

BALLET HISPANICO OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 AND 2023

	2024				2023			
	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	\$ -	\$ 247,194	\$ 400,000	\$ 647,194	\$ -	\$ 1,011,956	\$ 400,000	\$ 1,411,956
Unconditional promises to give								
Without donor restrictions	329,956	-	-	329,956	620,181	-	-	620,181
With donor restrictions	-	476,485	-	476,485	-	775,386	-	775,386
Accounts receivable	235,863	-	-	235,863	161,206	-	-	161,206
Prepaid expenses and other assets	83,810	-	-	83,810	96,521	-	-	96,521
Deferred compensation asset	217,734	-	-	217,734	159,669	-	-	159,669
Investments	9,064,342	879,354	1,000,030	10,943,726	10,481,006	67,510	919,162	11,467,678
Endowment deficit	-	(21,070)	21,070	-	-	(101,938)	101,938	-
Property and equipment, at cost, net of accumulated depreciation	7,347,898	-	-	7,347,898	7,692,915	-	-	7,692,915
Artwork	15,650	-	-	15,650	15,650	-	-	15,650
Total Assets	\$17,295,253	\$ 1,581,963	\$1,421,100	\$20,298,316	\$19,227,148	\$ 1,752,914	\$1,421,100	\$22,401,162
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 363,793	\$ -	\$ -	\$ 363,793	\$ 594,416	\$ -	\$ -	\$ 594,416
Deferred revenue	291,510	-	-	291,510	213,975	-	-	213,975
Deferred compensation liability	217,734	-	-	217,734	159,669	-	-	159,669
Mortgage payable	1,740,691	-	-	1,740,691	1,960,571	-	-	1,960,571
Total Liabilities	2,613,728	-	-	2,613,728	2,928,631	-	-	2,928,631
Commitments and Contingency (Notes 9, 10, 11 and 12)								
Net Assets								
Operating	7,097,105	1,105,235	-	8,202,340	7,484,606	1,357,054	-	8,841,660
Cash reserve funds	1,649,284	347,798	-	1,997,082	3,329,855	347,798	-	3,677,653
Working capital reserve	-	150,000	-	150,000	-	150,000	-	150,000
Endowment	5,935,136	(21,070)	1,021,100	6,935,166	5,484,056	(101,938)	1,021,100	6,403,218
Endowment - cash reserve	-	-	400,000	400,000	-	-	400,000	400,000
Total Net Assets	14,681,525	1,581,963	1,421,100	17,684,588	16,298,517	1,752,914	1,421,100	19,472,531
Total Liabilities and Net Assets	\$17,295,253	\$ 1,581,963	\$1,421,100	\$20,298,316	\$19,227,148	\$ 1,752,914	\$1,421,100	\$22,401,162

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023			
	Without Donor Restrictions	With Donor Restrictions		Totals	Without Donor Restrictions	With Donor Restrictions		Totals
		Time and Purpose Restrictions	Perpetual in Nature			Time and Purpose Restrictions	Perpetual in Nature	
Changes in Net Assets								
Revenue and Operating Support								
Performance income	\$ 1,317,467	\$ -	\$ -	\$ 1,317,467	\$ 1,063,826	\$ -	\$ -	\$ 1,063,826
Tuition	1,290,304	-	-	1,290,304	1,219,129	-	-	1,219,129
CAP residencies	541,165	-	-	541,165	508,804	-	-	508,804
Studio rental income	210,500	-	-	210,500	174,276	-	-	174,276
Endowment spending allocation	324,674	-	-	324,674	234,603	-	-	234,603
Miscellaneous	17,505	-	-	17,505	57,897	-	-	57,897
Contributions								
Government grants	312,285	-	-	312,285	317,490	-	-	317,490
Government grants - CASA	380,000	-	-	380,000	300,000	-	-	300,000
Foundations	333,600	1,027,008	-	1,360,608	972,600	355,953	-	1,328,553
Corporations	238,875	3,750	-	242,625	509,500	-	-	509,500
Individuals	333,611	574	-	334,185	303,924	19,245	-	323,169
Fundraising benefits	1,008,459	-	-	1,008,459	1,096,523	-	-	1,096,523
Less: Direct fundraising costs	(239,593)	-	-	(239,593)	(267,907)	-	-	(267,907)
	<u>6,068,852</u>	<u>1,031,332</u>	<u>-</u>	<u>7,100,184</u>	<u>6,490,665</u>	<u>375,198</u>	<u>-</u>	<u>6,865,863</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions	1,283,151	(1,283,151)	-	-	1,156,354	(1,156,354)	-	-
Board approved appropriation from cash reserve	1,800,000	-	-	1,800,000	1,500,000	-	-	1,500,000
	<u>9,152,003</u>	<u>(251,819)</u>	<u>-</u>	<u>8,900,184</u>	<u>9,147,019</u>	<u>(781,156)</u>	<u>-</u>	<u>8,365,863</u>
Expenses								
Program Services								
Dance Company	3,831,337	-	-	3,831,337	3,968,517	-	-	3,968,517
School of Dance	2,768,582	-	-	2,768,582	2,803,802	-	-	2,803,802
Community Arts Partnerships	1,134,870	-	-	1,134,870	845,449	-	-	845,449
Arnhold Center	374,616	-	-	374,616	461,701	-	-	461,701
Total Program Services	<u>8,109,405</u>	<u>-</u>	<u>-</u>	<u>8,109,405</u>	<u>8,079,469</u>	<u>-</u>	<u>-</u>	<u>8,079,469</u>
Supporting Services								
Management and general	832,053	-	-	832,053	1,061,786	-	-	1,061,786
Fundraising	842,457	-	-	842,457	699,307	-	-	699,307
Total Supporting Services	<u>1,674,510</u>	<u>-</u>	<u>-</u>	<u>1,674,510</u>	<u>1,761,093</u>	<u>-</u>	<u>-</u>	<u>1,761,093</u>
Total Expenses	<u>9,783,915</u>	<u>-</u>	<u>-</u>	<u>9,783,915</u>	<u>9,840,562</u>	<u>-</u>	<u>-</u>	<u>9,840,562</u>
Decrease in Net Assets from Operating Activities	<u>(631,912)</u>	<u>(251,819)</u>	<u>-</u>	<u>(883,731)</u>	<u>(693,543)</u>	<u>(781,156)</u>	<u>-</u>	<u>(1,474,699)</u>
Non-Operating Activities								
Endowment spending allocation	-	(47,625)	-	(47,625)	-	(49,048)	-	(49,048)
Board endowment spending allocation	(277,049)	-	-	(277,049)	(185,555)	-	-	(185,555)
Net investment income	1,091,969	128,493	-	1,220,462	869,853	93,658	-	963,511
Board approved appropriation to operations	(1,800,000)	-	-	(1,800,000)	(1,500,000)	-	-	(1,500,000)
Total Non-Operating Activities	<u>(985,080)</u>	<u>80,868</u>	<u>-</u>	<u>(904,212)</u>	<u>(815,702)</u>	<u>44,610</u>	<u>-</u>	<u>(771,092)</u>
Decrease in net assets	<u>(1,616,992)</u>	<u>(170,951)</u>	<u>-</u>	<u>(1,787,943)</u>	<u>(1,509,245)</u>	<u>(736,546)</u>	<u>-</u>	<u>(2,245,791)</u>
Net assets, beginning of year	<u>16,298,517</u>	<u>1,752,914</u>	<u>1,421,100</u>	<u>19,472,531</u>	<u>17,807,762</u>	<u>2,489,460</u>	<u>1,421,100</u>	<u>21,718,322</u>
Net Assets, End of Year	<u>\$14,681,525</u>	<u>\$ 1,581,963</u>	<u>\$1,421,100</u>	<u>\$17,684,588</u>	<u>\$16,298,517</u>	<u>\$ 1,752,914</u>	<u>\$1,421,100</u>	<u>\$19,472,531</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024 WITH COMPARATIVE TOTALS FOR 2023

	2024					2023				
	Program Services				Total	Supporting Services			Total Expenses	Total Expenses
	Dance Company	School of Dance	Community Arts Partnerships	Arnhold Center		Management and General	Fundraising	Total		
Salaries, payroll taxes and employee benefits	\$1,765,476	\$1,564,014	\$ 765,599	\$242,650	\$4,337,739	\$ 530,507	\$ 555,986	\$1,086,493	\$5,424,232	\$5,067,186
Professional fees	345,864	143,384	134,863	16,941	641,052	127,003	54,463	181,466	822,518	1,018,922
Transportation, lodging and per diems	394,788	9,224	18,695	1,520	424,227	8,688	3,532	12,220	436,447	550,092
Advertising, printing and promotion	171,483	34,930	7,161	3,540	217,114	2,085	17,384	19,469	236,583	204,816
Production	643,781	53,689	15,381	18,588	731,439	19,856	40,288	60,144	791,583	821,256
Office supplies and expenses	62,529	26,138	15,789	7,133	111,589	11,668	35,967	47,635	159,224	206,267
Theatre and studio rental	31,080	11,903	-	-	42,983	-	460	460	43,443	31,157
Facility maintenance and utilities	173,754	163,879	99,145	29,808	466,586	49,920	932	50,852	517,438	552,409
Interest expense	22,809	19,551	13,034	3,258	58,652	6,517	-	6,517	65,169	72,898
Scholarships	-	461,395	-	-	461,395	-	-	-	461,395	509,668
Insurance	34,206	22,427	14,413	3,853	74,899	13,676	-	13,676	88,575	82,135
Indirect benefit expense	-	-	-	-	-	-	64,367	64,367	64,367	85,941
Bad debt expense	-	-	-	-	-	21,267	-	21,267	21,267	10,556
Bank/credit card fees and other expenses	70,286	85,127	31,577	8,898	195,888	21,653	49,865	71,518	267,406	232,213
Total expenses before depreciation	3,716,056	2,595,661	1,115,657	336,189	7,763,563	812,840	823,244	1,636,084	9,399,647	9,445,516
Depreciation	115,281	172,921	19,213	38,427	345,842	19,213	19,213	38,426	384,268	395,046
Total Expenses, 2024	<u>\$3,831,337</u>	<u>\$2,768,582</u>	<u>\$ 1,134,870</u>	<u>\$374,616</u>	<u>\$8,109,405</u>	<u>\$ 832,053</u>	<u>\$ 842,457</u>	<u>\$1,674,510</u>	<u>\$9,783,915</u>	
Total Expenses, 2023	<u>\$3,968,517</u>	<u>\$2,803,802</u>	<u>\$ 845,449</u>	<u>\$461,701</u>	<u>\$8,079,469</u>	<u>\$ 1,061,786</u>	<u>\$ 699,307</u>	<u>\$1,761,093</u>		<u>\$9,840,562</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	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	\$1,718,703	\$1,384,533	\$ 581,027	\$290,200	\$3,974,463	\$ 638,571	\$ 454,152	\$1,092,723	\$5,067,186
Professional fees	530,100	145,003	114,457	29,960	819,520	167,449	31,953	199,402	1,018,922
Transportation, lodging and per diems	486,274	15,068	31,606	6,592	539,540	5,178	5,374	10,552	550,092
Advertising, printing and promotion	94,026	68,784	10,960	11,498	185,268	16,823	2,725	19,548	204,816
Production	635,105	94,303	13,584	28,250	771,242	26,347	23,667	50,014	821,256
Office supplies and expenses	81,543	32,183	10,382	9,712	133,820	17,895	54,552	72,447	206,267
Theatre and studio rental	20,494	10,663	-	-	31,157	-	-	-	31,157
Facility maintenance and utilities	187,713	280,829	27,420	29,413	525,375	26,878	156	27,034	552,409
Interest expense	25,514	21,869	14,580	3,645	65,608	7,290	-	7,290	72,898
Scholarships	-	509,668	-	-	509,668	-	-	-	509,668
Insurance	29,541	21,842	14,023	3,784	69,190	12,945	-	12,945	82,135
Indirect benefit expense	-	-	-	-	-	-	85,941	85,941	85,941
Bad debt expense	-	-	-	-	-	10,556	-	10,556	10,556
Bank/credit card fees and other expenses	40,990	41,286	7,658	9,142	99,076	112,102	21,035	133,137	232,213
Total expenses before depreciation	3,850,003	2,626,031	825,697	422,196	7,723,927	1,042,034	679,555	1,721,589	9,445,516
Depreciation	118,514	177,771	19,752	39,505	355,542	19,752	19,752	39,504	395,046
Total Expenses	<u>\$3,968,517</u>	<u>\$2,803,802</u>	<u>\$ 845,449</u>	<u>\$461,701</u>	<u>\$8,079,469</u>	<u>\$ 1,061,786</u>	<u>\$ 699,307</u>	<u>\$1,761,093</u>	<u>\$9,840,562</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities		
Decrease in net assets	\$(1,787,943)	\$(2,245,791)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Bad debt expense	21,267	10,556
Depreciation	384,268	395,046
Net realized and unrealized gains on investments	(922,368)	(750,245)
(Increase) decrease in:		
Unconditional promises to give	567,859	809,837
Accounts receivable	(74,657)	69,129
Prepaid expenses and other assets	12,711	(34,765)
Deferred compensation asset	(58,065)	(51,511)
Increase (decrease) in:		
Accounts payable and accrued expenses	(230,623)	295,845
Deferred revenue	77,535	3,071
Deferred compensation liability	58,065	51,511
Net Cash Used By Operating Activities	(1,951,951)	(1,447,317)
Cash Flows From Investing Activities		
Acquisition of property and equipment	(39,251)	(177,454)
Purchase of investments	(8,547,166)	(2,560,791)
Sale of investments	9,993,486	2,366,048
Net Cash Provided (Used) By Investing Activities	1,407,069	(372,197)
Cash Flows From Financing Activities		
Repayments of mortgage payable	(219,880)	(219,879)
Net decrease in cash and cash equivalents	(764,762)	(2,039,393)
Cash and cash equivalents, beginning of year	1,411,956	3,451,349
Cash and Cash Equivalents, End of Year	\$ 647,194	\$ 1,411,956
Supplemental Disclosure		
Cash paid for interest	\$ 65,169	\$ 72,898

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****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, 2024, 60% of the Organization's contributions came from one government agency and one foundation. For the year ended June 30, 2023, 37% of the Organization's contributions came from one government agency 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.

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.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Credit Losses

Accounts receivable are presented net of an allowance of credit losses, which is an estimate of amounts that may not be collectible. The Organization separates accounts receivable into risk pools bases on their aging. In determining the amount of the allowance as of the statement of financial position date, the Organization develops a loss rate for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Management has determined that an allowance is not necessary as of June 30, 2024.

e - 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, 2024 AND 2023****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - 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.

f - 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.

g - Advertising

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

h - 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.

i - 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, 2024 AND 2023****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****j - 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 ("US 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.

k - Use of Estimates

The preparation of financial statements in conformity with US 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.

l - Subsequent Events

The Organization has evaluated subsequent events through December 2, 2024, the date that the financial statements are considered available to be issued.

m - 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.

n - New Accounting Standard

During 2024, the Organization adopted ASU 2016-13, *Current Expected Credit Losses* ("Topic 326"). The core principles of ASU 2016-13 (the "ASU") significantly change the way organizations recognize credit losses from the incurred loss model to the expected loss model for most financial assets. The financial asset held by the Organization that is subject to the ASU was trade accounts receivable. The adoption of the ASU did not have a significant impact to the Organization's net assets.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 647,194	\$ 1,411,956
Unconditional promises to give	806,441	1,395,567
Accounts receivable	235,863	161,206
Investments	<u>10,943,726</u>	<u>11,467,678</u>
Total Financial Assets	12,633,224	14,436,407
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	(1,105,235)	(1,357,054)
Plus: Net assets with donor restrictions expected to be met in less than one year	438,569	1,314,636
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(1,400,030)	(1,319,162)
Plus: Amounts expected to be appropriated for use within one year	47,475	47,625
Net assets restricted by Board, subject to spending policy and appropriation	(5,935,136)	(5,484,056)
Cash and working capital reserves with and without donor restrictions	(2,147,082)	(3,827,653)
Plus: Amounts expected to be appropriated for use within one year	<u>278,964</u>	<u>277,049</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 2,810,749</u>	<u>\$ 4,087,792</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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 years ended June 30, 2024 and 2023, the Board authorized appropriations of \$1,800,000 and \$1,500,000, respectively. The balance at June 30, 2024 and 2023 was \$1,649,284 and \$3,329,855, respectively.

An additional \$6 million of the \$14,500,000 in contributions without donor restrictions was designated by the Board of Directors to add to the Organization's endowment in 2021 (Note 7). In addition, the Organization's intent was to apply the remaining \$2,480,000 to mortgage principal payments.

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

	<u>2024</u>	<u>2023</u>
Endowments:		
Investment in perpetuity	\$1,421,100	\$1,421,100
Accumulated investment loss below amount for investment in perpetuity	<u>(21,070)</u>	<u>(101,938)</u>
	<u>1,400,030</u>	<u>1,319,162</u>
Cash and working capital reserve	<u>497,798</u>	<u>497,798</u>
Subject to expenditure for specific purpose:		
Gala	-	175,000
Latin X Institute	1,000,000	340,000
50th Campaign	41,485	216,709
Community Arts Partnership Program	35,000	67,991
Bienvenidos Ticketing	-	40,000
Occupancy Subsidy	-	22,354
Dance Scholarships	<u>25,000</u>	<u>-</u>
	<u>1,101,485</u>	<u>862,054</u>
Subject to passage of time	<u>3,750</u>	<u>495,000</u>
Total Net Assets With Donor Restrictions	<u>\$3,003,063</u>	<u>\$3,174,014</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>
Community Arts Partnership Program	\$ 35,000	\$ -
Gala	215,000	305,000
50th Campaign	145,797	155,770
Latin X Institute	340,000	330,000
Dance Scholarships	-	59,088
Bienvenidos Ticketing	40,000	-
Occupancy Subsidy	22,354	36,496
Subject to passage of time	<u>485,000</u>	<u>270,000</u>
Total	<u>\$1,283,151</u>	<u>\$1,156,354</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>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment				
Cash and cash equivalents held for investment	\$ 125,946	\$ 125,946	\$ 130,079	\$ 130,079
Short-term fixed income funds	963,483	967,869	-	-
Mutual Funds				
Domestic equity	2,736,852	3,128,012	4,181,288	3,995,793
International equity	1,195,103	1,215,971	1,815,319	1,689,100
Domestic fixed income	3,251,450	3,254,205	3,869,173	3,776,350
International fixed income	<u>2,315,599</u>	<u>2,251,723</u>	<u>2,108,991</u>	<u>1,876,356</u>
	<u>\$10,588,433</u>	<u>\$10,943,726</u>	<u>\$12,104,850</u>	<u>\$11,467,678</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 4 - Investments (continued)

Net investment income consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 359,360	\$271,429
Net realized loss	(70,097)	(237,523)
Net unrealized gain	992,465	986,770
Investment fees	<u>(61,266)</u>	<u>(57,165)</u>
	<u>\$1,220,462</u>	<u>\$963,511</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>2024</u>	<u>2023</u>
Due within one year	\$806,441	\$1,353,150
Due in one to five years	<u>-</u>	<u>45,000</u>
	806,441	1,398,150
Less: Discount to present value	<u>-</u>	<u>(2,583)</u>
	<u>\$806,441</u>	<u>\$1,395,567</u>

At June 30, 2024, approximately 50% and 15% of the Organization's unconditional promises to give are due from one foundation and one government agency, respectively. At June 30, 2023, approximately 36% and 63% of the Organization's unconditional promises to give are due from one foundation and one individual, respectively.

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, 2024 AND 2023

Note 7 - Endowment Funds

The Organization's endowment funds consist of board-designated and donor-restricted endowment funds. As required by US 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 Board Designated Endowment</u>	<u>Original Principal in Board Designated Endowment</u>	<u>Accumulated Investment Income (Loss) Above (Below) Amount for Investment in Perpetuity</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment funds, 2024	<u>\$ (64,864)</u>	<u>\$6,000,000</u>	<u>\$ (21,070)</u>	<u>\$1,421,100</u>	<u>\$7,335,166</u>
Endowment funds, 2023	<u>\$(515,944)</u>	<u>\$6,000,000</u>	<u>\$(101,938)</u>	<u>\$1,421,100</u>	<u>\$6,803,218</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 7 - Endowment Funds (continued)

Changes in the Organization's endowment funds for the years ended June 30, 2024 and 2023 are summarized as follows:

	2024		2023		Total
	Without Donor Restrictions	Original Principal in Board Designated Endowment	With Donor Restrictions	Perpetual in Nature	
	Accumulated Investment Income (Loss) Above (Below) Amount for Board Designated Endowment	Original Principal in Board Designated Endowment	Accumulated Investment Income (Loss) Above (Below) Amount for Investment in Perpetuity	Perpetual in Nature	Total
Endowment funds, beginning of year	\$(515,944)	\$6,000,000	\$(101,938)	\$1,421,100	\$6,803,218
Net Investment Return:					
Interest and dividends	161,252	-	28,456	-	189,708
Net realized and unrealized loss	604,181	-	106,620	-	710,801
Investment fees	(37,304)	-	(6,583)	-	(43,887)
Total Net Investment Return (Loss)	<u>728,129</u>	<u>-</u>	<u>128,493</u>	<u>-</u>	<u>856,622</u>
Appropriation of endowment assets for expenditure	(277,049)	-	(47,625)	-	(324,674)
Endowment Funds, End of Year	<u>\$ (64,864)</u>	<u>\$6,000,000</u>	<u>\$(21,070)</u>	<u>\$1,421,100</u>	<u>\$7,335,166</u>
Endowment funds, beginning of year	\$(861,115)	\$6,000,000	\$(146,548)	\$1,421,100	\$6,413,437
Net Investment Return:					
Interest and dividends	118,151	-	20,851	-	139,002
Net realized and unrealized loss	446,709	-	78,831	-	525,540
Investment fees	(34,134)	-	(6,024)	-	(40,158)
Total Net Investment Return (Loss)	<u>530,726</u>	<u>-</u>	<u>93,658</u>	<u>-</u>	<u>624,384</u>
Appropriation of endowment assets for expenditure	(185,555)	-	(49,048)	-	(234,603)
Endowment Funds, End of Year	<u>\$(515,944)</u>	<u>\$6,000,000</u>	<u>\$(101,938)</u>	<u>\$1,421,100</u>	<u>\$6,803,218</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 \$21,070 and \$101,938 as of June 30, 2024 and 2023, respectively. The deficiency resulted from investment losses and appropriations from endowment funds.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>
Building and improvements	10-40 years	\$ 4,176,261	\$ 4,156,636
Condominium - Cocodrilo Development Corporation	40 years	9,715,751	9,715,751
Furniture, fixtures and equipment	3-10 years	<u>353,071</u>	<u>333,445</u>
		14,245,083	14,205,832
Less: Accumulated depreciation		<u>(6,897,185)</u>	<u>(6,512,917)</u>
		<u>\$ 7,347,898</u>	<u>\$ 7,692,915</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****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 3%. At June 30, 2024 and 2023, there were no borrowings outstanding on the line of credit.

Note 10 - Mortgage Payable

In August of 2002, the Organization began work on the acquisition and development of the vacant plot of land, which lay adjacent to its current building. On August 4, 2003, the Organization 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, the Organization 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 the Organization, closed on its permanent financing with a mortgage in the amount of \$5,676,000, 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 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, 2024 and 2023 was \$65,169 and \$72,898, respectively. Future principal payments are \$219,876 for the years ended June 30, 2025 through 2031, and \$201,559 for the year ended June 30, 2032.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****Note 11 - Contingency**

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

Note 12 - Retirement Plans

- 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 \$53,561 and \$48,855 for the years ended June 30, 2024 and 2023, 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 \$21,000 and \$24,500 for the years ended June 30, 2024 and 2023, respectively.