

**BALLET TECH FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Ballet Tech Foundation, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Ballet Tech Foundation, Inc. (a not-for-profit corporation) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ballet Tech Foundation, Inc. and Subsidiary as of June 30, 2019 and 2018, and the changes in their net assets and their 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  
September 30, 2019

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1c and 4)	\$12,004,138	\$ 9,756,046
Unconditional promises to give (Notes 1d and 5)		
Without donor restrictions	87,900	400
With donor restrictions	-	75,000
Investments (Notes 1e and 6)	4,085,398	4,747,634
Accounts receivable	38,532	31,457
Rents receivable	50,301	76,221
Prepaid expenses	18,255	18,145
Property and equipment, at cost, net of accumulated depreciation (Notes 1g, 8 and 9)	8,675,332	8,824,536
Deferred charges, net (Notes 1f and 7)	383,470	423,345
Deferred rental income (Note 1h)	314,704	24,208
Reserve fund - condominium association (Note 9a)	<u>396,000</u>	<u>396,000</u>
<b>Total Assets</b>	<u>\$26,054,030</u>	<u>\$24,372,992</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 167,875	\$ 114,102
Prepaid real estate tax escalation income	226,242	-
Deferred leasing costs payable	-	186,813
Special assessments payable	-	52,668
Security deposits payable	<u>21,006</u>	<u>23,356</u>
Total Liabilities	<u>415,123</u>	<u>376,939</u>
Commitments and Contingency (Notes 10 and 12)		
Net Assets		
Without Donor Restrictions		
Board designated reserve (Note 3a)	800,000	800,000
Other	<u>24,578,907</u>	<u>23,086,053</u>
Total Without Donor Restrictions	<u>25,378,907</u>	<u>23,886,053</u>
With Donor Restrictions (Note 3b)	<u>260,000</u>	<u>110,000</u>
Total Net Assets	<u>25,638,907</u>	<u>23,996,053</u>
<b>Total Liabilities and Net Assets</b>	<u>\$26,054,030</u>	<u>\$24,372,992</u>

See notes to consolidated financial statements.

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue and Other Support		
Contributions	\$ 809,979	\$ 726,266
Studio rental income (Note 11)	946,806	872,691
New York City Department of Education rental income (Note 11)	1,072,171	1,008,445
Net rental income - Theater Unit, net of direct expenses of \$736,078 (2019) and \$693,700 (2018) (Note 10a)	2,139,130	765,330
Joyce Theater box office revenue	33,055	37,744
Net investment income (Note 6)	320,778	123,920
Reimbursed expenses and miscellaneous income	123,213	108,015
	<u>5,445,132</u>	<u>3,642,411</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	110,000	95,000
	<u>110,000</u>	<u>95,000</u>
Total Revenue and Other Support	<u>5,555,132</u>	<u>3,737,411</u>
Expenses		
Program Services	3,493,555	3,057,983
Supporting Services		
Management and general	282,321	289,606
Fundraising	286,402	261,405
Total Supporting Services	<u>568,723</u>	<u>551,011</u>
Total Expenses	<u>4,062,278</u>	<u>3,608,994</u>
Increase in Net Assets Without Donor Restrictions	<u>1,492,854</u>	<u>128,417</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	260,000	61,966
Net assets released from restrictions	<u>(110,000)</u>	<u>(95,000)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>150,000</u>	<u>(33,034)</u>
Increase in net assets	1,642,854	95,383
Net assets, beginning of year	<u>23,996,053</u>	<u>23,900,670</u>
<b>Net Assets, End of Year</b>	<u><u>\$25,638,907</u></u>	<u><u>\$23,996,053</u></u>

See notes to consolidated financial statements.

**BALLET TECH FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019					2018				
	Program Services	Supporting Services			Total Expenses	Program Services	Supporting Services			Total Expenses
	The Ballet Tech School	Management and General	Fundraising	Total		The Ballet Tech School	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,622,964	\$ 113,667	\$ 168,582	\$282,249	\$1,905,213	\$ 1,414,782	\$ 96,709	\$ 155,892	\$252,601	\$1,667,383
Employee benefits and payroll taxes	304,902	21,354	31,671	53,025	357,927	255,566	17,469	28,160	45,629	301,195
Total Personnel Expenses	<u>1,927,866</u>	<u>135,021</u>	<u>200,253</u>	<u>335,274</u>	<u>2,263,140</u>	<u>1,670,348</u>	<u>114,178</u>	<u>184,052</u>	<u>298,230</u>	<u>1,968,578</u>
Production consultants	31,296	1,500	500	2,000	33,296	31,938	-	-	-	31,938
Professional fees and services	92,613	17,365	11,773	29,138	121,751	39,919	5,274	1,758	7,032	46,951
Artistic consultants	119,764	-	-	-	119,764	118,200	-	425	425	118,625
Owned space expenses	661,405	51,359	22,011	73,370	734,775	520,113	97,319	32,440	129,759	649,872
Rented space expenses	34,470	-	-	-	34,470	34,203	-	-	-	34,203
Insurance	34,818	6,528	2,176	8,704	43,522	33,676	6,195	2,065	8,260	41,936
Production expenses	16,369	-	-	-	16,369	16,525	-	-	-	16,525
Travel and sustenance	149,203	219	431	650	149,853	149,061	161	348	509	149,570
Printing, postage, etc.	-	-	26,470	26,470	26,470	-	-	18,156	18,156	18,156
Marketing and promotion	3,560	-	-	-	3,560	3,219	-	-	-	3,219
Dancewear and other school expenses	41,454	-	-	-	41,454	82,336	-	-	-	82,336
Office operations	57,915	10,859	3,620	14,479	72,394	49,928	9,362	3,121	12,483	62,411
Real estate taxes	144,290	27,054	9,018	36,072	180,362	135,250	25,359	8,453	33,812	169,062
Miscellaneous expenses	16,140	1,967	-	1,967	18,107	14,847	2,054	686	2,740	17,587
Total expenses before depreciation	<u>3,331,163</u>	<u>251,872</u>	<u>276,252</u>	<u>528,124</u>	<u>3,859,287</u>	<u>2,899,563</u>	<u>259,902</u>	<u>251,504</u>	<u>511,406</u>	<u>3,410,969</u>
Depreciation	162,392	30,449	10,150	40,599	202,991	158,420	29,704	9,901	39,605	198,025
Total Expenses	<u>\$ 3,493,555</u>	<u>\$ 282,321</u>	<u>\$ 286,402</u>	<u>\$568,723</u>	<u>\$4,062,278</u>	<u>\$ 3,057,983</u>	<u>\$ 289,606</u>	<u>\$ 261,405</u>	<u>\$551,011</u>	<u>\$3,608,994</u>

See notes to consolidated financial statements.

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 1,642,854	\$ 95,383
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	342,697	338,116
Amortization	39,875	15,538
Unrealized (gain) loss on investments	(17,764)	5,783
(Increase) decrease in:		
Unconditional promises to give	(12,500)	119,434
Accounts receivable	(7,075)	(13,938)
Rents receivable	25,920	39,328
Prepaid expenses	(110)	1,423
Deferred rental income	(290,496)	(24,208)
Increase (decrease) in:		
Accounts payable and accrued expenses	53,773	5,984
Prepaid real estate tax escalation income	226,242	-
Security deposits payable	(2,350)	125
Net Cash Provided By Operating Activities	<u>2,001,066</u>	<u>582,968</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	4,287,779	4,320,000
Purchase of investments	(3,607,779)	(4,520,000)
Acquisition of property and equipment	(246,161)	(184,910)
Leasing costs	(186,813)	(186,812)
Net Cash Provided (Used) By Investing Activities	<u>247,026</u>	<u>(571,722)</u>
Net increase in cash and cash equivalents	2,248,092	11,246
Cash and cash equivalents, beginning of year	<u>9,756,046</u>	<u>9,744,800</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$12,004,138</u></u>	<u><u>\$9,756,046</u></u>

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Ballet Tech Foundation, Inc. supports the creation and presentation of new ballets by choreographer Eliot Feld, and operates the Ballet Tech School (the "School"). The School identifies talented children in New York City's public school system and provides those most talented with tuition-free professional ballet training.

Odette LLC is a Delaware Limited Liability Company formed on April 6, 2006 and owned 100% by Ballet Tech Foundation Inc. Odette LLC owns the Theater Unit at the 890 Broadway Condominium in New York, New York.

During the year ended June 30, 2019, Ballet Tech presented a one-week season in the spring of 2019. The season, at the Joyce Theater, was attended by 2,377 people. The School auditioned 21,668 students, worked with 202 cooperating public schools throughout New York City, and selected a total of 775 students. 550 beginners took introductory ballet classes for up to 12 weeks. 145 students in grades 4 through 8 attended an on-site New York City public school program created to provide them with a challenging academic curriculum alongside their intensive dance program. The academic program, which takes place at 890 Broadway, is a collaboration between the Organization and the New York City Department of Education. Another 36 students attended high school at the Professional Performing Arts School (PPAS) and returned to Ballet Tech in the afternoons for dance classes.

**b - Principles of Consolidation**

The consolidated financial statements include the accounts of Ballet Tech Foundation, Inc. and Odette LLC. All significant intercompany transactions and accounts have been eliminated.

**c - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less and money market funds, to be cash equivalents.

**d - Contributions and Unconditional Promises to Give**

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions.



**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Contributions and Unconditional Promises to Give (continued)**

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction 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 depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

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

**e - Investments**

The Organization reflects investments in certificates of deposit at fair value in the statement of financial position. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increase and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized.

Generally accepted accounting principles establish a fair value measurement hierarchy that prioritizes the inputs to valuation techniques. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization uses the higher priority valuation techniques based on available inputs to measure fair values. The fair value of the Organization's investments is measured using Level 1 inputs, quoted prices in active markets.

**f - Deferred Charges**

All costs are amortized using the straight-line method. Leasing costs are being amortized over the related lease term. Condominium closing costs are amortized over thirty-nine years.

**g - Property and Equipment**

Property, furniture, equipment and studio improvements are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Deferred Rental Income**

The Organization records rental income associated with one of its leases on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually received during the year is recorded as an asset and additional income in the accompanying financial statements.

**i - Financial Statement Presentation**

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles, 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 Board of Trustees.

**Net Assets With Donor Restrictions**

Net assets 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 - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. The expenses that are allocated include salaries and employee benefits, general office expenses, occupancy costs, depreciation, and insurance which are allocated based on an estimate of time and effort.

**k - Use of Estimates**

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

**l - Tax Status**

Ballet Tech Foundation, 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 TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**l - Tax Status (continued)

Odette, LLC is a Delaware Limited Liability Company. The results of its operations are reportable on the tax return of the Ballet Tech Foundation, Inc.

m - Subsequent Events

The Organization has evaluated subsequent events through September 30, 2019, the date that the financial statements are considered available to be issued.

n - New Accounting Pronouncement

In 2018, the Organization adopted Accounting Standards Update ("ASU") 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 net asset classes 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; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted by the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for the year ending June 30, 2018.

**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 comprised of rentals and contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general, administrative, and fundraising activities undertaken to support those services.

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 certificates of deposit and money market funds.

**BALLET TECH FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

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

Financial Assets at Year End:	
Cash and cash equivalents	\$12,004,138
Unconditional promises to give	87,900
Investments	4,085,398
Other receivables	<u>88,833</u>
Total Financial Assets	16,266,269
Less: Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(260,000)
Plus: Net assets with restrictions to be met in less than one year	260,000
Less: Long-term investment- CD maturing July 31, 2020	(240,062)
Less: Board designated funds	<u>(800,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$15,226,207</u>

In addition to these financial assets available within one year, the Organization's Board designated reserve could be made available at any time to meet cash needs for general expenditures at the discretion of the Board.

**Note 3 - Restrictions and Designations on Net Assets**

a - Net Assets Without Donor Restrictions- Board Designated Reserve

The board designated cash reserve represent funds specifically reserved by the Board for future activities of the Organization.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions to the Organization which are restricted to either future periods or future programs.

**BALLET TECH FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 4 - Concentration of Credit Risk**

The Organization maintains cash balances in various financial institutions located in New York, New York. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for each institution.

**Note 5 - Unconditional Promises to Give**

Unconditional promises to give are due in less than one year. Uncollectible promises are expected to be insignificant.

**Note 6 - Investments**

Investments, which are classified as Level 1 in the fair value hierarchy, consist of the following at June 30:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$4,080,000</u>	<u>\$4,085,398</u>	<u>\$4,760,000</u>	<u>\$4,747,634</u>

Net investment income is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$303,014	\$129,703
Unrealized gain (loss)	<u>17,764</u>	<u>(5,783)</u>
	<u>\$320,778</u>	<u>\$123,920</u>

**BALLET TECH FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 7 - Deferred Charges**

Deferred charges consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Condominium closing costs	\$133,375	\$133,375
Theater unit leasing costs	<u>373,625</u>	<u>373,625</u>
	507,000	507,000
Less: Accumulated amortization	<u>(123,530)</u>	<u>(83,655)</u>
	<u>\$383,470</u>	<u>\$423,345</u>

**Note 8 - Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Condominium units (Note 8a)	5-39 years	\$ 1,780,074	\$ 1,780,074
Theater Unit (Note 8b)	5-39 years	8,965,667	8,965,667
Studio improvements	20 years	4,075,280	4,025,124
Roof replacement	32 years	324,048	324,048
Office furniture and equipment	5-10 years	405,527	398,183
Fire panel	20 years	226,472	226,472
Production equipment	3-5 years	88,898	88,898
Pianos	10 years	42,180	42,180
Construction in progress		<u>130,918</u>	<u>-</u>
		16,039,064	15,850,646
Less: Accumulated depreciation		<u>(10,113,405)</u>	<u>(9,775,783)</u>
		5,925,659	6,074,863
Land - Theater Unit		<u>2,749,673</u>	<u>2,749,673</u>
Total		<u>\$ 8,675,332</u>	<u>\$ 8,824,536</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$342,697 and \$338,116, respectively, including \$139,706 and \$140,091 related to the Theatre Unit, which is netted with rental income on the consolidated statement of activities.

As of June 30, 2019, the Organization had paid a special assessment of \$130,918 to 890 Broadway Condominium for the replacement of the freight elevator. The balance of \$307,480 will be paid monthly through December 2021.

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 9 - Investment in Condominium Units and Investment in Theater Unit****a - Investment in Condominium Units**

In 1986, the Organization purchased, jointly with Ballet Theatre Foundation, Inc. ("ABT"), the building at 890 Broadway, New York City (the "Building"). In 1997, the Organization and ABT effected a condominiumization of the building (in accordance with a declaration of condominium dated June 4, 1997).

Under the declaration of condominium, four condominium units were created. The Organization owns three units representing the first, fifth, sixth, seventh and eighth floors, and ABT owns one unit representing the second, third and fourth floors.

The Board of Managers of the condominium maintains a reserve fund in accordance with the declaration of condominium and has the ability to assess the unit owners in order to replenish the reserve fund or to increase it as necessary. The Organization's current share of the reserve fund of \$396,000 has been reflected in the accompanying statement of financial position.

**b - Theater Unit**

Under the original condominiumization of the building, in 1997, the Organization and ABT owned the first floor equally as a tenancy-in-common. This floor is leased to a tenant who uses the space as a movie theater (Note 10a).

The Organization formed its subsidiary, Odette LLC, for the purpose of acquiring the entire interest in the first floor.

Net rental income for the years ended June 30, 2019 and 2018 totaled \$2,139,130 and \$765,330, respectively.

**Note 10 - Commitment and Contingency**

a - In January, 2018, the Organization entered into a new lease with an unaffiliated tenant occupying the Theater Unit. The term of the lease began January 2, 2018 and expires May 31, 2033. In addition to minimum annual base rent, the tenant is charged additional rent consisting of real estate taxes, condominium common charges and assessments, water, sewer and insurance expenses. During the years ended June 30, 2019 and 2018, rental income consisted of \$2,290,500 and \$1,015,875 of base rent and \$584,708 and \$412,995, respectively, of operating expense reimbursements.

The prior lease provided for additional rent based on the tenant's gross receipts. Additional rent from gross receipts for the year ended June 30, 2018 was \$30,160.

**BALLET TECH FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 10 - Commitment and Contingency (continued)**

a - (continued)

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 2,000,000
2021	2,000,000
2022	2,000,000
2023	2,026,254
2024	2,315,000
Thereafter, through May 31, 2033	21,849,591

b - Government supported projects are subject to audit by the applicable government agencies.

**Note 11 - Studio Rental Income**

The Organization receives rental income for the use of space in the condominium units it owns. During the years ended June 30, 2019 and 2018, \$260,680 and \$224,170 was received from short-term tenants, and \$1,758,297 and \$1,656,966 was received from long-term (permanent) tenants. A significant portion of one of the condominium units is leased to the New York City Department of Education, which provides academic education to students enrolled in the dance program. The lease expires August 31, 2022. During the years ended June 30, 2019 and 2018, \$1,072,171 and \$1,008,445, respectively, was received from the Department of Education (included in the long-term totals above).

Future minimum annual rentals are as follows:

<u>Year Ending June 30,</u>	
2020	\$1,474,000
2021	1,442,000
2022	900,000
Thereafter, through August 31, 2022	150,000



**BALLET TECH FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 12 - Pension**

The Organization has a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all non-union full-time employees of the Organization. Employees may make voluntary contributions to the plan up to the maximum amount allowed by the Internal Revenue Service. The Organization matches the first 3% of salary that an employee contributes, beginning after twelve months of employment. In 2019 and 2018, the Organization made matching contributions totaling \$34,240 and \$26,963, respectively.