

**BALLET TECH FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**



## 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, 2021 and 2020, 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, 2021 and 2020, 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.

**Emphasis of Matter**

As discussed in Note 11e to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended and/or altered some of its program activities at the direction of state, local and international governmental authorities. Our opinion is not modified with respect to this matter.

*Lutz + Carr, LLP*

New York, New York  
September 30, 2021

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1c and 4)	\$12,267,001	\$12,142,459
Restricted cash (Notes 1c, 1p and 4)	1,045,000	1,887,754
Unconditional promises to give (Notes 1d and 5)		
Without donor restrictions	265,174	89,250
With donor restrictions	35,000	35,000
Investments (Notes 1e and 6)	3,803,087	4,352,604
Accounts receivable	29,094	53,135
Rents receivable, net of allowance of \$268,730 in 2021 and 2020 (Note 1f)	2,272,677	268,868
Prepaid expenses	29,682	34,216
Property and equipment, at cost, net of accumulated depreciation (Notes 1h, 8 and 9)	8,755,811	8,855,292
Deferred charges, net (Notes 1g and 7)	303,720	343,595
Deferred rental income (Note 1i)	895,696	605,200
Reserve fund - condominium association (Note 9a)	396,000	396,000
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u><u>\$30,097,942</u></u>	<u><u>\$29,063,373</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 250,114	\$ 204,854
Prepaid tenant rental escalations and other income	50,818	17,386
Loan payable (Note 10)	-	307,700
Special assessments payable Note 8)	15,205	161,338
Security deposits payable	21,974	21,181
Total Liabilities	<u>338,111</u>	<u>712,459</u>
Commitments and Contingencies (Notes 11 and 13)		
Net Assets		
Without Donor Restrictions		
Board designated reserve (Note 3a)	800,000	800,000
Other	<u>27,879,831</u>	<u>25,628,160</u>
Total Without Donor Restrictions	<u>28,679,831</u>	<u>26,428,160</u>
With Donor Restrictions (Note 3b)	<u>1,080,000</u>	<u>1,922,754</u>
Total Net Assets	<u>29,759,831</u>	<u>28,350,914</u>
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$30,097,942</u></u>	<u><u>\$29,063,373</u></u>

See notes to consolidated financial statements.

**BALLET TECH FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue and Other Support		
Contributions (Note 5)	\$ 670,332	\$ 493,270
Studio rental income (Note 12)	614,976	873,130
New York City Department of Education rental income (Note 12)	1,056,494	1,067,495
Net rental income - Theater Unit, net of direct expenses of \$822,716 (2021) and \$1,059,801 (2020) (Note 11a)	2,110,781	1,840,501
Forgiveness of debt - Paycheck Protection Program (Note 10)	307,700	-
Net investment income (Note 6)	8,272	254,683
Reimbursed expenses and miscellaneous income	70,961	109,002
	<u>4,839,516</u>	<u>4,638,081</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	922,754	260,000
	<u>5,762,270</u>	<u>4,898,081</u>
Expenses		
Program Services	2,955,429	3,314,527
Supporting Services		
Management and general	258,173	259,264
Fundraising	296,997	275,037
Total Supporting Services	<u>555,170</u>	<u>534,301</u>
Total Expenses	<u>3,510,599</u>	<u>3,848,828</u>
Increase in Net Assets Without Donor Restrictions	<u>2,251,671</u>	<u>1,049,253</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions (Note 5)	80,000	1,922,754
Net assets released from restrictions	<u>(922,754)</u>	<u>(260,000)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(842,754)</u>	<u>1,662,754</u>
Increase in net assets	1,408,917	2,712,007
Net assets, beginning of year	<u>28,350,914</u>	<u>25,638,907</u>
<b>Net Assets, End of Year</b>	<u><u>\$29,759,831</u></u>	<u><u>\$28,350,914</u></u>

See notes to consolidated financial statements.

**BALLET TECH FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021					2020				
	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	\$ 1,385,624	\$ 93,273	\$ 182,248	\$275,521	\$1,661,145	\$ 1,602,172	\$ 92,024	\$ 166,455	\$258,479	\$1,860,651
Employee benefits and payroll taxes	281,190	20,825	40,421	61,246	342,436	301,517	20,468	37,291	57,759	359,276
Total Personnel Expenses	1,666,814	114,098	222,669	336,767	2,003,581	1,903,689	112,492	203,746	316,238	2,219,927
Production consultants	24,084	3,930	1,280	5,210	29,294	18,700	975	325	1,300	20,000
Professional fees and services	89,911	16,323	5,306	21,629	111,540	88,541	16,602	5,534	22,136	110,677
Artistic consultants	1,383	-	-	-	1,383	96,650	-	600	600	97,250
Owned space expenses	525,407	39,493	13,476	52,969	578,376	605,980	47,133	20,199	67,332	673,312
Rented space expenses	8,392	-	-	-	8,392	5,476	-	-	-	5,476
Insurance	54,207	9,888	3,221	13,109	67,316	37,838	6,975	2,325	9,300	47,138
Production expenses	2,295	-	-	-	2,295	1,385	-	-	-	1,385
Travel and sustenance	141,115	53	31	84	141,199	122,843	91	30	121	122,964
Printing, postage, etc.	-	-	26,855	26,855	26,855	-	-	17,048	17,048	17,048
Marketing and promotion	3,030	42	15	57	3,087	-	-	-	-	-
Dancewear and other school expenses	35,098	-	-	-	35,098	29,780	-	-	-	29,780
Office operations	46,960	8,633	2,742	11,375	58,335	66,024	11,878	3,951	15,829	81,853
Real estate taxes	155,737	28,748	9,363	38,111	193,848	149,535	28,038	9,346	37,384	186,919
Miscellaneous expenses	6,682	1,096	357	1,453	8,135	7,665	1,251	656	1,907	9,572
Total expenses before depreciation	2,761,115	222,304	285,315	507,619	3,268,734	3,134,106	225,435	263,760	489,195	3,623,301
Depreciation	194,314	35,869	11,682	47,551	241,865	180,421	33,829	11,277	45,106	225,527
Total Expenses	<u>\$ 2,955,429</u>	<u>\$ 258,173</u>	<u>\$ 296,997</u>	<u>\$555,170</u>	<u>\$3,510,599</u>	<u>\$ 3,314,527</u>	<u>\$ 259,264</u>	<u>\$ 275,037</u>	<u>\$534,301</u>	<u>\$3,848,828</u>

See notes to consolidated financial statements.

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 1,408,917	\$ 2,712,007
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	378,931	364,145
Amortization	39,875	39,875
Unrealized (gain) loss on investments	29,517	(27,206)
Contributions for property and equipment acquisitions	(15,000)	(81,600)
Forgiveness of debt - Paycheck Protection Program	(307,700)	-
Increase in allowance for doubtful accounts	-	268,730
(Increase) decrease in:		
Unconditional promises to give	(175,924)	(36,350)
Accounts receivable	24,041	(14,603)
Rents receivable	(2,003,809)	(487,297)
Prepaid expenses	4,534	(15,961)
Deferred rental income	(290,496)	(290,496)
Increase (decrease) in:		
Accounts payable and accrued expenses	45,260	36,979
Prepaid tenant rental escalations and other income	33,432	(208,856)
Security deposits payable	793	175
Net Cash Provided (Used) By Operating Activities	<u>(827,629)</u>	<u>2,259,542</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	5,768,166	5,047,670
Purchase of investments	(5,248,166)	(5,287,670)
Acquisition of property and equipment	(425,583)	(382,767)
Contributions for property and equipment acquisitions	15,000	81,600
Net Cash Provided (Used) By Investing Activities	<u>109,417</u>	<u>(541,167)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from loan payable	<u>-</u>	<u>307,700</u>
Net increase (decrease) in cash and cash equivalents	(718,212)	2,026,075
Cash and cash equivalents, beginning of year	<u>14,030,213</u>	<u>12,004,138</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$13,312,001</u></u>	<u><u>\$14,030,213</u></u>

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Ballet Tech Foundation, Inc. (the "Organization") 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.

**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.

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. Conditional promises to give that have measurable performance or other barrier and a right of return are not recognized until the conditions on which they deposited have been met.

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.



**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Investments and Fair Value Measurements**

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 - Rents Receivable**

Rents receivable are reported at the outstanding balance less an allowance for credit losses when appropriate.

**g - 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.

**h - 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.

**i - 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.

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****j - Financial Statement Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. 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 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.

**k - 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.

**l - Revenue Recognition**

The Organization has multiple revenue streams that are accounted for as exchange transactions including box office revenue and studio and other rental income.

When applicable, box office revenue includes ticket sales which are generally collected prior to the date of the performance, which is recognized as income during the period of the performance. Box office revenue related to performances taking place in future periods is recorded as deferred income.

Studio and other rental income is recognized over the period that the rental takes place. For one of the leases, rental income is recognized ratably over the rental term on a straight-line basis.

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****m - 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.

**n - 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.

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.

**o - Subsequent Events**

The Organization has evaluated subsequent events through September 30, 2021, the date that the financial statements are considered available to be issued.

**p - New Accounting Pronouncements**

For 2021, the Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which requires entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligation(s), determination of the transaction price, allocation of the transaction price to the performance obligations, and recognition of revenue as the Organization satisfies the performance obligations. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Adoption of ASU 2014-09 had no impact on the Organization's financial statements.

In 2020, the Organization also adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

**BALLET TECH FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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

p - New Accounting Pronouncements (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$12,267,001	\$12,142,459
Restricted cash	1,045,000	1,887,754
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	<b>\$13,312,001</b>	<b>\$14,030,213</b>

**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, 2021 AND 2020**

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

The Organization's financial assets as of June 30, 2021 and 2020 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$13,312,001	\$14,030,213
Unconditional promises to give	300,174	124,250
Investments	3,803,087	4,352,604
Other receivables	<u>2,301,771</u>	<u>322,003</u>
Total Financial Assets	19,717,033	18,829,070
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	(1,080,000)	(1,922,754)
Plus: Net assets with restrictions to be met in less than one year	330,000	922,754
Less: Long-term investment - certificates of deposit	-	(733,865)
Less: Long-term other receivables	(2,195,053)	-
Less: Board designated funds	<u>(800,000)</u>	<u>(800,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$15,971,980</u>	<u>\$16,295,205</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 represents 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, 2021 AND 2020**

**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 and Contributions**

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

At June 30, 2021, approximately 76% of unconditional promises to give was from one donor. During the year ended June 30, 2021, two donors accounted for 40% of public support.

During the year ended June 30, 2020, one donor accounted for approximately 78% of contributions.

**Note 6 - Investments**

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

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$3,800,000</u>	<u>\$3,803,087</u>	<u>\$4,320,000</u>	<u>\$4,352,604</u>

Net investment income is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$37,789	\$227,477
Unrealized gain (loss)	<u>(29,517)</u>	<u>27,206</u>
	<u>\$ 8,272</u>	<u>\$254,683</u>

## BALLET TECH FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**Note 7 - Deferred Charges**

Deferred charges consist of the following at June 30:

	<u>2021</u>	<u>2020</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>(203,280)</u>	<u>(163,405)</u>
	<u>\$303,720</u>	<u>\$343,595</u>

**Note 8 - Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2021</u>	<u>2020</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	4,398,900	4,142,127
Roof replacement	32 years	324,048	324,048
Office furniture and equipment	5-10 years	453,678	438,279
Fire panel	20 years	226,472	226,472
Production equipment	3-5 years	88,898	88,898
Pianos	10 years	114,205	114,205
Freight elevator	32 years	438,389	438,389
Construction in progress		<u>72,288</u>	<u>65,010</u>
		16,862,619	16,583,169
Less: Accumulated depreciation		<u>(10,856,481)</u>	<u>(10,477,550)</u>
		6,006,138	6,105,619
Land - Theater Unit		<u>2,749,673</u>	<u>2,749,673</u>
Total		<u>\$ 8,755,811</u>	<u>\$ 8,855,292</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$378,931 and \$364,145, respectively, including \$137,066 and \$138,618 related to the Theatre Unit, which is netted with rental income on the consolidated statement of activities.

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 8 - Property and Equipment (continued)**

As of June 30, 2021, the Organization had paid a special assessment of \$423,184 to 890 Broadway Condominium for the replacement of the freight elevator. The balance of \$15,205 will be paid monthly through August 2021.

**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**

The Organization owns the first floor unit via a wholly owned subsidiary, Odette LLC. This unit is leased to a tenant who uses the space as a movie theater (Note 11a). Net rental income for the years ended June 30, 2021 and 2020 totaled \$2,110,781 and \$1,840,501 respectively.

**Note 10 - Loan Payable**

On May 1, 2020, the Organization received a loan totaling \$307,700 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bore interest at 1% per annum and was due April 5, 2022. It was forgiven in April 2021 since the Organization met certain employee retention requirements and the funds were used for eligible expenses.



**BALLET TECH FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 11 - Commitment and Contingencies**

- 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, 2021 and 2020, rental income consisted of \$2,290,500 of base rent and \$642,997 and 609,802, respectively, of operating expense reimbursements.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2022	\$2,000,000
2023	2,026,254
2024	2,315,000
2025	2,315,000
2026	2,315,000
Thereafter, through May 31, 2033	17,219,581

The tenant occupying the Theater Unit was forced to close on March 16, 2020 because of the COVID-19 outbreak and, as a result, stopped making rent payments. The theater reopened at a reduced capacity on March 5, 2021. As of June 30, 2021, the outstanding balance due from tenant to Organization totaled approximately \$2,491,600, representing deferred rent and additional rent. In March, 2021 the Organization entered into a lease amendment with the tenant whereby unpaid rent accrued during the period from March 16, 2020 until six months following reopening was designated as deferred rent. Said rent will be received in sixty equal monthly payments beginning December 1, 2021. The Organization cannot predict with certainty the future rent stream, or if the rent receivable will be fully repaid, but the tenant has (i) given no indication of an intent to abandon the premises or otherwise not resume operations when the law permits it to do so and (ii) not claimed that any of the rent receivable is not due and payable to the Organization. That said, the Organization has recorded an allowance for doubtful accounts in the amount of \$268,730.

- b - Government supported projects are subject to audit by the applicable government agencies.
- c - In July 2021, the Organization entered into employment agreements with the Artistic Director and the Chief Operating Officer, which provide for an annual base salary, an incentive bonus, and certain fringe benefits.
- d - In Spring 2021, the Organization entered in a contract in the amount of \$289,150 to replace certain windows during the summer of 2021. At June 30, 2021, \$72,288 has been incurred in connection with this project.

**BALLET TECH FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 11 - Commitment and Contingencies (continued)**

e - In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization was obliged to suspend and/or alter some of its program activities at the direction of state and local governmental authorities. Management continues to evaluate the potential impact that the resulting economic uncertainties may have on the Organization. Management believes that its current financial assets are sufficient to support the Organization's operations on an ongoing basis.

**Note 12 - 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, 2021 and 2020, \$239,200 and \$263,000 was received from short-term tenants, and \$1,432,270 and \$1,677,625 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, 2021 and 2020, \$1,056,494 and \$1,067,495, respectively, was received from the Department of Education (included in the long-term totals above).

Future minimum annual rentals are as follows:

Year ending June 30, 2022	\$1,390,000
Thereafter, through August 31, 2023	150,000

**Note 13 - Pension**

The Organization has a tax deferred retirement 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. During the year ending June 30, 2020, the Organization matched the first 3% of salary that an employee contributed; matching contributions totaled \$41,568. During the year ending June 30, 2021, the match was suspended but the Organization will be making discretionary contributions in the total amount of \$42,404.