

BALLET TECH FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Ballet Tech Foundation, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ballet Tech Foundation, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ballet Tech Foundation, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Lotz + Carr, LLP

BALLET TECH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents (Notes 1c and 4)		
Without donor restrictions	\$14,100,014	\$14,285,983
With donor restrictions	1,230,000	1,290,000
Unconditional promises to give (Notes 1d and 5)		
Without donor restrictions	64,340	90,750
With donor restrictions	58,255	-
Investments (Notes 1e and 6)	4,308,228	2,863,610
Accounts receivable	78,783	12,477
Rents receivable, net of allowance of \$373,487 (2023) and \$268,730 (2022) (Note 1f)	2,100,243	2,075,526
Accrued rental income (Notes 1i, 1p and 11)	1,572,292	1,186,192
Prepaid expenses	52,770	36,049
Property and equipment, at cost, net of accumulated depreciation (Notes 1h and 8)	8,946,116	8,943,851
Deferred charges, net (Notes 1g and 7)	223,970	263,845
Reserve fund - condominium association (Note 9a)	396,000	396,000
	<u>\$33,131,011</u>	<u>\$31,444,283</u>
Total Assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 313,308	\$ 192,255
Prepaid tenant rental escalations and other income	249,525	52,048
Security deposits payable	38,581	16,286
Total Liabilities	<u>601,414</u>	<u>260,589</u>
Commitments and Contingency (Notes 10 and 12)		
Net Assets		
Without Donor Restrictions		
Board designated reserve (Note 3a)	2,000,000	2,000,000
Other	29,241,342	27,893,694
Total Without Donor Restrictions	<u>31,241,342</u>	<u>29,893,694</u>
With Donor Restrictions (Note 3b)	1,288,255	1,290,000
Total Net Assets	<u>32,529,597</u>	<u>31,183,694</u>
	<u>\$33,131,011</u>	<u>\$31,444,283</u>
Total Liabilities and Net Assets		

See notes to consolidated financial statements.

BALLET TECH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Other Support		
Contributions (Note 5)	\$ 700,639	\$ 891,339
Studio rental income (Notes 1i, 1p and 11)	811,636	804,779
New York City Department of Education rental income (Notes 1i, 1p and 11)	1,296,389	1,206,706
Net rental income - Theater Unit, net of direct expenses of \$1,113,736 (2023) and \$917,242 (2022) (Notes 1i, 1p and 11)	2,115,067	2,113,833
Joyce Theater box office revenue	29,595	31,301
Net investment income (Note 6)	632,645	13,956
Reimbursed expenses and miscellaneous income	139,039	129,658
	<u>5,725,010</u>	<u>5,191,572</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>375,000</u>	<u>330,000</u>
Total Revenue and Other Support	<u>6,100,010</u>	<u>5,521,572</u>
Expenses		
Program Services	<u>3,996,641</u>	<u>3,630,739</u>
Supporting Services		
Management and general	380,784	350,834
Fundraising	374,937	326,136
Total Supporting Services	<u>755,721</u>	<u>676,970</u>
Total Expenses	<u>4,752,362</u>	<u>4,307,709</u>
Increase in Net Assets Without Donor Restrictions	<u>1,347,648</u>	<u>1,213,863</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 5)	373,255	540,000
Net assets released from restrictions	<u>(375,000)</u>	<u>(330,000)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(1,745)</u>	<u>210,000</u>
Increase in net assets	1,345,903	1,423,863
Net assets, beginning of year	<u>31,183,694</u>	<u>29,759,831</u>
Net Assets, End of Year	<u><u>\$32,529,597</u></u>	<u><u>\$31,183,694</u></u>

See notes to consolidated financial statements.

BALLET TECH FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023					2022				
	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	\$ 1,835,667	\$ 121,299	\$ 203,436	\$324,735	\$2,160,402	\$ 1,538,182	\$ 103,493	\$ 190,219	\$293,712	\$1,831,894
Employee benefits and payroll taxes	370,643	24,493	41,076	65,569	436,212	305,221	20,535	37,745	58,280	363,501
Total Personnel Expenses	2,206,310	145,792	244,512	390,304	2,596,614	1,843,403	124,028	227,964	351,992	2,195,395
Production consultants	69,638	6,000	2,000	8,000	77,638	90,269	11,512	3,838	15,350	105,619
Professional fees and services	127,375	23,882	7,961	31,843	159,218	113,235	12,472	4,157	16,629	129,864
Artistic consultants	149,183	112	38	150	149,333	149,375	-	-	-	149,375
Owned space expenses	644,575	120,601	40,201	160,802	805,377	626,065	117,264	39,088	156,352	782,417
Rented space expenses	43,698	-	-	-	43,698	42,113	-	-	-	42,113
Insurance	29,121	5,461	1,820	7,281	36,402	56,353	10,567	3,522	14,089	70,442
Production expenses	22,143	-	-	-	22,143	36,212	-	-	-	36,212
Travel and sustenance	176,601	24	138	162	176,763	194,379	-	-	-	194,379
Printing, postage, etc.	-	-	46,642	46,642	46,642	-	-	20,068	20,068	20,068
Marketing and promotion	4,468	-	-	-	4,468	4,470	-	-	-	4,470
Dancewear and other school expenses	99,018	-	-	-	99,018	68,159	-	-	-	68,159
Office operations	60,510	11,345	3,782	15,127	75,637	62,384	11,344	5,690	17,034	79,418
Real estate taxes	141,213	26,477	8,826	35,303	176,516	130,865	24,537	8,179	32,716	163,581
Miscellaneous expenses	5,973	437	5,466	5,903	11,876	6,438	294	691	985	7,423
Total expenses before depreciation	3,779,826	340,131	361,386	701,517	4,481,343	3,423,720	312,018	313,197	625,215	4,048,935
Depreciation	216,815	40,653	13,551	54,204	271,019	207,019	38,816	12,939	51,755	258,774
Total Expenses	<u>\$ 3,996,641</u>	<u>\$ 380,784</u>	<u>\$ 374,937</u>	<u>\$755,721</u>	<u>\$4,752,362</u>	<u>\$ 3,630,739</u>	<u>\$ 350,834</u>	<u>\$ 326,136</u>	<u>\$676,970</u>	<u>\$4,307,709</u>

See notes to consolidated financial statements.

BALLET TECH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 1,345,903	\$ 1,423,863
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	401,089	392,792
Amortization	39,875	39,875
Unrealized (gain) loss on investments	(4,618)	19,477
Contributions for property and equipment acquisitions	-	(20,000)
(Increase) decrease in:		
Unconditional promises to give	(31,845)	209,424
Accounts receivable	(66,306)	16,617
Rents receivable	(24,717)	197,151
Accrued rent receivable	(386,100)	(290,496)
Prepaid expenses	(16,721)	(6,367)
Increase (decrease) in:		
Accounts payable and accrued expenses	121,053	(57,859)
Prepaid tenant rental escalations and other income	197,477	1,230
Security deposits payable	22,295	(5,688)
Net Cash Provided By Operating Activities	<u>1,597,385</u>	<u>1,920,019</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	4,612,677	7,168,889
Purchase of investments	(6,052,677)	(6,248,889)
Acquisition of property and equipment	(403,354)	(596,037)
Contributions for property and equipment acquisitions	-	20,000
Net Cash Provided (Used) By Investing Activities	<u>(1,843,354)</u>	<u>343,963</u>
Net increase (decrease) in cash and cash equivalents	(245,969)	2,263,982
Cash and cash equivalents, beginning of year	<u>15,575,983</u>	<u>13,312,001</u>
Cash and Cash Equivalents, End of Year	<u><u>\$15,330,014</u></u>	<u><u>\$15,575,983</u></u>

BALLET TECH FOUNDATION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Ballet Tech Foundation Inc. is committed to introducing New York City public school children to the beauty, integrity, and joy of dance. Annually, the Organization provides the rigorous dance training necessary to fulfill and nurture students' intrinsic dance talents, all tuition free.

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 statement include the accounts of Ballet Tech Foundation, Inc. and Odette LLC (collectively referred to as the "Organization"). All significant intercompany transactions and accounts have been eliminated.

c - Cash and Cash Equivalents

For purposes of the statements 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, 2023 AND 2022****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 - Accrued Rental Income

The Organization records rental income associated with all of its leases and licenses on a straight-line basis over the life of the leases and licenses. The difference between the straight-line amount and the amount actually received during the year is recorded as accrued rental income in the accompanying consolidated financial statements.

BALLET TECH FOUNDATION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****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 consolidated 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.

Studio and other rental income is recognized over the period that the rental takes place. For all of the leases and licenses, 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, 2023 AND 2022****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 October 24, 2023, the date that the financial statements are considered available to be issued.

p - New Accounting Standard

During 2022, the Organization adopted ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 (the "ASU") change the way organizations account for their leases and licenses by recognizing lease revenue on a straight-line basis for all leases and licenses with terms greater than twelve months. The ASU also requires the disclosure of key information about leasing and licensing arrangements. As such, results for 2023 are presented under Topic 842, while results for 2022 continue to be reported in accordance with historical accounting practices.

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.

BALLET TECH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability (continued)

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.

The Organization's financial assets as of June 30, 2023 and 2022 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	2023	2022
Financial Assets at Year End:		
Cash and cash equivalents	\$15,330,014	\$15,575,983
Unconditional promises to give	122,595	90,750
Investments	4,308,228	2,863,610
Accounts and rents receivable	2,179,026	2,088,003
Total Financial Assets	21,939,863	20,618,346
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	(1,288,255)	(1,290,000)
Plus: Net assets with restrictions to be met in less than one year	315,000	275,000
Less: Long-term accounts and rents receivable	(1,470,780)	(1,535,790)
Less: Board designated reserve	(2,000,000)	(2,000,000)
Financial Assets Available to Meet General Expenditures within One Year	\$17,495,828	\$16,067,556

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.

BALLET TECH FOUNDATION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 3 - Restrictions and Designations on Net Assets (continued)****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.

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, 2023, approximately 92% of unconditional promises to give were from three donors

At June 30, 2022, approximately 84% of unconditional promises to give were from one donor.

During the year ended June 30, 2023, one donor accounted for approximately 19% of public support.

During the year ended June 30, 2022, two donors accounted for approximately 56% of public support.

BALLET TECH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 6 - Investments

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

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$4,320,000</u>	<u>\$4,308,228</u>	<u>\$2,880,000</u>	<u>\$2,863,610</u>

Net investment income is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$628,027	\$33,433
Unrealized gain (loss)	<u>4,618</u>	<u>(19,477)</u>
	<u>\$632,645</u>	<u>\$13,956</u>

Note 7 - Deferred Charges

Deferred charges consist of the following at June 30:

	<u>2023</u>	<u>2022</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>(283,030)</u>	<u>(243,155)</u>
	<u>\$223,970</u>	<u>\$263,845</u>

BALLET TECH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2023</u>	<u>2022</u>
Condominium units (Note 9a)	5-39 years	\$ 1,780,074	\$ 1,780,074
Theater Unit (Note 9b)	5-39 years	8,965,667	8,965,667
Studio improvements	20 years	4,883,610	4,743,966
Roof replacement	32 years	324,048	324,048
Office furniture and equipment	5-10 years	495,654	482,557
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
Façade work	5-39 years	262,800	262,800
Construction in progress		<u>266,987</u>	<u>16,375</u>
		17,846,804	17,443,451
Less: Accumulated depreciation		<u>(11,650,361)</u>	<u>(11,249,273)</u>
		6,196,443	6,194,178
Land - Theater Unit		<u>2,749,673</u>	<u>2,749,673</u>
Total		<u>\$ 8,946,116</u>	<u>\$ 8,943,851</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$401,089 and \$392,792, respectively, including \$130,070 and \$134,018 related to the Theatre Unit, which is netted with rental income on the consolidated statement of activities.

The 890 Broadway Condominium levied a special assessment of \$489,791 for the replacement of the sidewalk during the year ended June 30, 2023.

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).

BALLET TECH FOUNDATION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 9 - Investment in Condominium Units and Investment in Theater Unit (continued)****a - Investment in Condominium Units (continued)**

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 consolidated 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 11). Net rental income for the years ended June 30, 2023 and 2022 totaled \$2,115,067 and \$2,113,830 respectively.

Note 10 - Commitment and Contingencies

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

b - In June 2023, the Organization entered into employment agreement extensions with the Artistic Director and the Executive Director, which provide for an annual base salary, an incentive bonus, and certain fringe benefits.

Note 11 - Leases and Licenses

The Organization has entered into leases and licenses with unaffiliated tenants occupying the Theater Unit and other units. The terms of the leases and licenses vary through May 31, 2033. In addition to minimum annual base rents, the tenants are charged additional rents consisting of real estate taxes, condominium common charges and assessments, water, sewer and insurance expenses. The Organization also has short-term leases with various unaffiliated organizations. During the years ended June 30, 2023 and 2022, total rental income consisted of \$4,053,311 and \$3,937,507, respectively of base rents and \$1,283,517 and \$1,105,053, respectively, of operating expense reimbursements and special assessment.

BALLET TECH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 11 - Leases and Licenses (continued)

Minimum annual lease and license income are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 4,126,100
2025	4,134,548
2026	4,170,071
2027	4,206,224
2028	3,443,749
Through August 31, 2032	<u>17,119,860</u>
	<u>\$37,200,552</u>

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. 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. As of June 30, 2023, the outstanding balance due from tenant to Organization totaled approximately \$2,010,516, representing deferred rent and additional rent. 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 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.

A tenant that occupies another unit stopped making rent payments in August 2022 due to financial hardship. As of June 30, 2023, unpaid rent receivable due from the tenant totaled approximately \$419,000. As of June 30, 2023, the Organization and the tenant are negotiating the terms of payment. 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 \$104,757.

BALLET TECH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 12 - Retirement Plan

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 ended June 30, 2023, the Organization made matching contributions in the amount of \$46,056.