

**BALLET**  
**ARIZONA**

IB ANDERSEN ARTISTIC DIRECTOR

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

BALLET ARIZONA  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Ballet Arizona  
Phoenix, Arizona

We have audited the accompanying financial statements of Ballet Arizona (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ballet Arizona as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona  
March 26, 2021

BALLET ARIZONA  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,551,518	\$ 709,228
Certificates of deposit	-	149,861
Promises to give, current portion	340,179	135,277
Grants and other receivables	-	40,000
Prepaid expenses	49,374	131,277
Other current assets	54,069	60,381
TOTAL CURRENT ASSETS	<u>1,995,140</u>	<u>1,226,024</u>
PROMISES TO GIVE, net of current portion, discount and allowance of \$2,742 and \$5,785, respectively	531,973	132,819
PROPERTY AND EQUIPMENT, net	3,695,933	3,820,359
ENDOWMENT INVESTMENTS	<u>4,601,086</u>	<u>4,665,014</u>
TOTAL ASSETS	<u>\$ 10,824,132</u>	<u>\$ 9,844,216</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 280,986	\$ 327,488
Line of credit	430,000	-
Advance ticket sales	375,735	495,840
Deferred tuition revenue	122,694	159,460
Deferred special event income	37,200	-
Deferred conditional contribution - Payroll Protection Program	97,695	-
TOTAL CURRENT LIABILITIES	<u>1,344,310</u>	<u>982,788</u>
TOTAL LIABILITIES	<u>1,344,310</u>	<u>982,788</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Board designated	844,822	982,349
Undesignated	<u>2,984,562</u>	<u>3,034,325</u>
	3,829,384	4,016,674
With donor restrictions	<u>5,650,438</u>	<u>4,844,754</u>
TOTAL NET ASSETS	<u>9,479,822</u>	<u>8,861,428</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,824,132</u>	<u>\$ 9,844,216</u>

See accompanying notes.

BALLET ARIZONA  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2020 and 2019

	2020			2019 *		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND EARNED REVENUES</b>						
Ticket sales	\$ 2,336,865	\$ -	\$ 2,336,865	\$ 3,008,718	\$ -	\$ 3,008,718
Ticket handling fees	259,655	-	259,655	311,408	-	311,408
Ballet school tuition	1,161,167	-	1,161,167	1,448,263	-	1,448,263
Contributions	1,381,080	1,975,795	3,356,875	1,093,184	664,905	1,758,089
Government grants	88,449	49,205	137,654	122,311	34,600	156,911
Payroll Protection Program Government grant	652,105	-	652,105	-	-	-
In-kind contributions	114,219	-	114,219	307,656	-	307,656
Investment return	928	(57,084)	(56,156)	29,353	110,254	139,607
Other revenue	100,044	-	100,044	69,281	-	69,281
Net assets released from restrictions	1,162,232	(1,162,232)	-	1,733,506	(1,733,506)	-
	<u>7,256,744</u>	<u>805,684</u>	<u>8,062,428</u>	<u>8,123,680</u>	<u>(923,747)</u>	<u>7,199,933</u>
<b>RETAIL SALES</b>						
Boutique sales	102,745	-	102,745	99,872	-	99,872
Boutique cost of sales	(46,492)	-	(46,492)	(26,746)	-	(26,746)
	<u>56,253</u>	<u>-</u>	<u>56,253</u>	<u>73,126</u>	<u>-</u>	<u>73,126</u>
<b>SPECIAL EVENTS</b>						
Special events revenue	373,755	-	373,755	362,665	-	362,665
Direct benefit to donors	-	-	-	(182,012)	-	(182,012)
	<u>373,755</u>	<u>-</u>	<u>373,755</u>	<u>180,653</u>	<u>-</u>	<u>180,653</u>
<b>TOTAL SUPPORT AND EARNED REVENUES</b>	<u>7,686,752</u>	<u>805,684</u>	<u>8,492,436</u>	<u>8,377,459</u>	<u>(923,747)</u>	<u>7,453,712</u>
<b>OPERATING EXPENSES</b>						
Program services	5,903,636	-	5,903,636	6,402,680	-	6,402,680
Supporting services						
Management and general	1,358,286	-	1,358,286	1,452,945	-	1,452,945
Fundraising	612,120	-	612,120	571,657	-	571,657
<b>TOTAL OPERATION EXPENSES</b>	<u>7,874,042</u>	<u>-</u>	<u>7,874,042</u>	<u>8,427,282</u>	<u>-</u>	<u>8,427,282</u>
<b>CHANGE IN NET ASSETS</b>	(187,290)	805,684	618,394	(49,823)	(923,747)	(973,570)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,016,674</u>	<u>4,844,754</u>	<u>8,861,428</u>	<u>4,066,497</u>	<u>5,768,501</u>	<u>9,834,998</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,829,384</u>	<u>\$ 5,650,438</u>	<u>\$ 9,479,822</u>	<u>\$ 4,016,674</u>	<u>\$ 4,844,754</u>	<u>\$ 8,861,428</u>

\* Reclassified to conform to current year presentation

See accompanying notes.

BALLET ARIZONA  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2020

	Program Services	Supporting Services		Direct Donor Benefit	Total
		Management and General	Fundraising		
Personnel costs					
Salaries and wages	\$ 2,563,115	\$ 393,875	\$ 309,620	\$ -	\$ 3,266,610
Employee benefits and payroll taxes	834,152	72,374	64,309	-	970,835
Total personnel costs	3,397,267	466,249	373,929	-	4,237,445
Production costs	1,370,704	-	-	-	1,370,704
Marketing and advertising	8,450	526,996	163	-	535,609
Occupancy	259,599	18,624	12,349	-	290,572
Computers and software	50,595	29,994	27,737	-	108,326
Professional fees	111,410	183,058	52,187	-	346,655
Publications	22,986	79,919	51,986	-	154,891
Bank and credit card fees	121,922	2,979	2,217	-	127,118
Interest	-	14,287	-	-	14,287
Bad debt expense	-	-	861	-	861
Licenses and subscriptions	10,771	18,641	-	-	29,412
Transportation	20,607	95	4,840	-	25,542
Cost of goods sold	46,492	-	-	-	46,492
Supplies	18,630	254	18,689	-	37,573
Insurance	34,535	4,237	881	-	39,653
Other	117,521	144	57,132	-	174,797
Depreciation	358,639	12,809	9,149	-	380,597
Total operating expenses	5,950,128	1,358,286	612,120	-	7,920,534
Amounts reported in total support and other revenue on the statement of activities:					
Cost of goods sold	(46,492)	-	-	-	(46,492)
Direct benefit to donors	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 5,903,636</b>	<b>\$ 1,358,286</b>	<b>\$ 612,120</b>	<b>\$ -</b>	<b>\$ 7,874,042</b>

See accompanying notes.

BALLET ARIZONA  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2019

	Program Services	Supporting Services		Direct Donor Benefit	Total
		Management and General	Fundraising		
Personnel costs					
Salaries and wages	\$ 2,638,401	\$ 423,871	\$ 229,409	\$ -	\$ 3,291,681
Employee benefits and payroll taxes	815,585	80,604	57,118	-	953,307
Total personnel costs	3,453,986	504,475	286,527	-	4,244,988
Production costs	1,790,823	-	-	-	1,790,823
Marketing and advertising	42,010	643,671	-	-	685,681
Special events - food and venue	-	-	-	65,498	65,498
Special events - supplies and entertainment	-	-	-	116,514	116,514
Occupancy	196,443	16,312	10,743	-	223,498
Computers and software	43,329	59,046	31,762	-	134,137
Professional fees	194,198	68,664	36,618	-	299,480
Publications	22,231	90,672	70,579	-	183,482
Bank and credit card fees	108,789	32,975	1,728	-	143,492
Interest	-	122	-	-	122
Bad debt expense	-	-	1,827	-	1,827
Licenses and subscriptions	13,828	14,295	-	-	28,123
Transportation	21,693	4,184	4,441	-	30,318
Cost of goods sold	26,746	-	-	-	26,746
Supplies	24,573	1,443	13,566	-	39,582
Insurance	35,413	4,218	903	-	40,534
Other	119,862	886	104,404	-	225,152
Depreciation	335,502	11,982	8,559	-	356,043
Total operating expenses	6,429,426	1,452,945	571,657	182,012	8,636,040
Amounts reported in total support and other revenue on the statement of activities:					
Cost of goods sold	(26,746)	-	-	-	(26,746)
Direct benefit to donors	-	-	-	(182,012)	(182,012)
TOTAL EXPENSES	\$ 6,402,680	\$ 1,452,945	\$ 571,657	\$ -	\$ 8,427,282

See accompanying notes.



BALLET ARIZONA  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 618,394	\$ (973,570)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	380,597	356,043
(Gain) loss on sale of property and equipment	(167)	8,089
Non-cash contribution of stock	-	(110,515)
Realized and unrealized loss on investments	193,620	36,769
Loss on uncollectible promises to give	861	1,827
Change in provision for uncollectible promises to give	-	(19,215)
Change in discount on contributions receivable	-	(7,314)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Promises to give	(604,917)	328,534
Grants and other receivables	40,000	208,143
Other current assets	88,215	(95,315)
Increase (decrease) in:		
Accounts payable and accrued expenses	(46,502)	102,418
Advance ticket sales	(120,105)	93,819
Deferred tuition revenue	(36,766)	(4,204)
Deferred special event income	37,200	-
Deferred conditional contribution - Payroll Protection Program	97,695	-
	<u>648,125</u>	<u>(74,491)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>648,125</u>	<u>(74,491)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(256,404)	(258,135)
Proceeds from sale of property and equipment	400	-
Purchases of investments	(658,999)	(2,691,134)
Proceeds from sales and maturities of investments	529,168	2,679,723
Redemption of certificates of deposit	153,075	257,305
Purchases of certificates of deposit	(3,075)	(7,071)
	<u>(235,835)</u>	<u>(19,312)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(235,835)</u>	<u>(19,312)</u>

See accompanying notes.

BALLET ARIZONA  
STATEMENTS OF CASH FLOWS (Continued)  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash collected on fundraising campaign contributions	-	10,596
Draw on line of credit	955,000	100,000
Payments on line of credit	<u>(525,000)</u>	<u>(100,000)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>430,000</u>	<u>10,596</u>
NET CHANGE IN CASH	842,290	(83,207)
CASH, BEGINNING OF YEAR	<u>709,228</u>	<u>792,435</u>
CASH, END OF YEAR	<u><u>\$ 1,551,518</u></u>	<u><u>\$ 709,228</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u><u>\$ 14,287</u></u>	<u><u>\$ 122</u></u>

See accompanying notes.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

Ballet Arizona (the "Ballet") was incorporated under the laws of Arizona in 1986. The mission of the Ballet is to develop and maintain a nationally recognized professional resident ballet company. The Ballet produces ballet performances staged primarily in Phoenix, Arizona. In addition, the Ballet also operates The School of Ballet Arizona and offers beginner through advanced level ballet programs for students and adults.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Ballet reports information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Ballet considers all highly liquid investments with maturities of ninety days or less at date of acquisition to be cash equivalents. Cash held in stock brokerage firms are reported as investments as they represent amounts used for the purchases and sales of investments and are excluded from this definition. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are also excluded from this definition.

Promises to Give and Grants Receivable

Unconditional promises to give and grants receivable are recognized as revenues in the period the promise is made and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using risk-free interest rates as determined by management applicable to the years in which the promises to give are received. Amortization of the discounts is reflected in contributions. An allowance for uncollectible promises to give has been established by management using a specific identification method and an additional allowance based on historical collections. Promises to give are charged off against the allowance when they are deemed to be uncollectible.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$2,000 are capitalized. Property and equipment is stated at cost, or if donated, at the approximate fair value at the date of gift to the Ballet. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

The Ballet reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Fair Value Measurements

A framework for measuring fair value has been established by Accounting Standards and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Ballet has the ability to access.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Fair Value Measurements (Continued)

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Ballet's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Alternative investments are valued using net asset value of the shares held at year-end as the practical expedient for fair value.

Investments

Investments are measured at fair value or net asset value on the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends less external investment expenses) is included in the change in net assets in the statement of activities, unless the income or loss is restricted by donor or law.

Risks and Uncertainty

The Ballet invests in various type of investments which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the statement of financial position.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Endowment Funds

The Ballet's endowments consist of four donor restricted funds and one board designated fund which are established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Ballet follows Arizona's Management of Charitable Funds Act ("MCFA") and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Ballet to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the funds continue in perpetuity.

The Ballet classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Ballet in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Ballet considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Ballet's other resources, and (7) the Ballet's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Ballet has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which include, but are not limited to equities, bond funds, equity funds, alternative investments and cash equivalents.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Endowment Funds (Continued)

*Spending policy.* The Ballet has allowed for appropriating for distributions each year not to exceed 5.5% of its endowment fund's trailing three-year average of the total value of the fund. In establishing this policy, the Ballet considered the long-term expected return on its endowment. This is consistent with the Ballet's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Revenue Recognition and Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an organization should recognize revenue to reflect the transfer of goods and services in an amount equal to the consideration the organization receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Ballet adopted ASC 606 with a date of the initial application of July 1, 2019.

The majority of the Ballet's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Ballet's evaluation of its contracts with members, patrons and donors, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Earned revenues where performance obligations are satisfied at a point in time with a single performance obligation consist of performance ticket sales, ticket handling fees, school tuition, sales of merchandise and Gala ticket revenue. Payment for these services is due in advance of the performance and instruction, or at the time the goods and services are transferred. Revenue from ticket sales and ticket handling fees are recognized in the period that the related production takes place. Revenue from school tuition is recognized in the period the related educational instruction is performed. Retail sales revenue is reported net of sales tax.

Contract liabilities (deferred revenue) include proceeds from advance ticket sales and event revenues received prior to the fiscal year in which the performance or event occurs, which are presented as deferred revenue. Additionally, tuition revenue received in advance of the educational instruction services being performed is recorded as deferred tuition revenue.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Contributions

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional or unconditional. The change in accounting principle was adopted on a modified prospective basis on July 1, 2019. As a result, there was no cumulative-effect adjustment to beginning net assets as of July 1, 2019.

Contributions received are recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restrictions are accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Non-Cash Donations

Contributions of non-monetary assets (in-kind contributions) are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donated services, are recorded at their estimated fair value in the period received. The Ballet utilizes and depends on the services of volunteers to perform a variety of tasks that assist the Ballet with specific programs, campaign solicitations, and various committee assignments. The value of this contributed time is not reflected in the financial statements since the services did not require specialized skills and it was not susceptible to objective measurement.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to program and supporting services. Certain employee positions are allocated based on time and effort. Other expenses, including supplies, computers and software, and publications are allocated based on a full-time employee equivalent basis. Occupancy and depreciation expense are allocated based on square footage utilized by the function. Expenses related to more than one function are charged to program and supporting services based on an analysis of time and expenses.



BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Advertising

The Ballet uses advertising primarily to promote its performances to the audience it serves. Advertising and promotional costs are expensed as incurred. Advertising and promotional expense was approximately \$536,000 and \$686,000 for the years ended June 30, 2020 and 2019, respectively.

Net Assets

The Ballet reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Tax Status

The Ballet qualifies as a tax-exempt Ballet under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes. In addition, the Ballet qualifies for the charitable contribution deduction under Section 170 of the code and has been classified as an organization that is not a private foundation under Section 509(a)(2). Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Ballet recognizes uncertain tax positions in the financial statements when it is more-likely-than-not the positions will not be sustained upon examination by the tax authorities. At June 30, 2020 and 2019 the Ballet had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Ballet recognizes interest and penalties associated with income taxes in operating expenses. During the years ended June 30, 2020 and 2019, the Ballet did not have any income tax related interest and penalty expense.

BALLET ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Date of Management's Review

In preparing these financial statements, the Ballet has evaluated events and transactions for potential recognition or disclosure through March 26, 2021, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects the Ballet's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use within one year because of donor-imposed or other restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment funds for the following year as well as donor-restricted amounts that are available for expenditure in the following year for program activities. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Ballet approves that action.

	<u>2020</u>	<u>2019</u>
Current assets	\$ 1,995,140	\$ 1,226,024
Cash and cash equivalents subject to board restriction	(350,158)	(480,812)
Inventory included in other current assets	(28,640)	(34,952)
Endowment spending appropriation	185,000	-
	<u>\$ 1,801,342</u>	<u>\$ 710,260</u>

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 2 LIQUIDITY AND AVAILABILITY (Continued)

The Ballet is striving to reach and sustain a balance of liquid financial assets sufficient to cover over 90 days of general expenditures, which is estimated to be approximately \$1,800,000. The Ballet conducts a periodic review of cash flows with the Board and conducts a thorough review of the operating budget with the Board during the budget approval process to ensure best practices in moving the Ballet towards sustainability and proper future maintenance of financial liquidity. The Ballet's working capital and cash flows have seasonal variations during the year due to timing of performances. The Ballet can utilize board-designated funds for general expenditures through a Board resolution. Board designated funds were \$844,822 and \$982,349 as of June 30, 2020 and 2019, respectively. To manage liquidity the Ballet maintains a line of credit with a maximum available amount of \$750,000 with a bank that is drawn upon as needed during the year to manage cash flow.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Ballet to significant concentration of credit risk consist principally of cash, promises to give and grants receivable. The Ballet maintains its cash in bank accounts, which at times may exceed federally insured limits. The Ballet has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

The Ballet had a concentration in promises to give and grants receivable for amounts due from two donors whose outstanding balances represented approximately 96% of total net promises to give and grants receivable as of June 30, 2020. The Ballet had a concentration in promises to give and grants receivable for amounts due from two donors whose outstanding balances represented approximately 75% of total net promises to give and grants receivable as of June 30, 2019. Credit risks related to these concentrations are limited due to the Ballet's relationships with the donors.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 4 PROMISES TO GIVE

Promises to give consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Promises to give due in less than one year	\$ 340,179	\$ 135,277
Promises to give due in two to five years	<u>540,500</u>	<u>141,346</u>
Total promises to give	880,679	276,623
Discount to present value	(2,742)	(2,742)
Allowance for uncollectible promises to give	<u>(5,785)</u>	<u>(5,785)</u>
Net promises to give	872,152	268,096
Current portion	<u>(340,179)</u>	<u>(135,277)</u>
Non-current portion	<u>\$ 531,973</u>	<u>\$ 132,819</u>

The estimated future cash flows for pledges receivable are discounted over the collection period using a discount rate of 2%.

Promises to give include approximately \$113,000 and \$141,000 at June 30, 2020 and 2019, respectively, from employees and members of the Board of Directors.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building and leasehold improvements	\$ 3,944,110	\$ 3,944,110
Production equipment	2,914,468	2,660,864
Office furniture and equipment	<u>420,029</u>	<u>420,029</u>
	7,278,607	7,025,003
Accumulated depreciation	<u>(3,582,674)</u>	<u>(3,204,644)</u>
	<u>\$ 3,695,933</u>	<u>\$ 3,820,359</u>

Depreciation expense was \$380,597 and \$356,043 for the years ended June 30, 2020 and 2019, respectively.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a summary of investments measured at fair value and net asset value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 164,663	\$ -	\$ -	\$ 164,663
Bond funds	910,897	-	-	910,897
Equity funds	<u>3,040,454</u>	<u>-</u>	<u>-</u>	<u>3,040,454</u>
Total investments measured at fair value	<u>\$ 4,116,014</u>	<u>\$ -</u>	<u>\$ -</u>	4,116,014
Investment measured at net asset value: Private LTD partnership				<u>485,072</u>
Total investments				<u>\$ 4,601,086</u>

The following is a summary of investments measured at fair value and net asset value on a recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 37,870	\$ -	\$ -	\$ 37,870
Bond funds	952,569	-	-	952,569
Equity funds	<u>3,184,071</u>	<u>-</u>	<u>-</u>	<u>3,184,071</u>
Total investments measured at fair value	<u>\$ 4,174,510</u>	<u>\$ -</u>	<u>\$ -</u>	4,174,510
Investment measured at net asset value: Private LTD partnership				<u>490,504</u>
Total investments				<u>\$ 4,665,014</u>

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

In accordance with FASB ASC 820, the Ballet is required to disclose the nature and risks of the investments reported at net asset value (“NAV”).

The following table summarizes the funding commitment and redemption restrictions of investments in private LTD partnerships as of June 30, 2020:

	<u>Net Asset Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private LTD partnership	\$ 485,072	\$ -	n/a	30 day notice

The following table summarizes the funding commitment and redemption restrictions of investments in private LTD partnerships as of June 30, 2019:

	<u>Net Asset Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private LTD partnership	\$ 490,504	\$ -	n/a	30 day notice

Investment income is summarized as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 169,352	\$ 207,880
Realized gain/(loss)	10,874	(473,782)
Unrealized gain/(loss)	(204,494)	437,013
Investment fees	<u>(31,888)</u>	<u>(31,504)</u>
Total investment income	<u>\$ (56,156)</u>	<u>\$ 139,607</u>

NOTE 7 LINE OF CREDIT

The Ballet has a line of credit with a financial institution which allows for maximum borrowings up to \$750,000. The line of credit bears interest at 2.50% over an index which is the prime rate as published in the Wall Street Journal. The balance outstanding under the line is callable by the financial institution at any time. The line is secured by certain assets of the Ballet. The outstanding balance on the line of credit at June 30, 2020 was \$430,000. The outstanding balance on the line of credit was paid in full on September 28, 2020. There was no outstanding balance on the line of credit at June 30, 2019. Subsequent to June 30, 2020, the Ballet renewed the line of credit with their lender which matures in February 2022.

BALLET ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

NOTE 8 ENDOWMENT FUNDS

The endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 494,664	\$ -	\$ 494,664
Donor-restricted endowment funds:			
Original donor-restricted amounts	-	4,235,438	4,235,438
Underwater portion of endowments	-	<u>(123,231)</u>	<u>(123,231)</u>
	<u>\$ 494,664</u>	<u>\$ 4,112,207</u>	<u>\$ 4,606,871</u>

Endowment funds at June 30, 2020 include approximately \$5,800 included in promises to give and the remaining balance of approximately \$4,601,000 included in investments.

The endowment net asset composition by type of fund as of June 30, 2019, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 501,535	\$ -	\$ 501,535
Donor-restricted endowment funds:			
Original donor-restricted amounts	-	4,235,438	4,235,438
	-	<u>(66,151)</u>	<u>(66,151)</u>
	<u>\$ 501,535</u>	<u>\$ 4,169,287</u>	<u>\$ 4,670,822</u>

Endowment funds at June 30, 2019 include approximately \$5,800 included in promises to give and the remaining balance of approximately \$4,665,000 included in investments.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 8 ENDOWMENT FUNDS (Continued)

Changes in endowment funds for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Endowment funds, June 30, 2018	\$ 497,384	\$ 4,235,438	\$ 4,732,822
Contributions	12,252	-	12,252
Interest and dividends	21,168	172,889	194,057
Realized losses	(51,622)	(421,629)	(473,251)
Unrealized gains	47,365	386,853	434,218
Investment fees	(3,414)	(27,862)	(31,276)
Amounts appropriated for expenditure	<u>(21,598)</u>	<u>(176,402)</u>	<u>(198,000)</u>
Endowment funds, June 30, 2019	501,535	4,169,287	4,670,822
Interest and dividends	18,032	149,656	167,688
Realized gains	1,109	9,205	10,314
Unrealized losses	(22,584)	(187,481)	(210,065)
Investment fees	<u>(3,428)</u>	<u>(28,460)</u>	<u>(31,888)</u>
Endowment funds, June 30, 2020	<u>\$ 494,664</u>	<u>\$ 4,112,207</u>	<u>\$ 4,606,871</u>

Donor restricted endowment funds include \$5,785 that is included in promises to give at both June 30, 2020 and 2019. All other endowment funds are included in investments as of June 30, 2020 and 2019.

The fair value of assets associated with individual donor-restricted endowments may have fair values less than the amount required to be maintained by donors or law (underwater endowments). We have interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020 and 2019, certain endowment funds had fair values less than the original gift values resulting in deficiencies. These deficiencies resulted from unfavorable market fluctuations and continued appropriations in past years for certain programs that were deemed prudent by the Board of Directors. It is the Ballet's policy to continue to apply the spending policy to underwater endowment funds. However, during the year ended June 30, 2020, no amounts were appropriated for expenditure.



BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 8 ENDOWMENT FUNDS (Continued)

The original gift amounts, fair values and deficiency (underwater) amounts as of June 30, 2020 were as follows:

	<u>Original Gift Value</u>	<u>Deficiency</u>	<u>Fair Value</u>
William R. Hearst Foundation	\$ 101,399	\$ (3,318)	\$ 98,081
Hazel Hare	4,109,039	(119,171)	3,989,868
Margaret T. Morris Foundation	15,000	(445)	14,555
Susan Bansak (via Dorrance Foundation)	10,000	(297)	9,703
	<u>\$4,235,438</u>	<u>\$ (123,231)</u>	<u>\$ 4,112,207</u>

The original gift amounts, fair values and deficiency (underwater) amounts as of June 30, 2019 were as follows:

	<u>Original Gift Value</u>	<u>Deficiency</u>	<u>Fair Value</u>
William R. Hearst Foundation	\$ 101,399	\$ (1,955)	\$ 99,444
Hazel Hare	4,109,039	(63,791)	4,045,248
Margaret T. Morris Foundation	15,000	(243)	14,757
Susan Bansak (via Dorrance Foundation)	10,000	(162)	9,838
	<u>\$4,235,438</u>	<u>\$ (66,151)</u>	<u>\$ 4,169,287</u>

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
<u>Purpose Restricted:</u>		
Desert Botanical Garden performances	\$ 83,281	\$ 309,142
Other performances	275,000	-
Education and community engagement	18,300	63,182
Other	-	21,261
	<u>376,581</u>	<u>393,585</u>
<u>Time Restricted:</u>		
Promises to give	112,500	181,882
Future operations	1,049,150	100,000
	<u>1,161,650</u>	<u>281,882</u>
<u>Endowment funds:</u>		
Portion of perpetual endowment funds that are required to be permanently retained	4,235,438	4,235,438
Portion of perpetual endowment funds subject to a restriction under MCFA	<u>(123,231)</u>	<u>(66,151)</u>
	<u>4,112,207</u>	<u>4,169,287</u>
Total net assets with donor restrictions	<u>\$ 5,650,438</u>	<u>\$ 4,844,754</u>

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 10 NET ASSETS RELEASED FROM RESTRICTION

Donor restricted net assets released from restriction during the years ended June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
<u>Purpose Restricted:</u>		
Desert Botanical Garden performances	\$ 230,860	\$ 292,497
Other performances	122,000	724,500
Education and community engagement	486,782	142,541
Marketing	-	78,668
Fundraising campaign	-	10,596
Board leadership and sustainability	109,000	9,736
Scholarships	-	22,500
Amounts appropriated for expenditure from donor restricted endowment funds	-	176,402
Other	<u>44,208</u>	<u>97,978</u>
	992,850	1,555,418
<u>Time Restricted:</u>		
Promises to give	69,382	63,118
Future operations	<u>100,000</u>	<u>114,970</u>
	<u>169,382</u>	<u>178,088</u>
Total net assets with donor restriction releases	<u>\$ 1,162,232</u>	<u>\$ 1,733,506</u>

NOTE 11 BOARD DESIGNATED NET ASSETS

Board designated net assets consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Endowment fund	\$ 494,664	\$ 501,537
Operating reserve	56,876	51,304
Strategic initiative	<u>293,282</u>	<u>429,508</u>
	<u>\$ 844,822</u>	<u>\$ 982,349</u>

Subsequent to June 30, 2020, the board of directors approved the release of the board designated funds.

BALLET ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

NOTE 12 PAYROLL PROTECTION PROGRAM GOVERNMENT GRANT

During the year ended June 30, 2020, the Ballet received proceeds in the amount of \$749,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the loan date of the qualifying business. The total amount and accrued interest are forgivable after 24 weeks as long as the Ballet uses the proceeds for eligible purposes, including payroll costs, interest on mortgage obligations, rent and utilities. The amount of the forgiveness will be reduced if the Ballet reduces the number of employees or reduces salaries by more than 25% during the 24 week period beginning on the loan origination date. Any portion of the amount that is not forgiven will be required to be paid back over a 2-year period at an interest rate of 1%. The Ballet has determined that the proceeds represent a conditional contribution as they anticipate forgiveness of the majority of the amount received. Conditions to be met for recognition of this contribution include the incurring of eligible expenses as well as maintaining the full-time equivalent employee count. As of June 30, 2020, the Ballet has met these conditions and has recorded contribution income relating to the PPP funding in the amount of \$652,105. The balance of the PPP funding that is not eligible for forgiveness as of June 30, 2020 is \$97,695 and is recorded as deferred conditional contribution – Payroll Protection Program on the accompanying Statement of Financial Position.

NOTE 13 DONATED MATERIALS AND SERVICES

Donated materials and services consist of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Marketing and advertising	\$ 18,500	\$ 111,640
Theater rental	87,601	81,808
Gala lighting and other	8,118	78,000
Professional fees	-	5,160
Travel	-	14,577
Other	-	16,471
	<u>          </u>	<u>          </u>
Total in-kind expenses	<u>\$ 114,219</u>	<u>\$ 307,656</u>

BALLET ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2020 and 2019

NOTE 14 LEASE COMMITMENTS

The Ballet has an operating agreement with The City of Phoenix and under which the Ballet is contracted to occupy and manage a 52,864 square foot facility owned by the City in exchange for an annual usage/service arrangement as described below. The operating agreement expires on August 31, 2037. The Ballet is responsible for all operating expenses and improvements. The agreement requires the Ballet occupy and use the premises for the purpose of creating a headquarters for the Ballet, a community Ballet, rehearsal space, civic space and a school of dance/ballet, as well as other performing or visual arts. In accordance with the operating agreement, the Ballet will also use the facility to provide educational and cultural activities related to ballet, and access to ballet classes, rehearsals and performances to members of the public who may not otherwise have access to such cultural activities.

For the years ended June 30, 2020 and 2019, the estimated fair value of the facilities provided by the City of Phoenix approximates the value of services provided to the City by the Ballet in accordance with the operating agreement. Accordingly, the Ballet has determined that no donated facilities revenue or expense is necessary to be recorded for the years ended June 30, 2020 and 2019.

In addition, the Ballet leases storage space and office equipment under various operating lease agreements requiring monthly lease payments of approximately \$3,900 expiring through July 2025. The Ballet is responsible for certain monthly operating and maintenance expenses.

Approximate minimum future rental payments under these non-cancelable operating leases are as follows at June 30, 2020:

<u>Years Ending June 30,</u>	
2021	\$ 47,000
2022	39,000
2023	4,000
2024	1,000
2025	1,000
	<hr/>
	\$ 92,000

Total rent expense was approximately \$46,000 and \$48,000 for the years ended June 30, 2020 and 2019, respectively.

BALLET ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

NOTE 15 CONTINGENCY

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Ballet’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Ballet is not able to estimate the effect of the COVID-19 outbreak on its results of operations, financial conditions or liquidity for fiscal year 2021.

NOTE 16 SUBSEQUENT EVENTS

Subsequent to year-end, the Ballet received a second draw on their PPP loan in the amount of \$749,861. The loan is structured similar to the original PPP loan discussed in Note 12 in that if certain amounts are used for eligible expenses as directed by the SBA, the loan may be forgiven. Any amounts not forgiven will become an unsecured term loan with principal and interest payments at 1% due in monthly installments, beginning 10 months after loan origination and maturing two year after payments begin.