

**BALLET TECH FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**



**LUTZ AND CARR**

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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## **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, 2020 and 2019, 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, 2020 and 2019, 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 11c 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.

*Lotz + Carr, LLP*

New York, New York  
November 12, 2020

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1c and 4)	\$14,030,213	\$12,004,138
Unconditional promises to give (Notes 1d and 5)		
Without donor restrictions	89,250	87,900
With donor restrictions	35,000	-
Investments (Notes 1e and 6)	4,352,604	4,085,398
Accounts receivable	53,135	38,532
Rents receivable, net of allowance of \$268,730 in 2020 (Note 1f)	268,868	50,301
Prepaid expenses	34,216	18,255
Property and equipment, at cost, net of accumulated depreciation (Notes 1h, 8 and 9)	8,855,292	8,675,332
Deferred charges, net (Notes 1g and 7)	343,595	383,470
Deferred rental income (Note 1i)	605,200	314,704
Reserve fund - condominium association (Note 9a)	396,000	396,000
	<u>\$29,063,373</u>	<u>\$26,054,030</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 204,854	\$ 167,875
Prepaid real estate tax escalation and other income	17,386	226,242
Loan payable (Note 10)	307,700	-
Special assessments payable Note 8)	161,338	-
Security deposits payable	21,181	21,006
Total Liabilities	<u>712,459</u>	<u>415,123</u>
Commitments and Contingencies (Notes 11 and 13)		
Net Assets		
Without Donor Restrictions		
Board designated reserve (Note 3a)	800,000	800,000
Other	25,628,160	24,578,907
Total Without Donor Restrictions	<u>26,428,160</u>	<u>25,378,907</u>
With Donor Restrictions (Note 3b)	1,922,754	260,000
Total Net Assets	<u>28,350,914</u>	<u>25,638,907</u>
	<u>\$29,063,373</u>	<u>\$26,054,030</u>

See notes to consolidated financial statements.

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue and Other Support		
Contributions (Note 5)	\$ 493,270	\$ 809,979
Studio rental income (Note 12)	873,130	946,806
New York City Department of Education rental income (Note 12)	1,067,495	1,072,171
Net rental income - Theater Unit, net of direct expenses of \$1,059,801 (2020) and \$736,078 (2019) (Note 11a)	1,840,501	2,139,130
Joyce Theater box office revenue	-	33,055
Net investment income (Note 6)	254,683	320,778
Reimbursed expenses and miscellaneous income	109,002	123,213
	<u>4,638,081</u>	<u>5,445,132</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	260,000	110,000
	<u>260,000</u>	<u>110,000</u>
Total Revenue and Other Support	<u>4,898,081</u>	<u>5,555,132</u>
Expenses		
Program Services	3,314,527	3,493,555
Supporting Services		
Management and general	259,264	282,321
Fundraising	275,037	286,402
Total Supporting Services	<u>534,301</u>	<u>568,723</u>
Total Expenses	<u>3,848,828</u>	<u>4,062,278</u>
Increase in Net Assets Without Donor Restrictions	<u>1,049,253</u>	<u>1,492,854</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions (Note 5)	1,922,754	260,000
Net assets released from restrictions	<u>(260,000)</u>	<u>(110,000)</u>
Increase in Net Assets With Donor Restrictions	<u>1,662,754</u>	<u>150,000</u>
Increase in net assets	2,712,007	1,642,854
Net assets, beginning of year	<u>25,638,907</u>	<u>23,996,053</u>
<b>Net Assets, End of Year</b>	<u><u>\$28,350,914</u></u>	<u><u>\$25,638,907</u></u>

See notes to consolidated financial statements.

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020					2019				
	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	\$ 1,602,172	\$ 92,024	\$ 166,455	\$258,479	\$1,860,651	\$ 1,622,964	\$ 113,667	\$ 168,582	\$282,249	\$1,905,213
Employee benefits and payroll taxes	301,517	20,468	37,291	57,759	359,276	304,902	21,354	31,671	53,025	357,927
Total Personnel Expenses	1,903,689	112,492	203,746	316,238	2,219,927	1,927,866	135,021	200,253	335,274	2,263,140
Production consultants	18,700	975	325	1,300	20,000	31,296	1,500	500	2,000	33,296
Professional fees and services	88,541	16,602	5,534	22,136	110,677	92,613	17,365	11,773	29,138	121,751
Artistic consultants	96,650	-	600	600	97,250	119,764	-	-	-	119,764
Owned space expenses	605,980	47,133	20,199	67,332	673,312	661,405	51,359	22,011	73,370	734,775
Rented space expenses	5,476	-	-	-	5,476	34,470	-	-	-	34,470
Insurance	37,838	6,975	2,325	9,300	47,138	34,818	6,528	2,176	8,704	43,522
Production expenses	1,385	-	-	-	1,385	16,369	-	-	-	16,369
Travel and sustenance	122,843	91	30	121	122,964	149,203	219	431	650	149,853
Printing, postage, etc.	-	-	17,048	17,048	17,048	-	-	26,470	26,470	26,470
Marketing and promotion	-	-	-	-	-	3,560	-	-	-	3,560
Dancewear and other school expenses	29,780	-	-	-	29,780	41,454	-	-	-	41,454
Office operations	66,024	11,878	3,951	15,829	81,853	57,915	10,859	3,620	14,479	72,394
Real estate taxes	149,535	28,038	9,346	37,384	186,919	144,290	27,054	9,018	36,072	180,362
Miscellaneous expenses	7,665	1,251	656	1,907	9,572	16,140	1,967	-	1,967	18,107
Total expenses before depreciation	3,134,106	225,435	263,760	489,195	3,623,301	3,331,163	251,872	276,252	528,124	3,859,287
Depreciation	180,421	33,829	11,277	45,106	225,527	162,392	30,449	10,150	40,599	202,991
Total Expenses	\$ 3,314,527	\$ 259,264	\$ 275,037	\$534,301	\$3,848,828	\$ 3,493,555	\$ 282,321	\$ 286,402	\$568,723	\$4,062,278

See notes to consolidated financial statements.

## BALLET TECH FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 2,712,007	\$ 1,642,854
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	364,145	342,697
Amortization	39,875	39,875
Unrealized gain on investments	(27,206)	(17,764)
Contributions for property and equipment acquisitions	(81,600)	-
Increase in allowance for doubtful accounts	268,730	-
(Increase) decrease in:		
Unconditional promises to give	(36,350)	(12,500)
Accounts receivable	(14,603)	(7,075)
Rents receivable	(487,297)	25,920
Prepaid expenses	(15,961)	(110)
Deferred rental income	(290,496)	(290,496)
Increase (decrease) in:		
Accounts payable and accrued expenses	36,979	53,773
Prepaid real estate tax escalation and other income	(208,856)	226,242
Security deposits payable	175	(2,350)
Net Cash Provided By Operating Activities	<u>2,259,542</u>	<u>2,001,066</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	5,047,670	4,287,779
Purchase of investments	(5,287,670)	(3,607,779)
Acquisition of property and equipment	(382,767)	(246,161)
Contributions for property and equipment acquisitions	81,600	-
Leasing costs	-	(186,813)
Net Cash Provided (Used) By Investing Activities	<u>(541,167)</u>	<u>247,026</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from loan payable	<u>307,700</u>	<u>-</u>
Net increase in cash and cash equivalents	2,026,075	2,248,092
Cash and cash equivalents, beginning of year	<u>12,004,138</u>	<u>9,756,046</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$14,030,213</u></u>	<u><u>\$12,004,138</u></u>

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****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.

In the year ended June 30, 2020, the School auditioned 10,448 students, worked with 102 cooperating public schools throughout New York City, and selected a total of 384 students. 525 beginners took introductory ballet classes for up to 11 weeks. 142 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 21 students attended high school at the Professional Performing Arts School (PPAS) and returned to Ballet Tech in the afternoons for dance classes.

During the year ended June 30, 2019, Ballet Tech presented a one-week performance season in the spring of 2019. That season, at the Joyce Theater, was attended by 2,377 people. Also in the year ended June 30, 2019, the School auditioned 21,668 students, worked with 202 cooperating public schools throughout NYC, 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 the on-site NYC public school program. Another 36 students attended high school at 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.



**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

**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.

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

**j - 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.

**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.

**BALLET TECH FOUNDATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****l - 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.

**m - 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.

**n - Subsequent Events**

The Organization has evaluated subsequent events through November 12, 2020, the date that the financial statements are considered available to be issued.

**o - New Accounting Pronouncement**

During 2019, the Organization adopted Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves the current guidance about whether a transfer of assets is a contribution or exchange transaction. In addition, the update requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a measurable, performance-related barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The amendments in the ASU were applied on a modified retrospective basis. The adoption of this ASU resulted in no significant changes in the way the Organization recognizes revenue.

**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, 2020 AND 2019**

**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, 2020 and 2019 and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$14,030,213	\$12,004,138
Unconditional promises to give	124,250	87,900
Investments	4,352,604	4,085,398
Other receivables	<u>322,003</u>	<u>88,833</u>
Total Financial Assets	18,829,070	16,266,269
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	(1,922,754)	(260,000)
Plus: Net assets with restrictions to be met in less than one year	922,754	260,000
Less: Long-term investment - certificates of deposit	(733,865)	(240,062)
Less: Board designated funds	<u>(800,000)</u>	<u>(800,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$16,295,205</u>	<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 represents funds specifically reserved by the Board for future activities of the Organization.

**BALLET TECH FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**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.

During the years ended June 30, 2020 and 2019, one donor accounted for approximately 78% and 47%, respectively, 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>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$4,320,000</u>	<u>\$4,352,604</u>	<u>\$4,080,000</u>	<u>\$4,085,398</u>

Net investment income is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$227,477	\$303,014
Unrealized gain	<u>27,206</u>	<u>17,764</u>
	<u>\$254,683</u>	<u>\$320,778</u>

## BALLET TECH FOUNDATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**Note 7 - Deferred Charges**

Deferred charges consist of the following at June 30:

	<u>2020</u>	<u>2019</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>(163,405)</u>	<u>(123,530)</u>
	<u>\$343,595</u>	<u>\$383,470</u>

**Note 8 - Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2020</u>	<u>2019</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	4,142,127	4,075,280
Roof replacement	32 years	324,048	324,048
Office furniture and equipment	5-10 years	438,279	405,527
Fire panel	20 years	226,472	226,472
Production equipment	3-5 years	88,898	88,898
Pianos	10 years	114,205	42,180
Freight elevator	32 years	438,389	-
Construction in progress		<u>65,010</u>	<u>130,918</u>
		16,583,169	16,039,064
Less: Accumulated depreciation		<u>(10,477,550)</u>	<u>(10,113,405)</u>
		6,105,619	5,925,659
Land - Theater Unit		<u>2,749,673</u>	<u>2,749,673</u>
Total		<u>\$ 8,855,292</u>	<u>\$ 8,675,332</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$364,145 and \$342,697, respectively, including \$138,618 and \$139,706 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, 2020 AND 2019****Note 8 - Property and Equipment (continued)**

As of June 30, 2020, the Organization had paid a special assessment of \$277,051 to 890 Broadway Condominium for the replacement of the freight elevator. The balance of \$161,338 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**

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 11a).

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, 2020 and 2019 totaled \$2,109,231 and \$2,139,130, respectively.

**BALLET TECH FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**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 bears interest at 1% per annum, is due April 5, 2022 and may be forgiven in its entirety if the Organization meets certain employee retention requirements and the funds are used for eligible expenses.

**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, 2020 and 2019, rental income consisted of \$2,290,500 of base rent and \$609,802 and \$584,708, respectively, of operating expense reimbursements.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 2,000,000
2022	2,000,000
2023	2,026,254
2024	2,315,000
2025	2,315,000
Thereafter, through May 31, 2033	19,534,591

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. As of June 30, 2020, the outstanding balance due from tenant to Organization totaled approximately \$538,000, representing three month's rent and additional rent. The Organization has recorded an allowance for doubtful accounts in the amount of 50% of the balance outstanding. As of the report date, the tenant remains closed and an additional five month's rent has accumulated resulting in an outstanding balance of approximately \$1,655,000. The Organization is in the process of negotiating a lease amendment with the tenant. 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.



**BALLET TECH FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

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

- b - Government supported projects are subject to audit by the applicable government agencies.
- c - 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. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on the Organization, it 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, 2020 and 2019, \$263,000 and \$260,680 was received from short-term tenants, and \$1,677,325 and \$1,758,297 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, 2020 and 2019, \$1,067,495 and \$1,072,171, 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>	
2021	\$1,442,000
2022	900,000
Thereafter, through August 31, 2023	150,000

**Note 13 - 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. During the year ending June 30, 2020, the Organization matched the first 3% of salary that an employee contributed, beginning after twelve months of employment. In 2020 and 2019, the Organization made matching contributions totaling \$41,568 and \$34,240, respectively.