)	2,180,450	-	-	2,180,450	2,400,330	-	-	2,400,330
Total Liabilities	2,798,083	-	-	2,798,083	2,969,440	-	-	2,969,440
Commitments and Contingency (Notes 9, 10, 12 and 13)								
Net Assets								
Operating	8,159,624	2,138,210	-	10,297,834	8,928,438	4,277,082	-	13,205,520
Cash reserve funds (Notes 3a and 3b)	4,509,253	347,798	-	4,857,051	6,019,670	347,798	-	6,367,468
Working capital reserve (Note 3b)	-	150,000	-	150,000	-	150,000	-	150,000
Endowment (Notes 3a, 3b and 7)	5,138,885	(146,548)	1,021,100	6,013,437	6,000,000	60,752	1,021,100	7,081,852
Endowment - cash reserve (Notes 3b and 7)	-	-	400,000	400,000	-	-	400,000	400,000
Total Net Assets	17,807,762	2,489,460	1,421,100	21,718,322	20,948,108	4,835,632	1,421,100	27,204,840
Total Liabilities and Net Assets	\$20,605,845	\$ 2,489,460	\$1,421,100	\$24,516,405	\$23,917,548	\$ 4,835,632	\$1,421,100	\$30,174,280

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021				
	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	\$ 1,162,454	\$ -	\$ -	\$ 1,162,454	\$ 13,000	\$ -	\$ -	\$ 13,000
Tuition	1,246,818	-	-	1,246,818	525,402	-	-	525,402
Studio rental income	160,112	-	-	160,112	160,794	-	-	160,794
Miscellaneous	33,792	-	-	33,792	11,386	-	-	11,386
Contributions (Note 1a)								
Government	541,300	-	-	541,300	376,000	37,000	-	413,000
Loan forgiveness income - Paycheck Protection Program (Note 11)	-	-	-	-	736,219	-	-	736,219
Foundations	755,000	323,618	-	1,078,618	5,739,000	1,185,912	-	6,924,912
Corporations	511,000	-	-	511,000	216,270	10,000	-	226,270
Individuals	305,256	27,459	-	332,715	10,347,327	34,324	-	10,381,651
Fundraising benefits	854,739	-	-	854,739	531,194	14,481	-	545,675
Less: Direct fundraising costs	(190,468)	-	-	(190,468)	-	-	-	-
	5,380,003	351,077	-	5,731,080	18,656,592	1,281,717	-	19,938,309
Net assets released from restrictions								
Satisfaction of time and program restrictions	2,279,499	(2,279,499)	-	-	1,070,000	(1,070,000)	-	-
Reversal of prior year contributions	-	(210,450)	-	(210,450)	-	-	-	-
Board approved appropriation from cash reserve	1,000,000	-	-	1,000,000	-	-	-	-
	8,659,502	(2,138,872)	-	6,520,630	19,726,592	211,717	-	19,938,309
Expenses								
Program Services								
Dance Company	4,337,910	-	-	4,337,910	1,452,906	-	-	1,452,906
School of Dance	2,447,609	-	-	2,447,609	1,499,957	-	-	1,499,957
Community Arts Partnerships	781,192	-	-	781,192	456,810	-	-	456,810
Arnhold Center	299,210	-	-	299,210	146,998	-	-	146,998
Total Program Services	7,865,921	-	-	7,865,921	3,556,671	-	-	3,556,671
Supporting Services								
Management and general	927,144	-	-	927,144	503,163	-	-	503,163
Fundraising	658,571	-	-	658,571	610,410	-	-	610,410
Total Supporting Services	1,585,715	-	-	1,585,715	1,113,573	-	-	1,113,573
Total Expenses	9,451,636	-	-	9,451,636	4,670,244	-	-	4,670,244
Increase (Decrease) in Net Assets from Operating Activities	(792,134)	(2,138,872)	-	(2,931,006)	15,056,348	211,717	-	15,268,065
Non-Operating Activities								
Other expense	-	-	-	-	(36,384)	-	-	(36,384)
Net investment income (loss) (Note 4)	(1,348,212)	(207,300)	-	(1,555,512)	6,229	75,900	-	82,129
Board approved appropriation to operations	(1,000,000)	-	-	(1,000,000)	-	-	-	-
Total Non-Operating Activities	(2,348,212)	(207,300)	-	(2,555,512)	(30,155)	75,900	-	45,745
Increase (decrease) in net assets	(3,140,346)	(2,346,172)	-	(5,486,518)	15,026,193	287,617	-	15,313,810
Net assets, beginning of year	20,948,108	4,835,632	1,421,100	27,204,840	5,921,915	4,548,015	1,421,100	11,891,030
Net Assets, End of Year	<u>\$17,807,762</u>	<u>\$ 2,489,460</u>	<u>\$1,421,100</u>	<u>\$21,718,322</u>	<u>\$20,948,108</u>	<u>\$ 4,835,632</u>	<u>\$1,421,100</u>	<u>\$27,204,840</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022					2021			Total Expenses	Total Expenses
	Program Services				Total	Supporting Services		Total Expenses		
	Dance Company	School of Dance	Community Arts Partnerships	Arnhold Center		Management and General	Fundraising			
Salaries, payroll taxes and employee benefits	\$1,934,091	\$1,335,641	\$ 449,535	\$203,817	\$3,923,084	\$ 577,301	\$ 495,463	\$1,072,764	\$4,995,848	\$3,130,115
Professional fees	361,008	128,906	118,748	12,510	621,172	142,456	-	142,456	763,628	352,559
Transportation, lodging and per diems	729,765	5,088	7,278	48	742,179	593	1,306	1,899	744,078	25,597
Advertising, printing and promotion	40,424	19,531	8,240	2,305	70,500	16,512	2,637	19,149	89,649	22,820
Production	812,153	70,600	25,834	1,700	910,287	20,844	17,043	37,887	948,174	34,785
Office supplies and expenses	96,438	45,731	18,465	4,340	164,974	21,286	15,312	36,598	201,572	87,034
Theatre and studio rental	984	-	-	-	984	-	-	-	984	658
Facility maintenance and utilities	182,468	195,691	103,818	25,955	507,932	53,010	-	53,010	560,942	247,144
Interest expense	28,222	24,190	16,127	4,032	72,571	8,063	-	8,063	80,634	90,834
Scholarships	-	375,850	-	-	375,850	-	-	-	375,850	97,806
Insurance	24,140	20,692	13,794	3,449	62,075	6,897	-	6,897	68,972	53,905
Indirect benefit expense	-	-	-	-	-	-	30,611	30,611	30,611	45,060
Bad debt expense	-	27,659	-	-	27,659	-	-	-	27,659	8,242
Bank/credit card fees and other expenses	14,482	27,428	397	3,142	45,449	52,661	77,243	129,904	175,353	103,230
Total expenses before depreciation	4,224,175	2,277,007	762,236	261,298	7,524,716	899,623	639,615	1,539,238	9,063,954	4,299,789
Depreciation	113,735	170,602	18,956	37,912	341,205	27,521	18,956	46,477	387,682	370,455
Total Expenses, 2022	<u>\$4,337,910</u>	<u>\$2,447,609</u>	<u>\$ 781,192</u>	<u>\$299,210</u>	<u>\$7,865,921</u>	<u>\$ 927,144</u>	<u>\$ 658,571</u>	<u>\$1,585,715</u>	<u>\$9,451,636</u>	
Total Expenses, 2021	<u>\$1,452,906</u>	<u>\$1,499,957</u>	<u>\$ 456,810</u>	<u>\$146,998</u>	<u>\$3,556,671</u>	<u>\$ 503,163</u>	<u>\$ 610,410</u>	<u>\$1,113,573</u>		<u>\$4,670,244</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	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	\$1,003,628	\$ 970,996	\$ 240,978	\$ 75,416	\$2,291,018	\$ 341,562	\$ 497,535	\$ 839,097	\$3,130,115
Professional fees	110,920	65,940	97,485	10,054	284,399	54,546	13,614	68,160	352,559
Transportation, lodging and per diems	21,540	523	-	-	22,063	3,396	138	3,534	25,597
Advertising, printing and promotion	4,523	10,371	1,215	248	16,357	495	5,968	6,463	22,820
Production	26,123	3,663	499	-	30,285	1,402	3,098	4,500	34,785
Office supplies and expenses	23,414	32,203	12,331	3,027	70,975	6,054	10,005	16,059	87,034
Theatre and studio rental	632	26	-	-	658	-	-	-	658
Facility maintenance and utilities	86,747	74,183	49,272	12,314	222,516	24,628	-	24,628	247,144
Interest expense	31,792	27,250	18,167	4,542	81,751	9,083	-	9,083	90,834
Scholarships	-	97,806	-	-	97,806	-	-	-	97,806
Insurance	18,557	16,663	10,568	2,642	48,430	5,284	191	5,475	53,905
Indirect benefit expense	-	-	-	-	-	-	45,060	45,060	45,060
Bad debt expense	-	6,992	-	-	6,992	1,250	-	1,250	8,242
Bank/credit card fees and other expenses	16,997	31,292	8,290	2,744	59,323	27,111	16,796	43,907	103,230
Total expenses before depreciation	1,344,873	1,337,908	438,805	110,987	3,232,573	474,811	592,405	1,067,216	4,299,789
Depreciation	108,033	162,049	18,005	36,011	324,098	28,352	18,005	46,357	370,455
Total Expenses	<u>\$1,452,906</u>	<u>\$1,499,957</u>	<u>\$ 456,810</u>	<u>\$146,998</u>	<u>\$3,556,671</u>	<u>\$ 503,163</u>	<u>\$ 610,410</u>	<u>\$1,113,573</u>	<u>\$4,670,244</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (5,486,518)	\$15,313,810
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Loan forgiveness income - Paycheck Protection Program	-	(160,369)
Bad debt expense	27,659	8,242
Reversal of prior year contributions	210,450	-
Depreciation	387,682	370,455
Loss on disposal of equipment	-	2,610
Net realized and unrealized (gains) losses on investments	1,663,453	(67,960)
Donated securities	(105,709)	(79,253)
(Increase) decrease in:		
Unconditional promises to give	747,774	671,446
Accounts receivable	(192,246)	7,781
Prepaid expenses and other assets	52,742	(10,278)
Deferred compensation asset	1,469	(47,783)
Increase (decrease) in:		
Accounts payable and accrued expenses	5,378	74,938
Deferred revenue	44,614	113,764
Deferred compensation liability	(1,469)	47,783
Net Cash Provided (Used) By Operating Activities	<u>(2,644,721)</u>	<u>16,245,186</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	(216,923)	(70,808)
Purchase of investments	(13,204,666)	(930,249)
Sale of investments	2,202,309	907,259
Net Cash Used By Investing Activities	<u>(11,219,280)</u>	<u>(93,798)</u>
 Cash Flows From Financing Activities		
Repayments of mortgage payable	(219,880)	(219,140)
Net increase (decrease) in cash and cash equivalents	(14,083,881)	15,932,248
Cash and cash equivalents, beginning of year	<u>17,535,230</u>	<u>1,602,982</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 3,451,349</u></u>	 <u><u>\$17,535,230</u></u>
 Supplemental Disclosure		
Cash paid for interest	<u><u>\$ 80,633</u></u>	<u><u>\$ 90,834</u></u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****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, 2022, 23% of the Organization's contributions came from one government agency and one foundation. For the year ended June 30, 2021, 76% of the Organization's contributions came from one individual and 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, 2022 AND 2021****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; and
- 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, 2022 AND 2021****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 - Advertising

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

g - Revenue Recognition

The Organization has multiple revenue streams that are accounted for as exchange transactions, including tuition, performance income and studio rental income. Tuition is recognized in the period in which the classes are offered. Performance income is recognized in the period the performance takes place. Any payment received before the applicable classes or performance dates are recognized as deferred income. Rental income for the residency programs and virtual performances are recognized by the Organization over the period that the rental 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, 2022 AND 2021****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 12, 2023, 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.

m - Prior Year Information

For comparability, certain 2021 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2022.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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.

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>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 3,451,349	\$17,535,230
Accounts receivable	240,891	76,304
Unconditional promises to give	2,205,404	3,163,628
Investments	<u>10,522,690</u>	<u>1,078,077</u>
Total Financial Assets	16,420,334	21,853,239
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	(2,138,210)	(4,277,082)
Plus: Net assets with donor restrictions expected to be met in less than one year	1,137,372	2,498,683
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(1,274,552)	(1,481,852)
Plus: Amounts expected to be appropriated for use within one year	49,048	51,290
Net assets restricted by Board, subject to spending policy and appropriation	(5,138,885)	(6,000,000)
Cash and working capital reserves	(5,007,051)	(6,517,468)
Plus: Amounts expected to be appropriated for use within one year	<u>85,648</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 4,133,704</u>	<u>\$ 6,126,810</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

In addition to these financial assets available to meet general expenditures within one year, the Organization also has available a \$1,000,000 line of credit from which it may draw upon, as further described in Note 9.

Note 3 - Restrictions on Net Assets

a - During 2021, the Organization's Board of Directors established a cash reserve fund in the amount of \$6,019,670 with the proceeds from \$14,500,000 in contributions without donor restrictions received from two donors during the year. This board-designated cash reserve fund is intended to be used for future operations and to provide financial stability for the Organization. Amounts may be appropriated from this fund at the discretion of the Organization's Board of Directors. During the year ended June 30, 2022, the Board authorized an appropriation of \$1,000,000. The balance at June 30, 2022 \$4,509,253.

An additional \$6 million of the contributions without donor restrictions was designated by the Board of Directors to add to the Organization's endowment in 2021 (Note 7).

b - Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Endowments:		
Investment in perpetuity	\$1,421,100	\$1,421,100
Accumulated investment income (loss) above (below) amount for investment in perpetuity	(146,548)	60,752
Cash and working capital reserve	497,798	497,798
Subject to expenditure for specific purpose:		
Gala	468,445	973,229
Latin X Institute	670,000	976,579
50 th Campaign	348,609	706,977
Community Arts Partnership Program	-	90,258
Instituto Coreografico	-	100,000
New Works Project	-	100,000
Occupancy Subsidy	57,844	56,150
Dance Scholarships	59,089	94,459
Technology Grant	-	10,000
Peron Project	-	56,500
Subject to passage of time	<u>534,223</u>	<u>1,112,930</u>
Total Net Assets With Donor Restrictions	<u>\$3,910,560</u>	<u>\$6,256,732</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3 - Restrictions on Net Assets

b - (continued)

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

	<u>2022</u>	<u>2021</u>
Community Arts Partnership Program	\$ 95,000	\$ 85,000
Technology Grant	10,000	-
Gala	398,900	195,000
50 th Campaign	289,949	70,000
Latin X Institute	330,000	-
Dance Scholarships	57,000	-
New Works Project	100,000	-
Occupancy Subsidy	56,150	-
Instituto Coreografico	100,000	-
Peron Project	56,500	-
Subject to passage of time	<u>786,000</u>	<u>720,000</u>
Total	<u>\$2,279,499</u>	<u>\$1,070,000</u>

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 at June 30:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment				
Cash and cash equivalents held for investment	\$ 101,323	\$ 101,323	\$ -	\$ -
Mutual Funds				
Domestic equity	4,658,997	3,785,393	-	-
International equity	1,961,804	1,580,678	-	-
Domestic fixed income	3,509,967	3,360,186	1,093,183	1,078,077
International fixed income	<u>1,915,541</u>	<u>1,695,110</u>	<u>-</u>	<u>-</u>
	<u>\$12,147,632</u>	<u>\$10,522,690</u>	<u>\$1,093,183</u>	<u>\$1,078,077</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 4 - Investments (continued)

Net investment income (loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 126,172	\$ 14,169
Net realized gain (loss)	(53,617)	599,057
Net unrealized loss	(1,609,836)	(531,097)
Investment fees	<u>(18,231)</u>	<u>-</u>
	<u><u>\$(1,555,512)</u></u>	<u><u>\$ 82,129</u></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 - Unconditional Promises to Give

Unconditional promises to give are due as follows at June 30:

	<u>2022</u>	<u>2021</u>
Due within one year	\$1,507,705	\$1,378,286
Due in one to five years	<u>740,480</u>	<u>1,916,000</u>
	2,248,185	3,294,286
Less: Discount to present value	<u>(42,781)</u>	<u>(130,658)</u>
	<u><u>\$2,205,404</u></u>	<u><u>\$3,163,628</u></u>

At June 30, 2022 and 2021, approximately 63% and 57%, respectively, of the Organization's unconditional promises to give are due 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 unconditional promises to give are expected to be insignificant.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7 - Endowment Funds

The Organization's endowment funds consist of board-designated and 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.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u> <u>Accumulated Investment Income (Loss) Above (Below) Amount for Investment in Perpetuity</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment funds, 2022	<u>\$5,138,885</u>	<u>\$(146,548)</u>	<u>\$1,421,100</u>	<u>\$6,413,437</u>
Endowment funds, 2021	<u>\$6,000,000</u>	<u>\$ 60,752</u>	<u>\$1,421,100</u>	<u>\$7,481,852</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7 - Endowment Funds (continued)

Changes in the Organization's endowment funds for the years ended June 30, 2022 and 2021 are summarized as follows:

	2022			
	Without Donor Restrictions	With Donor Restrictions Accumulated Investment Income (Loss) Above (Below) Amount for Investment in Perpetuity	Perpetual in Nature	Total
Endowment funds, beginning of year	<u>\$6,000,000</u>	<u>\$ 60,752</u>	<u>\$1,421,100</u>	<u>\$7,481,852</u>
Net Investment Return:				
Interest and dividends	62,784	15,429	-	78,213
Net realized and unrealized loss	(913,641)	(220,256)	-	(1,133,897)
Investment fees	<u>(10,258)</u>	<u>(2,473)</u>	<u>-</u>	<u>(12,731)</u>
Total Net Investment Return (Loss)	<u>(861,115)</u>	<u>(207,300)</u>	<u>-</u>	<u>(1,068,415)</u>
Endowment Funds, End of Year	<u>\$5,138,885</u>	<u>\$(146,548)</u>	<u>\$1,421,100</u>	<u>\$6,413,437</u>
	2021			
	Without Donor Restrictions	With Donor Restrictions Accumulated Investment Income (Loss) Above (Below) Amount for Investment in Perpetuity	Perpetual in Nature	Total
Endowment funds, beginning of year	<u>\$ -</u>	<u>\$(15,148)</u>	<u>\$1,421,100</u>	<u>\$1,405,952</u>
Contributions	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>
Net Investment Return:				
Interest and dividends	-	12,334	-	12,334
Net realized and unrealized gain	<u>-</u>	<u>63,566</u>	<u>-</u>	<u>63,566</u>
Total Net Investment Return	<u>-</u>	<u>75,900</u>	<u>-</u>	<u>75,900</u>
Endowment Funds, End of Year	<u>\$6,000,000</u>	<u>\$ 60,752</u>	<u>\$1,421,100</u>	<u>\$7,481,852</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 \$146,548 as of June 30, 2022. The deficiency resulted from prior years excess spending of endowment funds and investment losses.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7 - Endowment Funds (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 8 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Building and improvements	10-40 years	\$ 4,015,498	\$ 3,801,324
Condominium - Cocodrilo Development Corporation	40 years	9,715,751	9,715,751
Furniture, fixtures and equipment	3-10 years	<u>297,129</u>	<u>294,380</u>
		14,028,378	13,811,455
Less: Accumulated depreciation		<u>(6,117,871)</u>	<u>(5,730,189)</u>
		<u>\$ 7,910,507</u>	<u>\$ 8,081,266</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****Note 9 - Line of Credit**

Ballet Hispanico has a revolving line of credit with JPMorgan Chase of \$1,000,000. Interest is based on the secured overnight financing rate plus 2.9%. At June 30, 2022 and 2021, there were no borrowings outstanding on the line of credit.

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 mortgage with Chase Bank was refinanced. The mortgage required 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 mortgage agreement requires a minimum Debt Service Coverage ratio as defined in the mortgage agreement.

On August 26, 2020, the Organization 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, 2022 and 2021 was \$80,633 and \$90,834, respectively. Future principal payments are \$219,876 for the years ended June 30, 2023 through 2031, and \$201,566 for the year ended June 30, 2032.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****Note 11 - Loan Forgiveness Income - Paycheck Protection Program**

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 could be forgiven if the Organization met certain employee retention requirements and the funds were used for eligible expenses. During 2021, the Organization incurred eligible expenses of \$160,369 and the corresponding forgiveness income was recognized. In May 2021, the loan was fully forgiven by the lender.

During 2021, the Organization received a second loan totaling \$573,850 under the Paycheck Protection Program. All eligible expenses were incurred during 2021 and forgiveness income was recognized during 2021. In October 2021, the full amount of the loan was forgiven by the lender.

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%. Contributions to the plan were \$57,748 and \$41,980 for the years ended June 30, 2022 and 2021, respectively.
- b - During the year ended June 30, 2018, the Organization adopted a deferred compensation (Section 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 \$20,500 and \$18,000 for the years ended June 30, 2022 and 2021, respectively.