

DANCE THEATRE OF HARLEM, INC.

FINANCIAL STATEMENTS

June 30, 2021

CONTENTS

Independent Auditor's Report	1
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dance Theatre of Harlem, Inc.
New York, New York

We have audited the accompanying financial statements of Dance Theatre of Harlem, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditor's 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 Dance Theatre of Harlem, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Dance Theatre of Harlem, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs, as of July 1, 2020. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

Dance Theatre of Harlem, Inc.'s 2020 financial statements were audited by another auditor, who expressed an unmodified opinion on those audited financial statements in their report dated January 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wegner CPAs, LLP
New York, New York
February 18, 2022

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021 with comparative totals for June 30,2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,083,913	\$ 1,708,213
Investments	11,505,062	1,042,004
Government grants receivable	251,293	141,380
Unconditional promises to give, current	1,118,387	651,274
Accounts receivable	2,115	42,659
Prepaid expenses and other assets	<u>114,776</u>	<u>150,516</u>
Total current assets	17,075,546	3,736,046
Prepaid expenses and other assets	-	20,659
Unconditional promises to give, long-term	2,100,000	25,000
Fixed assets, net	5,234,840	5,448,615
Security deposit	<u>1,000</u>	<u>1,000</u>
Total assets	<u>\$ 24,411,386</u>	<u>\$ 9,231,320</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 138,484	\$ 199,574
Refundable advance	502,322	13,655
Deferred revenue	102,021	69,203
Fundraising advances	-	60,698
Current portion of capital lease liability	<u>3,345</u>	<u>6,050</u>
Total current liabilities	746,172	349,180
Security deposit payable	6,271	6,271
Long-term capital lease liability	<u>1,100</u>	<u>3,550</u>
Total liabilities	\$ 753,543	\$ 359,001
NET ASSETS		
Without donor restrictions		
Board-designated reserve	855,692	750,692
Undesignated	<u>16,157,223</u>	<u>4,564,304</u>
Total net assets without donor restrictions	17,012,915	5,314,996
With donor restrictions	<u>6,644,928</u>	<u>3,557,323</u>
Total net assets	<u>23,657,843</u>	<u>8,872,319</u>
Total liabilities and net assets	<u>\$ 24,411,386</u>	<u>\$ 9,231,320</u>

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with comparative totals for the year ended June 30, 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES				
Contributions	\$ 12,947,696	\$ 5,073,308	\$ 18,021,004	\$ 3,564,725
Government grants	495,915	110,950	606,865	1,004,367
In-kind contributions	121,751	30,551	152,302	367,665
Program revenues	333,967	-	333,967	1,838,098
Investment return, net	1,211	-	1,211	2,943
Other income	33,614	-	33,614	24,253
Net assets released from				
Purpose restrictions	1,506,500	(1,506,500)	-	-
Time restrictions	620,704	(620,704)	-	-
Total revenues	16,061,358	3,087,605	19,148,963	6,802,051
EXPENSES				
Program services				
Community engagement	208,987	-	208,987	251,829
School	550,865	-	550,865	1,061,423
Dance company	1,748,585	-	1,748,585	2,022,099
Total program services	2,508,437	-	2,508,437	3,335,351
Supporting activities				
Management and general	1,194,616	-	1,194,616	1,589,403
Fundraising	660,386	-	660,386	343,246
Total expenses	4,363,439	-	4,363,439	5,268,000
Change in net assets	11,697,919	3,087,605	14,785,524	1,534,051
Net assets at beginning of year	5,314,996	3,557,323	8,872,319	7,338,268
Net assets at end of year	\$ 17,012,915	\$ 6,644,928	\$ 23,657,843	\$ 8,872,319

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021 with comparative totals for the year ended June 30, 2020

	Program Services				Supporting Services		2021 Total	2020 Total
	Community Engagement	School	Dance Company	Total	Management and General	Fundraising		
Salaries	\$ 139,801	\$ 345,963	\$ 799,012	\$ 1,284,776	\$ 478,889	\$ 333,694	\$ 2,097,359	\$ 2,436,613
Payroll taxes and employee benefits	34,075	80,468	338,509	453,052	163,583	64,041	680,676	687,450
Production expenses	5,063	7,516	138,587	151,166	167	4,589	155,922	234,417
Office and other expenses	1,170	9,597	60,093	70,860	16,581	37,073	124,514	98,343
Professional fees and contractual services	2,052	5,157	84,390	91,599	285,693	83,989	461,281	614,396
School activities	-	12,244	-	12,244	-	-	12,244	70,615
Travel	-	878	73,971	74,849	490	665	76,004	295,621
Insurance	3,430	10,091	26,095	39,616	26,010	9,209	74,835	97,744
Information technology	2,187	13,983	17,752	33,922	12,488	18,725	65,135	55,500
Marketing	1,037	5,594	56,666	63,297	5,118	54,209	122,624	151,973
Occupancy	7,120	20,958	54,185	82,263	40,651	19,123	142,037	185,867
Taxes and filing fees	-	-	-	-	290	14	304	5,835
Depreciation	13,052	38,416	99,325	150,793	74,516	35,055	260,364	251,203
Bad debt	-	-	-	-	90,140	-	90,140	41,852
Catering	-	-	-	-	-	-	-	40,571
Total expenses	\$ 208,987	\$ 550,865	\$ 1,748,585	\$ 2,508,437	\$ 1,194,616	\$ 660,386	\$ 4,363,439	\$ 5,268,000

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.**STATEMENT OF CASH FLOWS**

Year ended June 30, 2021 with comparative totals for the year ended June 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,785,524	1,534,051
Adjustments to reconcile change in net assets to change in net cash flows from operating activities		
Depreciation	260,364	251,203
Bad debt expense	90,140	41,852
Net realized and unrealized gain on investments	(870)	(12)
In-kind contribution of building and improvements	(30,551)	(243,991)
(Increase) decrease in assets		
Government grants receivable	(109,913)	55,995
Unconditional promises to give, current	(2,632,253)	(98,150)
Accounts receivable	40,544	80,579
Prepaid expenses and other assets	56,399	18,301
Security deposit	-	5,000
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(61,090)	(81,868)
Refundable advance	488,667	(224,899)
Security deposit payable	-	12
Deferred revenue	32,818	-
Fundraising advances	(60,698)	60,698
Net cash flows from operating activities	<u>12,859,081</u>	<u>1,398,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements	(16,038)	(30,000)
Donated marketable securities	-	(1,037)
Purchase of investments	(10,807,188)	(1,152,004)
Proceeds from sale of investments	<u>345,000</u>	<u>111,049</u>
Net cash flows from investing activities activities	<u>(10,478,226)</u>	<u>(1,071,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital leases	<u>(5,155)</u>	<u>(5,581)</u>
Net change in cash	2,375,700	321,198
Cash at beginning of year	<u>1,708,213</u>	<u>1,387,015</u>
Cash at end of year	<u>\$ 4,083,913</u>	<u>\$ 1,708,213</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash transactions		
In-kind contribution of buliding and improvements	\$ 30,551	\$ 243,991

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30,2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Dance Theatre of Harlem, Inc. (Dance Theatre) was organized as a non-profit corporation pursuant to the Not-for-Profit Law of the State of New York on February 11, 1969. Dance Theatre is a publicly supported organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Dance Theatre's goal is to make the performing arts widely accessible to young people, especially those who are not fortunate to have regular access, by creating and presenting the best of classical and neo-classical dance, and allied disciplines, while engaging communities nationally and internationally around the transformative power of the arts. The opportunity to study and excel in the arts gives students the discipline, sense of creativity, and self-esteem that will serve them throughout their lives. A better understanding of the arts is promoted among all races. There are equal opportunities to participate in classical ballet, jazz, modern, and ethnic dance regardless of race, color, creed, age, marital status, disability, national origin, or sexual orientation. Additionally, Dance Theatre establishes and operates centers for teaching and the presentation of dance productions.

Investments

Dance Theatre reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment securities are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions to be received over periods longer than one year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30,2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable consist primarily of tuition and performance fee revenues from clients and students as part of its program services, of which Dance Theatre has an unconditional right to receive. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2021 and 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. Accounts receivable at July 1, 2020 consist of \$20,000 of receivables from performance fee income and ticket sales and \$22,659 of receivables from tuition and fees. Accounts receivable at June 30, 2021 consist of \$2,115 of receivables from tuition and fees.

Fixed Assets

Dance Theatre records the purchase of fixed assets at cost. Donated equipment is carried at fair value at the date of donation. Depreciation of fixed assets is computed on a straight-line basis over the estimated useful lives of the assets.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

Government Grants

Dance Theatre's programs are funded in part by grants and contracts from government agencies that are conditional upon or restricted to Dance Theatre incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by Dance Theatre, both a receivable from the grantor agency and revenue are recorded. Grants, whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported in increases in net assets without donor restrictions.

Costs are allocated to these grants in accordance with established procedures and are subject to audit by the various government agencies. No determination has been made regarding the effect, if any, such audits could have on the financial statements.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Dance Theatre. Volunteers also provide various services through the year that are not recognized as in-kind contributions in the financial statements since the recognition criteria are not met.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30,2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paycheck Protection Program Loans

Dance Theatre received loans under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loans will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. Dance Theatre expects to meet the PPP's eligibility criteria and believes the loans are, in substance, grants that are expected to be forgiven. Dance Theatre recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses.

Revenue Recognition

Program revenue primarily includes performance fee income and ticket sales and tuition and fees. Performance fee income and ticket sales are generally considered to be single performance obligations that are satisfied at a point in time the performance occurs. Tuition and fee revenues are recognized over time throughout the applicable semester, net of any refunds. Amounts received in advance of the period to which the services are delivered are reported as deferred revenue.

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Dance Theatre adopted the requirements of the new guidance as of July 1, 2020, using the modified retrospective method of transition. In applying the new guidance, Dance Theatre elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of July 1, 2020.

The adoption of the new guidance did not have a significant impact on Dance Theatre's financial statements. Based on Dance Theatre's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30,2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, interest and other charges, office supplies, background checks, professional fees and contractual services, insurance, and depreciation, which are allocated on the basis of estimates of time and effort. The following program services and supporting activities are included in the accompanying financial statements:

Community Engagement – Dance Theatre's national education and outreach initiative is the embodiment of Dance Theatre's commitment to increasing access to the performing arts. Based upon the conviction that artists are our best communicators and mirrors of our society, dancing through barriers takes place in schools and other centers, working with students from kindergarten to high school, as well as a broad range of adults. Dance Theatre's programs are tailored to meet the specific needs of each school or community. Activities range from video assemblies, lecture-demonstrations, and master classes to in-school residencies and professional development workshops for teachers.

School – Dance Theatre of Harlem School (DTHS) - A professional studio school located in the historic Harlem community, offers exceptional dance training for talented young people. DTHS offers affordable classes and programs year-round for 600 students on average. Through auditions, scholarships and tuition assistance, DTHS gives young artists from all backgrounds and experiences the opportunity to study, participate and excel in the performing arts, which helps to develop focus, discipline and critical reasoning skills essential to their further education and growth.

Dance Company – Dance Theatre of Harlem Company - Originally founded to create opportunity for dancers of color barred from the world of classical ballet. The dance theatre of Harlem company consists of 18 racially diverse dance artists who perform an eclectic and demanding repertoire. Ballets performed range from the treasured classics of traditional canon to works by George Balanchine, cutting-edge contemporary works, and works that use the language of ballet to celebrate African American culture. As cultural ambassadors, the company tours nationally and internationally with a message of empowerment through the arts. Known for its thrilling performances, the company also places great value on extensive community engagement and arts education opportunities for audiences and young people in New York City and beyond.

Management and General – Includes the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities, and perform other administrative functions.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and others.

Income Tax Status

Dance Theatre is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through February 18, 2022, the date which the financial statements were available to be issued.

NOTE 2—ECONOMIC DEPENDENCY

For the year ended June 30, 2021, approximately 77% of Dance Theatre’s revenue came from two donors contributing one-time gifts from a foundation (\$4.6 million) and an individual donor (\$10 million) in acknowledgement of Dance Theatre’s longstanding work. While those gifts represent a significant percentage of total contributions for Fiscal Year 2021, it is recognized that in typical years the majority of gifts received are from recurring donors.

NOTE 3—CONCENTRATIONS OF CREDIT RISK

Dance Theatre maintains cash balances at two financial institutions located in New York, New York. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, Dance Theatre’s uninsured cash balances total approximately \$3,584,000 and \$1,398,000, respectively.

NOTE 4—INVESTMENTS

Investments consist of the following at June 30, 2021 and 2020:

	2021	2020
Cash and equivalents	\$ 52	\$ -
Money market funds	11,502,078	1,042,004
Equity mutual funds	2,932	-
	\$ 11,505,062	\$ 1,042,004

Fair values of money market and mutual funds are based on quoted net asset values of the shares as reported by the funds. The mutual funds held by Dance Theatre are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price.

NOTE 5—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Receivable in less than one year	\$ 1,118,387	\$ 651,274
Receivable in one to five years	2,100,000	25,000
Total unconditional promises to give	\$ 3,218,387	\$ 676,274

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30,2020

NOTE 6—FIXED ASSETS

Fixed assets at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Land	\$ 168,990	\$ 168,990
Buildings	7,074,960	7,073,362
Building improvements	2,168,934	2,123,943
Capitalized lease equipment	30,311	30,311
Website development	180,000	180,000
Furniture and fixtures	53,885	53,885
Stage production and other equipment	576,015	576,015
Less accumulated depreciation	(5,018,255)	(4,757,891)
Fixed assets, net	\$ 5,234,840	\$ 5,448,615

Dance Theatre received a contributed condominium with a net book value of \$346,155 at June 30, 2021. Dance Theatre does not have the right to assign, sell, or otherwise transfer the condominium except to a cultural non-profit affiliate, a non-profit third-party organization that offers cultural services to the community, or the grantor of a designee of Dance Theatre.

NOTE 7—PAYCHECK PROTECTION PROGRAM LOAN

On May 6, 2020, Dance Theatre received loan proceeds in the amount of \$562,000 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Organization during the covered period. Eligible expenses include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over two years. The entire balance has been recognized as revenue in the year ended June 30, 2020.

On May 14, 2021, Dance Theatre received a \$593,840 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act under the same terms as the initial loan. Any unforgiven portion is payable over two years. Dance Theatre has not yet applied for forgiveness. At June 30, 2021, Dance Theatre has incurred \$177,021 of qualifying expenses. The remaining amount of the loan is included in as a refundable advance in the statement of financial position and will be recognized as revenue in the year ending June 30, 2022.

Dance Theatre must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review Dance Theatre's good-faith certification concerning the necessity of its loan requires, whether Dance Theatre calculated the loan amount correctly, whether Dance Theatre used loan proceeds for allowable uses specified in the CARES Act, and whether Dance Theatre is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Dance Theatre was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balances.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30,2020

NOTE 8—NET ASSETS

Net assets with donor restrictions at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Donated building improvements	\$ 905,125	\$ 874,574
Donated condominium	-	350,000
Various program purposes	462,442	828,752
Endowment restricted as permanent cash reserve	25,000	25,000
Endowment established to support the school program and scholarships	8,505	8,505
Future periods	<u>5,243,856</u>	<u>1,470,492</u>
Total net assets with donor restrictions	<u>\$ 6,644,928</u>	<u>\$ 3,557,323</u>

Dance Theatre currently keeps the endowments in a bank account and is in the process of establishing a formal endowment policy.

NOTE 9—LIQUIDITY AND AVAILABILITY

The following reflects the Dance Theatre's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year because of donor-imposed restrictions. The financial assets available for general expenditure within one year of the statement of financial position dates includes the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 4,083,913	\$ 1,708,213
Investments	11,505,062	1,042,004
Government grants receivable	251,293	141,380
Unconditional promises to give, current	3,218,387	676,274
Accounts receivable	<u>2,115</u>	<u>42,659</u>
Total financial assets available within one year	19,060,770	3,610,530
Less those unavailable for general expenditure within one year, due to:		
Board designations	(855,692)	(750,692)
Purpose restrictions	(495,947)	(862,257)
Time restrictions	<u>(2,100,000)</u>	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,609,131</u>	<u>\$ 1,972,581</u>

As part of the Dance Theatre's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with comparative totals for June 30,2020

NOTE 10—RETIREMENT PLAN

Dance Theatre maintains a 401(k) profit sharing and trust plan operated through a fund sponsor. Employees are eligible upon completion of three months of service, regular, full-time, and part-time employees are eligible to participate for purposes of salary deferrals. Dance Theatre will match at 100% of an employee's elective deferral contribution not exceeding 6% of the employee's compensation upon: completion of 12 consecutive months of continuous employment from hire date with Dance Theatre during which time employee must complete 1000 hours of service. Maximum employee contributions are determined by the fund sponsor and by federal law. Dance Theatre's contributions were \$61,607 and \$51,856 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11—COVID-19 CONSIDERATIONS

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on Dance Theatre's financial position, results of operations, and cash flows. Possible effects may include, but are not limited to, disruption to Dance Theatre's revenue, cancelations or postponements of events, and a decline in value of Dance Theatre's assets, including investments.

NOTE 12—CONDITIONAL PROMISE TO GIVE

The City of New York has supported Dance Theatre with a capital project that commenced in fiscal year 2009, which entails expenditures for a roof repair project, new studio floors, and boiler and HVAC improvements. The City's investment of capital funds obligates Dance Theatre to operate the facility during the respective capital bonding term as a non-profit entity opened, used, and maintained for the benefit of the people of the City of New York for culture, education, or art and/or related purposes approved by the City. For the year ended June 30, 2021 and 2020, there was \$30,551 and \$243,991 in funding of capital expenditures from the City, respectively. As of June 30, 2021, total capital expenditures have aggregated to \$2,065,020 since inception. The value of the capital project expenditures was recognized as in-kind support. June 30, 2021 and 2020, the conditional promises to give from the City regarding these capital expenditures totaled \$10,797,875 and \$9,828,426, respectively. Revenue will be recognized when the funds are expended for improvements in future years.

NOTE 13—DONATED SERVICES

The fair value of donated services received during June 30, 2021 and 2020 was \$111,751 and \$108,932, respectively. The value of these services are included as in-kind contributions in the statement of activities, and as professional fees and contractual services in the statement of functional expenses. During June 30, 2021 and 2020 all donated services were received for management and general purposes.

NOTE 14—CONTINGENCY

In the normal course of business, Dance Theatre received a claim by a former employee. As of February 18, 2022, it is not possible to determine whether there is a loss potential or what that amount might be. Management believes that any potential claims would be covered under Dance Theatre's insurance policy.