

BALLET HISPANICO OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Ballet Hispanico of New York, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
December 18, 2019

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019				2018			
	Without Donor	With Donor Restrictions		Totals	Without Donor	With Donor Restrictions		Totals
		Restrictions	Time and Purpose			Perpetual in Nature	Restrictions	
Assets								
Cash and cash equivalents (Notes 1b and 5)	\$ -	\$ 641,717	\$ 575,256	\$ 1,216,973	\$ -	\$ 704,872	\$ 700,249	\$ 1,405,121
Interfund receivable (payable)	(357,468)	346,230	11,238	-	(226,061)	285,823	(59,762)	-
Unconditional promises to give (Notes 1c and 6)								
Without donor restrictions	189,035	-	-	189,035	161,119	-	-	161,119
With donor restrictions	-	1,496,465	-	1,496,465	-	747,613	-	747,613
Accounts receivable	66,437	-	-	66,437	58,165	-	-	58,165
Prepaid expenses and other assets	79,559	-	-	79,559	21,132	-	-	21,132
Deferred compensation asset (Note 12b)	38,124	-	-	38,124	17,451	-	-	17,451
Investments (Notes 1d and 4)	20,713	-	834,606	855,319	-	-	780,613	780,613
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 8)	8,750,581	-	-	8,750,581	9,131,383	-	-	9,131,383
Artwork	15,650	-	-	15,650	15,650	-	-	15,650
Total Assets	\$ 8,802,631	\$ 2,484,412	\$1,421,100	\$12,708,143	\$ 9,178,839	\$ 1,738,308	\$1,421,100	\$12,338,247
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 305,910	\$ -	\$ -	\$ 305,910	\$ 283,988	\$ -	\$ -	\$ 283,988
Deferred revenue	121,783	-	-	121,783	151,773	-	-	151,773
Deferred compensation liability (Note 12b)	38,124	-	-	38,124	17,451	-	-	17,451
Mortgage payable, net (Note 10)	2,741,488	-	-	2,741,488	2,953,712	-	-	2,953,712
Total Liabilities	3,207,305	-	-	3,207,305	3,406,924	-	-	3,406,924
Commitment and Contingency (Notes 9, 11 and 12)								
Net Assets (Note 3)								
Operating	5,595,326	1,997,642	-	7,592,968	5,771,915	1,372,931	-	7,144,846
Cash reserve	-	347,798	-	347,798	-	247,798	-	247,798
Working capital reserve	-	150,000	-	150,000	-	150,000	-	150,000
Endowment (Note 7)	-	(11,028)	1,021,100	1,010,072	-	(32,421)	1,021,100	988,679
Endowment - cash reserve (Note 7)	-	-	400,000	400,000	-	-	400,000	400,000
Total Net Assets	5,595,326	2,484,412	1,421,100	9,500,838	5,771,915	1,738,308	1,421,100	8,931,323
Total Liabilities and Net Assets	\$ 8,802,631	\$ 2,484,412	\$1,421,100	\$12,708,143	\$ 9,178,839	\$ 1,738,308	\$1,421,100	\$12,338,247

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	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	\$ 982,946	\$ -	\$ -	\$ 982,946	\$ 914,829	\$ -	\$ -	\$ 914,829
Tuition	1,718,433	-	-	1,718,433	1,413,444	-	-	1,413,444
Studio rental income	246,773	-	-	246,773	343,340	-	-	343,340
Endowment spending allocation (Note 7)	49,143	-	-	49,143	46,419	-	-	46,419
Miscellaneous	29,912	-	-	29,912	26,836	-	-	26,836
Contributions								
Government	432,152	-	-	432,152	374,567	-	-	374,567
Foundations (Note 1a)	697,716	606,296	-	1,304,012	1,439,506	691,389	-	2,130,895
Corporations	354,525	57,500	-	412,025	295,175	-	-	295,175
Individuals	550,609	363,922	-	914,531	442,152	249,849	-	692,001
Fundraising benefits	1,173,797	460,883	-	1,634,680	1,176,772	54,434	-	1,231,206
Less: Direct fundraising costs	(160,521)	-	-	(160,521)	(199,890)	-	-	(199,890)
	6,075,485	1,488,601	-	7,564,086	6,273,150	995,672	-	7,268,822
Net assets released from restrictions								
Satisfaction of time and program restrictions	763,890	(763,890)	-	-	1,215,558	(1,215,558)	-	-
Total Revenue and Operating Support	6,839,375	724,711	-	7,564,086	7,488,708	(219,886)	-	7,268,822
Expenses								
Program Services								
Dance Company	2,664,182	-	-	2,664,182	2,351,522	-	-	2,351,522
School of Dance	2,276,363	-	-	2,276,363	1,920,261	-	-	1,920,261
Community Arts Partnerships	675,618	-	-	675,618	742,502	-	-	742,502
Arnhold Center	269,195	-	-	269,195	223,155	-	-	223,155
Total Program Services	5,885,358	-	-	5,885,358	5,237,440	-	-	5,237,440
Supporting Services								
Management and general	451,497	-	-	451,497	560,556	-	-	560,556
Fundraising	681,490	-	-	681,490	637,772	-	-	637,772
Total Supporting Services	1,132,987	-	-	1,132,987	1,198,328	-	-	1,198,328
Total Expenses	7,018,345	-	-	7,018,345	6,435,768	-	-	6,435,768
Increase (Decrease) in Net Assets from Operating Activities	(178,970)	724,711	-	545,741	1,052,940	(219,886)	-	833,054
Non-Operating Activities								
Net investment income (Note 4)	2,381	70,536	-	72,917	118	91,354	-	91,472
Reclassification of donor restriction	-	-	-	-	-	38,320	(38,320)	-
Endowment spending allocation (Note 7)	-	(49,143)	-	(49,143)	-	(46,419)	-	(46,419)
Total Non-Operating Activities	2,381	21,393	-	23,774	118	83,255	(38,320)	45,053
Increase (decrease) in net assets	(176,589)	746,104	-	569,515	1,053,058	(136,631)	(38,320)	878,107
Net assets, beginning of year	5,771,915	1,738,308	1,421,100	8,931,323	4,718,857	1,874,939	1,459,420	8,053,216
Net Assets, End of Year	\$ 5,595,326	\$ 2,484,412	\$ 1,421,100	\$9,500,838	\$ 5,771,915	\$ 1,738,308	\$ 1,421,100	\$8,931,323

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019					2018				
	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	\$1,352,241	\$1,343,511	\$ 373,766	\$161,486	\$3,231,004	\$ 351,295	\$ 505,304	\$ 856,599	\$4,087,603	\$3,568,210
Professional fees	212,320	90,714	102,862	7,366	413,262	14,273	56,938	71,211	484,473	433,059
Transportation, lodging and per diems	435,856	16,542	30,430	695	483,523	471	1,686	2,157	485,680	484,016
Advertising, printing and promotion	46,665	27,544	6,933	3,555	84,697	1,293	2,307	3,600	88,297	118,709
Production	210,859	34,367	11,037	15,444	271,707	762	13,629	14,391	286,098	249,700
Office supplies and expenses	25,426	34,469	10,262	2,487	72,644	4,412	8,590	13,002	85,646	124,745
Theatre and studio rental	36,420	15,411	-	1,485	53,316	-	-	-	53,316	53,618
Facility maintenance and utilities	155,454	134,021	81,999	23,109	394,583	41,000	-	41,000	435,583	435,736
Interest expense	44,108	35,171	23,448	5,862	108,589	11,724	-	11,724	120,313	146,154
Scholarships	-	320,110	-	-	320,110	-	-	-	320,110	212,976
Insurance	17,227	15,570	9,844	4,714	47,355	4,923	786	5,709	53,064	59,320
Indirect benefit expense	-	-	-	-	-	-	63,194	63,194	63,194	49,503
Bank/credit card fees and other expenses	13,365	37,572	5,997	4,912	61,846	2,304	10,016	12,320	74,166	110,187
Total expenses before depreciation	2,549,941	2,105,002	656,578	231,115	5,542,636	432,457	662,450	1,094,907	6,637,543	6,045,933
Depreciation	114,241	171,361	19,040	38,080	342,722	19,040	19,040	38,080	380,802	389,835
Total Expenses, 2019	<u>\$2,664,182</u>	<u>\$2,276,363</u>	<u>\$ 675,618</u>	<u>\$269,195</u>	<u>\$5,885,358</u>	<u>\$ 451,497</u>	<u>\$ 681,490</u>	<u>\$1,132,987</u>	<u>\$7,018,345</u>	
Total Expenses, 2018	<u>\$2,351,522</u>	<u>\$1,920,261</u>	<u>\$ 742,502</u>	<u>\$223,155</u>	<u>\$5,237,440</u>	<u>\$ 560,556</u>	<u>\$ 637,772</u>	<u>\$1,198,328</u>		<u>\$6,435,768</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	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	\$1,053,872	\$1,138,015	\$ 330,799	\$133,768	\$2,656,454	\$ 420,231	\$ 491,525	\$ 911,756	\$3,568,210
Professional fees	171,063	62,901	133,367	17,628	384,959	33,600	14,500	48,100	433,059
Transportation, lodging and per diems	382,037	12,929	77,061	1,052	473,079	3,126	7,811	10,937	484,016
Advertising, printing and promotion	71,633	28,216	8,311	6,984	115,144	2,163	1,402	3,565	118,709
Production	171,113	34,424	10,158	18,179	233,874	13,084	2,742	15,826	249,700
Office supplies and expenses	31,629	33,226	12,896	4,895	82,646	5,658	36,441	42,099	124,745
Theatre and studio rental	38,048	15,570	-	-	53,618	-	-	-	53,618
Facility maintenance and utilities	147,824	135,404	84,041	26,447	393,716	42,020	-	42,020	435,736
Interest expense	53,153	42,924	28,616	7,154	131,847	14,307	-	14,307	146,154
Scholarships	-	212,976	-	-	212,976	-	-	-	212,976
Insurance	27,770	15,084	9,520	2,186	54,560	4,760	-	4,760	59,320
Indirect benefit expense	-	-	-	-	-	-	49,503	49,503	49,503
Bank/credit card fees and other expenses	25,108	60,458	10,168	4,862	100,596	3,800	5,791	9,591	110,187
Total expenses before depreciation	2,173,250	1,792,127	704,937	223,155	4,893,469	542,749	609,715	1,152,464	6,045,933
Depreciation	178,272	128,134	37,565	-	343,971	17,807	28,057	45,864	389,835
Total Expenses	<u>\$2,351,522</u>	<u>\$1,920,261</u>	<u>\$ 742,502</u>	<u>\$223,155</u>	<u>\$5,237,440</u>	<u>\$ 560,556</u>	<u>\$ 637,772</u>	<u>\$1,198,328</u>	<u>\$6,435,768</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Increase in net assets	\$ 569,515	\$ 878,107
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	-	14,378
Depreciation	380,802	389,835
Amortization of debt issuance cost	3,075	3,075
Net realized and unrealized gains on investments	(50,093)	(73,952)
Donated stock	(20,713)	-
(Increase) decrease in:		
Unconditional promises to give	(776,768)	(535,184)
Accounts receivable	(8,272)	23,954
Prepaid expenses and other assets	(58,427)	31,239
Increase (decrease) in:		
Accounts payable and accrued expenses	21,922	(25,950)
Deferred revenue	(29,990)	787
Net Cash Provided By Operating Activities	31,051	706,289
 Cash Flows From Investing Activities		
Acquisition of property and equipment	-	(104,388)
Purchase of investments	(4,132)	(5,283)
Sale of investments	232	23,629
Net Cash Used By Investing Activities	(3,900)	(86,042)
 Cash Flows From Financing Activities		
Repayments of mortgage payable	(215,299)	(957,089)
Net decrease in cash and cash equivalents	(188,148)	(336,842)
Cash and cash equivalents, beginning of year	1,405,121	1,741,963
 Cash and Cash Equivalents, End of Year	\$1,216,973	\$1,405,121
 Supplemental Disclosure		
Cash paid for interest	\$ 117,238	\$ 143,079

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****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, 2019, 26% of the Organization's contributions came from one foundation.

During the year ended June 30, 2015, the Organization was awarded grants from two foundations, aggregating \$4,500,000, primarily for the purpose of building the Organization's administrative staff capacity and strengthening its administrative infrastructure. \$1,000,000 was received during the year ended June 30, 2018, \$2,400,000 was received during the year ended June 30, 2017 and \$1,000,000 was received during the year ended June 30, 2015. These amounts were recognized as income in the financial statements in the year received. The balance, \$100,000, was recognized as income during the year ended June 30, 2019 when the conditions were 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 that is, in substance, unconditional. Donor-restricted contributions 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.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Contributions and Unconditional Promises to Give (continued)**

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

d - Investments

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

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

- as increases (decreases) in net assets with donor restrictions that are perpetual in nature if the terms of the gift require that they be added back to (deducted from) the principal of the contribution held in perpetuity;
- as increases (decrease) 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, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

Fair value measurements are categorized into three levels as follows:

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

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

e - Property and Equipment

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

f - Debt Issuance Costs

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

g - Advertising

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

h - Functional Allocation of Expenses

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

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****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 principals 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 December 18, 2019, the date that the financial statements are considered available to be issued.

l - Tax Status

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

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

m - New Accounting Pronouncement

The Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions" (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for 2018.

The net asset reclassifications resulting from the adoption of ASU 2016-14 as of June 30, 2018 and 2017 are summarized as follows:

	2018		
	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Asset Classifications:			
As previously presented:			
Unrestricted	\$5,739,494	\$ -	\$5,739,494
Temporarily restricted	-	1,770,729	1,770,729
Permanently restricted	-	<u>1,421,100</u>	<u>1,421,100</u>
Net assets as previously presented	<u>5,739,494</u>	<u>3,191,829</u>	<u>8,931,323</u>
Reclassifications to implement ASU 2016-14:			
Underwater endowment funds	<u>32,421</u>	<u>(32,421)</u>	<u>-</u>
Net Assets, as Reclassified	<u>\$5,771,915</u>	<u>\$3,159,408</u>	<u>\$8,931,323</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

m - New Accounting Pronouncement (continued)

	2017		
	ASU 2016-14 Classifications		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Net Asset Classifications:			
As previously presented:			
Unrestricted	\$4,641,501	\$ -	\$4,641,501
Temporarily restricted	-	1,952,295	1,952,295
Permanently restricted	-	1,459,420	1,459,420
Net assets as previously presented	4,641,501	3,411,715	8,053,216
Reclassifications to implement ASU 2016-14:			
Underwater endowment funds	77,356	(77,356)	-
Net Assets, as Reclassified	\$4,718,857	\$3,334,359	\$8,053,216

n - Comparative Financial Information

For comparability, certain 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2019.

Note 2 - Information Regarding Liquidity and Availability

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

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

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organizations's financial assets as of June 30, 2019 available to meet cash needs for general expenditure within one year are summarized as follows:

Financial Assets at Year-End:	
Cash and cash equivalents	\$1,216,973
Accounts receivable	66,437
Contributions receivable	1,685,500
Investments	<u>855,319</u>
 Total Financial Assets	 3,824,229
Less: Amounts Not Available to be Used Within One Year:	
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(1,997,642)
Plus: Net assets with donor restrictions expected to be met in less than one year	1,085,986
Cash and working capital reserves	(497,798)
Net assets with donor restrictions for endowment, subject to spending policy and appropriation, in excess of amounts appropriated for expenditure within one year	(1,410,072)
Plus: Amounts appropriated for use within one year	<u>48,406</u>
 Financial Assets Available to Meet General Expenditures Within One Year	 <u>\$1,053,109</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowments:		
Subject to Spending Policy and Appropriation:		
Investment in perpetuity	\$1,410,072	\$1,388,679
Cash and working capital reserve	497,798	397,798
Subject to Expenditure for Specific Purpose:		
Gala	460,883	-
Community Arts Partnership Program	280,442	400,000
Technology Grant	150,000	291,389
Dance Scholarships	123,515	261,455
New Works Project	202,887	249,849
Leadership Grant Project for Dance	44,288	155,238
Instituto Coreografico	35,000	-
Occupancy Subsidy	72,175	15,000
Touring	11,250	-
Block Party	7,500	-
Subject to passage of time	<u>609,702</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$3,905,512</u>	<u>\$3,159,408</u>

Net assets with donor restrictions were released for the following purposes during the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Transformation Campaign	\$ -	\$ 866,950
Community Arts Partnership Program	250,000	-
Technology Grant	150,000	-
Leadership Grant Project for Dance	110,950	122,263
Dance Scholarships	137,940	151,345
New Works Project	100,000	-
Occupancy Subsidy	15,000	30,000
Instituto Coreografico	-	35,000
Subject to passage of time	<u>-</u>	<u>10,000</u>
Total	<u>\$763,890</u>	<u>\$1,215,558</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4 - Investments

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

	<u>2019</u>		<u>2018</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Common stocks	\$ 20,713	\$ 20,713	\$ -	\$ -
Mutual index and equity funds	<u>834,606</u>	<u>340,389</u>	<u>780,613</u>	<u>336,526</u>
	<u>\$855,319</u>	<u>\$361,102</u>	<u>\$780,613</u>	<u>\$336,526</u>

Net investment income consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$22,824	\$17,520
Net realized loss	(37)	(11)
Net unrealized gain	<u>50,130</u>	<u>73,963</u>
	<u>\$72,917</u>	<u>\$91,472</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:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 753,465	\$657,494
Due in one to five years	<u>1,024,530</u>	<u>270,000</u>
	1,777,995	927,494
Less: Discount to present value	<u>(92,495)</u>	<u>(18,762)</u>
	<u>\$1,685,500</u>	<u>\$908,732</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6 - Unconditional Promises to Give (continued)

At June 30, 2019, approximately 56% of the Organization's unconditional promises to give is from one foundation. At June 30, 2018, approximately 77% of the Organization's unconditional promises to give are from two foundations and one individual.

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

Note 7 - Endowment Fund

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

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

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

	<u>With Donor Restrictions</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds, 2019	<u>\$(11,028)</u>	<u>\$1,421,100</u>	<u>\$1,410,072</u>
Donor-restricted endowment funds, 2018	<u>\$(32,421)</u>	<u>\$1,421,100</u>	<u>\$1,388,679</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7 - Endowment Fund (continued)

Changes in the Organization's endowment fund for the years ended June 30, 2019 and 2018 are summarized as follows:

	2019		
	<u>With Donor Restrictions</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$(32,421)	\$1,421,100	\$1,388,679
Net Investment Return:			
Investment income	20,443	-	20,443
Net realized and unrealized gain	<u>50,093</u>	<u>-</u>	<u>50,093</u>
Total Net Investment Return	<u>70,536</u>	<u>-</u>	<u>70,536</u>
Appropriation of endowment assets for expenditure	<u>(49,143)</u>	<u>-</u>	<u>(49,143)</u>
Endowment Funds, End of Year	<u>\$(11,028)</u>	<u>\$1,421,100</u>	<u>\$1,410,072</u>
	2018		
	<u>With Donor Restrictions</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$(77,356)	\$1,459,420	\$1,382,064
Reclassification of donor restrictions	<u>-</u>	<u>(38,320)</u>	<u>(38,320)</u>
Net Investment Return:			
Investment income	17,402	-	17,402
Net realized and unrealized gain	<u>73,952</u>	<u>-</u>	<u>73,952</u>
Total Net Investment Return	<u>91,354</u>	<u>-</u>	<u>91,354</u>
Appropriation of endowment assets for expenditure	<u>(46,419)</u>	<u>-</u>	<u>(46,419)</u>
Endowment Funds, End of Year	<u>\$(32,421)</u>	<u>\$1,421,100</u>	<u>\$1,388,679</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7 - Endowment Fund (continued)

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 \$11,028 and \$32,421 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from prior years' excess spending of endowment funds.

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

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

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>2019</u>	<u>2018</u>
Building and improvements	10-40 years	\$ 3,798,528	\$ 3,798,528
Condominium - Cocodrilo Development Corporation	40 years	9,715,751	9,715,751
Furniture, fixtures and equipment	3-10 years	<u>610,324</u>	<u>610,324</u>
		14,124,603	14,124,603
Less: Accumulated depreciation		<u>(5,374,022)</u>	<u>(4,993,220)</u>
		<u>\$ 8,750,581</u>	<u>\$ 9,131,383</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 9 - Line of Credit**

Ballet Hispanico has a revolving line of credit with JPMorgan Chase of \$250,000. Interest is based on the prime rate plus 1.150%. At June 30, 2019 and 2018, there were no borrowings from 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.

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.

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.

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

Interest expense for the years ended June 30, 2019 and 2018 was \$120,313 and \$146,154, respectively.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10 - Mortgage Payable (continued)

Mortgage payable at June 30, 2019 and 2018 consists of the following:

	2019	2018
Mortgage payable, due in 2032	\$2,780,946	\$2,996,245
Unamortized debt insurance costs	(39,458)	(42,533)
	\$2,741,488	\$2,953,712

Note 11 - Contingency

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

Note 12 - Retirement Plan

- a - The Organization has a voluntary salary reduction tax deferred annuity plan for the benefit of all qualifying employees under Section 403(b) of the IRC (Internal Revenue Code). The Organization matches the employee's contributions up to 3% and 1% of their gross salaries for the years ended June 30, 2019 and 2018, respectively. Contributions to the plan were \$47,466 and \$18,756 for the years ended June 30, 2019 and 2018, respectively.

- b - During the year ended June 30, 2018, the Organization adopted a deferred compensation (Sec. 457(b)) plan for eligible employees. The assets of this plan remain the property of the Organization until distributed to the employee or their beneficiary at retirement or severance from employment. Contributions to the plan were \$18,000 for the years ended June 30, 2019 and 2018, respectively.