

DANCE THEATRE OF HARLEM, INC.

**Financial Statements
For the Year Ended June 30, 2020
(With Summarized Comparative Information for 2019)
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

DANCE THEATRE OF HARLEM, INC.
For the Year Ended June 30, 2020
(With Summarized Comparative Information for 2019)

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-23



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Dance Theatre of Harlem, Inc.

We have audited the accompanying financial statements of Dance Theatre of Harlem, Inc. (Dance Theatre), which comprise the statements of financial position as of June 30, 2020, the related statements of activities 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 audit 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.

80 Pine Street
New York, NY 10005
T +1 212 709 4500
F +1 212 709 4680
mitchelltitus.com



MITCHELL TITUS

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Dance Theatre's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Titus, LLP

January 15, 2021

DANCE THEATRE OF HARLEM, INC.
 Statements of Financial Position
 As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,674,708	\$ 1,353,510
Investments	1,042,004	-
Grants and other receivables	835,313	679,944
Prepaid and other expenses	<u>150,516</u>	<u>172,254</u>
Total current assets	3,702,541	2,205,708
<i>Non-current assets</i>		
Investments	33,505	33,505
Grants and other receivables	25,000	260,645
Prepaid and other expenses	20,659	17,222
Land, building, and equipment, net	5,448,615	5,425,827
Escrow and security deposits	<u>1,000</u>	<u>6,000</u>
Total assets	<u>\$ 9,231,320</u>	<u>\$ 7,948,907</u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 199,574	\$ 281,442
Advances	129,901	297,739
Refundable advances	13,655	10,018
Current portion of capital lease liability	<u>6,050</u>	<u>6,050</u>
Total current liabilities	349,180	595,249
<i>Non-current liabilities</i>		
Security deposit payable	6,271	6,259
Long-term capital lease liability	<u>3,550</u>	<u>9,131</u>
Total liabilities	<u>359,001</u>	<u>610,639</u>
<i>Net assets</i>		
<i>Without donor restrictions</i>		
Board-designated reserve	750,692	960,692
Undesignated	<u>4,564,304</u>	<u>4,337,948</u>
Total without donor restrictions	5,314,996	5,298,640
With donor restrictions	<u>3,557,323</u>	<u>2,039,628</u>
Total net assets	<u>8,872,319</u>	<u>7,338,268</u>
Total liabilities and net assets	<u>\$ 9,231,320</u>	<u>\$ 7,948,907</u>

The accompanying notes are an integral part of these financial statements.

DANCE THEATRE OF HARLEM, INC.

Statement of Activities

For the Year Ended June 30, 2020

(With Summarized Comparative Information for the Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, PUBLIC SUPPORT AND RECLASSIFICATIONS				
<i>Revenue</i>				
Community Engagement	\$ 89,739	\$ -	\$ 89,739	\$ 85,374
Dance Company	979,203	-	979,203	1,602,493
School tuition and fees, net	689,147	-	689,147	1,063,868
Other income	104,273	-	104,273	146,617
Interest	2,932	-	2,932	883
Total revenue	<u>1,865,294</u>	<u>-</u>	<u>1,865,294</u>	<u>2,899,235</u>
<i>Public support</i>				
Government grants/contracts	627,197	377,170	1,004,367	278,334
<i>Contributions</i>				
Individuals	252,118	47,474	299,592	209,570
Fundraising events, net	248,302	-	248,302	631,706
Corporations	50,528	50,000	100,528	50,282
Trusts and foundations	565,266	2,283,870	2,849,136	1,617,539
Bequests	67,167	-	67,167	-
In-kind contributions	123,674	243,991	367,665	522,425
Total public support	<u>1,934,252</u>	<u>3,002,505</u>	<u>4,936,757</u>	<u>3,309,856</u>
Net assets released from restrictions	<u>1,484,810</u>	<u>(1,484,810)</u>	<u>-</u>	<u>-</u>
Total revenue, public support and reclassifications	<u>5,284,356</u>	<u>1,517,695</u>	<u>6,802,051</u>	<u>6,209,091</u>
EXPENSES				
<i>Program services</i>				
Community Engagement	251,829	-	251,829	244,845
School	1,061,423	-	1,061,423	1,247,313
Dance Company	2,022,099	-	2,022,099	2,718,593
Total program services	<u>3,335,351</u>	<u>-</u>	<u>3,335,351</u>	<u>4,210,751</u>
<i>Supporting services</i>				
General administration	1,589,403	-	1,589,403	1,627,099
Fundraising	343,246	-	343,246	457,896
Total supporting services	<u>1,932,649</u>	<u>-</u>	<u>1,932,649</u>	<u>2,084,995</u>
Total expenses	<u>5,268,000</u>	<u>-</u>	<u>5,268,000</u>	<u>6,295,746</u>
Change in net assets	16,356	1,517,695	1,534,051	(86,655)
Net assets, beginning of year	<u>5,298,640</u>	<u>2,039,628</u>	<u>7,338,268</u>	<u>7,424,923</u>
Net assets, end of year	<u>\$ 5,314,996</u>	<u>\$ 3,557,323</u>	<u>\$ 8,872,319</u>	<u>\$ 7,338,268</u>

The accompanying notes are an integral part of these financial statements.

DANCE THEATRE OF HARLEM, INC.
 Statements of Cash Flows
 For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,534,051	\$ (86,655)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	251,203	234,023
Bad debts	41,852	136,248
Net realized and unrealized (gain) loss on investments	(12)	78
In-kind contribution of building and improvements and condominium	(243,991)	(473,619)
<i>Change in assets and liabilities</i>		
Decrease (increase) decrease in grants and other receivab	38,424	(189,008)
Decrease in prepaid and other expenses	18,301	79,872
Decrease (increase) in escrow and security deposits	5,000	(4,037)
(Decrease) increase in accounts payable and accrued expenses	(81,868)	23,604
Decrease in advances and refundable advances	(164,201)	(65,926)
Increase in security deposits payable	12	2,903
Net cash provided by (used in) operating activities	<u>1,398,771</u>	<u>(342,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements	(30,000)	(163,073)
Donated marketable securities	(1,037)	(1,041)
Purchase of investments	(1,152,004)	-
Sale of investments	111,049	963
Net cash used in investing activities	<u>(1,071,992)</u>	<u>(163,151)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital leases	(5,581)	(6,181)
Net cash used in financing activities	<u>(5,581)</u>	<u>(6,181)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	321,198	(511,849)
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,353,510</u>	<u>1,865,359</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,674,708</u>	<u>\$ 1,353,510</u>
SUPPLEMENTAL DISCLOSURES		
Investing and financing activities associated with the acquisition of equipment under a capital lease	<u>\$ -</u>	<u>\$ 3,465</u>

The accompanying notes are an integral part of these financial statements.

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 1 ORGANIZATION

Dance Theatre of Harlem, Inc. (Dance Theatre or the Organization) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, Dance Theatre is required to report information regarding its financial position and activities according to two net asset classes: without donor restrictions and with donor restrictions.

Net Asset Classification

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. Therefore, net assets with similar characteristics have been combined into the following categories:

Without donor restrictions represent funds that are fully available, at the discretion of management and the Board of Directors (the Board), for Dance Theatre's use in any of its program or supporting services.

With donor restrictions are subject to donor-imposed restrictions that permit the Organization to use or expend the assets for particular purposes or in a specific time period. The restriction is satisfied either by the passage of time or when the purpose restriction is accomplished. The Organization reports donor-restricted contributions whose restrictions are met in the same reporting period as without donor restrictions support.

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Asset Classification *(continued)*

Net assets to be held in perpetuity are subject to donor-imposed restrictions that stipulate the principal be invested in perpetuity, but permit the Organization to use all or a part of the income earned on these assets for either specified or unspecified purposes.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

Cash equivalents are money market funds with original maturities of three months or less.

During 2019, Dance Theatre received funds from a conditional grant for rehearsal space subsidy. As of June 30, 2020, Dance Theatre received in advance of conditions being met a total of \$13,655.

The composition of cash and cash equivalents and restricted cash is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,661,053	\$ 1,343,492
Restricted cash	13,655	10,018
Total cash, cash equivalent, and restricted cash	<u>\$ 1,674,708</u>	<u>\$ 1,353,510</u>

Functional Allocation of Expenses

The costs of providing Dance Theatre's various programs and other activities have been summarized on a functional basis in the statement of activities, which includes all expenses incurred during the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, insurance, occupancy, office, and other expenses, which are allocated based on salaries.

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Interpretation of Relevant Law

The New York Non-Profit Revitalization Act (the Act) became effective on July 1, 2014. The Act enhances nonprofit governance and oversight to improve public trust and reduces unnecessary and outdated burdens on nonprofits. Dance Theatre's management evaluated the effect of the Act's requirements and made required changes to the Organization's governance structure, including the creation of an Audit Committee and additional Board of Directors' oversight in finance and accounting matters. Management believes that Dance Theatre is in compliance with the Act's requirements.

Revenue Recognition

Grants and contributions, including promises to give, are recorded at fair value and recognized as revenue when received or pledged unconditionally. Grants and contributions received are recorded as with or without donor restrictions support. These classifications depend on the existence and nature of any donor-imposed restrictions. Support restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other 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; a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions.

Dance Theatre has received contributed building improvements that are classified as net assets with donor restrictions due to contractual purpose restrictions. The net assets associated with these building improvements are reclassified to net assets without donor restrictions when the assets are placed in service.

Dance Theatre has received conditional grants from governmental entities that are not recorded in the accompanying financial statements for boiler and HVAC improvements. In August 2020, Dance Theatre was informed an additional \$1,000,000 was added to the project and the total of these grants was expected to be \$10,703,000. The grants will be recorded after the funds are expended for the improvements. As of June 30, 2020, the total amount expended was \$874,574.

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

On December 18, 2019, Dance Theatre received a grant for \$4,000,000 over approximately five years to support improvements to salaries for artists and staff, investments in fundraising infrastructure and leadership, and improve artistic and community-building initiatives. Of this amount, \$1,000,000 was paid to Dance Theatre for spendable funds and \$200,000 was paid for a board-designated revolving cash reserve. Dance Theatre recognized the \$1,200,000 of the grant during the year ended June 30, 2020. The remaining \$2,800,000 was contingent on Dance Theatre obtaining matching funds: \$1,000,000 to be paid on a one to one basis in amounts of \$50,000 or more, and \$1,800,000 to be paid upon completion of the cumulative milestones towards Dance Theatre's total \$1,000,000 matching requirement.

Performance fee income and ticket sales are recorded as revenue after the performance has occurred.

Tuition and fees are recorded as revenue at the end of the semester, net of any refunds.

On September 1, 2015, Dance Theatre entered into a two-year lease agreement with the Jose Limon Dance Foundation, which was renewed in April 2019 for two years through June 30, 2021. The Jose Limon Dance Foundation is leasing studio and office space from Dance Theatre. Rental income for the year ended June 30, 2020 was \$53,453.

On September 1, 2018, Dance Theatre entered into a one-year lease agreement with KD Dance Retail LLC, which was renewed in August 2019 for 10 months through July 31, 2020. KD Dance Retail LLC is leasing boutique space from Dance Theatre. Rental income for the year ended June 30, 2020 was \$10,625.

Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected within one year are recorded at their realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at their fair value using a present value of future cash flows technique. Consideration is given to the donor's credit risk, possible variations in the amount and/or timing of the cash flows and other specific factors. Amortization of the fair value adjustment is included in grant and contribution support in the accompanying statement of activities.

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Advances

Advances represent tuition revenue for summer sessions conducted by the School at Dance Theatre, which were received in advance and will be recognized as revenue in a future period. Enrollment for these summer sessions begins in the Spring prior to June 30. Advances also includes any performance fees for Dance Theatre that were collected in advance of the performance date.

Land, Building and Equipment

Land, building, and equipment are stated at cost or the fair value at the date of donation, except for items of immaterial value, which are expensed when acquired.

Depreciation of fixed assets is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

	<u>Years</u>
Building	50
Building improvements	20
Furniture and fixtures	10
Stage production and other equipment	2–10
Capitalized lease phone equipment	5

Dance Theatre evaluates impairment of long-lived assets, which are held for use, whenever events or circumstances indicate that impairment may exist. An impairment loss is recorded if the net carrying value of the assets exceeds the undiscounted future net operating cash flows attributable to the asset. Management has determined that long-lived assets were not impaired at June 30, 2020 and 2019.

Investments

Investments are stated at fair value, which is based on published unit values or quoted market prices. Donated securities are recorded at their quoted market values on the date received. Dance Theatre employs the provisions of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures*, which establishes a hierarchical disclosure framework for measuring fair value that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by many factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace, including the existence and transparency of transactions between market participants. Investments with readily available active prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability, which requires less judgment in measuring fair value.

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

As prescribed by ASC 820-10, investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1:* Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2:* Pricing inputs are those other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3:* Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Changes in valuation techniques may result in transfers in or out of an assigned level within the hierarchy.

Tuition Assistance

Tuition assistance allowances were provided to students as stipends, scholarships and tuition assistance. These tuition assistance allowances were funded by Dance Theatre scholarship contributions and other contributions designated for general operating support. The amounts are reflected net of school tuition and fees revenue in the accompanying financial statements. The total amount of tuition assistance for the years ended June 30, 2020 and 2019 was \$269,053 and \$260,281, respectively.

Summarized Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Dance Theatre's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Uncertain Tax Positions

U.S. GAAP requires management to evaluate uncertain tax positions taken by Dance Theatre. The financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by Dance Theatre and has concluded that as of June 30, 2020, there are no uncertain tax positions taken or expected to be taken. Dance Theatre has recognized no interest or penalties related to uncertain tax positions. Dance Theatre is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2016.

Fundraising Events

Fundraising events revenue is net of direct benefit to donor costs consisting of meals, entertainment, and other costs. Net revenue for fundraising events was \$248,302 and \$631,706 for the years ended June 30, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Fundraising events revenue	\$ 309,000	\$ 932,191
Less: Direct benefit to donor costs	(60,698)	(300,485)
Fundraising events, net	<u>\$ 248,302</u>	<u>\$ 631,706</u>

Due to COVID-19, the fundraising event was postponed to October 2020.

In-kind Contributions

In-kind contributions include pro bono legal services, advertising services and marketing materials reflected in the financial statements at their estimated fair value at the time of donation. Also included in in-kind contributions is the value of contributed building and improvements and a condominium space.

Reclassification of Prior Year's Totals

Certain prior year comparative totals were reclassified to conform to current year's presentation.

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting Pronouncement Adopted

In 2020, Dance Theatre adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which provides a more robust framework for determining whether a transaction should be accounted for as a contribution or exchange transaction. Organizations would have to evaluate whether the resource provider is receiving value in return for the resources transferred. If the resource provider is not itself receiving commensurate value for the resources provided, the organization would have to determine whether a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer. In such circumstances, other guidance, such as the revenue recognition standard (ASC 606) would apply. The amendments related to contributions received are effective for Dance Theatre's fiscal year ended June 30, 2020 and did not impact the accompanying financial statements. Dance Theatre is evaluating the impact of this ASU on its consolidated financial statements and accompanying notes as it relates to contributions made.

Accounting Pronouncement Not Yet Adopted

The FASB also issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires additional disclosures pertaining to qualitative and quantitative disaggregation of revenue into categories that explain how revenue and cash flows are impacted by economic factors, information about contract balances, and discussion of remaining performance obligations. The scope of this ASU excludes contributions and collaborative arrangements since they are not viewed to be contracts with customers. The key principle of the guidance is to recognize revenue to reflect 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 effective date for ASU 2014-09 was delayed by one year through ASU 2020-05. The amendments are effective for Dance Theatre's fiscal year ended June 30, 2021. This ASU is relevant to the accounting for Dance Theatre's revenue other than contributions and investment income when it is adopted.

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents Dance Theatre's financial assets at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<i>Financial assets at fiscal year end</i>		
Cash and cash equivalents	\$ 1,674,708	\$ 1,353,510
Grants and other receivables	860,313	940,589
Investments	<u>1,075,509</u>	<u>33,505</u>
Total financial assets	<u>3,610,530</u>	<u>2,327,604</u>
<i>Less amounts not available to be used within one year</i>		
Net assets with donor restrictions	3,557,323	2,039,628
Less: Net assets with purpose restrictions to be met in less than one year	(1,125,214)	(578,000)
Less: Net assets with time restrictions to be met in less than one year	(1,450,492)	(274,571)
Board-designated net assets	<u>750,692</u>	<u>960,692</u>
	<u>1,732,309</u>	<u>2,147,749</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,878,221</u>	<u>\$ 179,855</u>

Dance Theatre receives significant contributions and promises to give restricted by donors, and considers contributions received for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Dance Theatre has a policy to designate all net assets without donor restrictions. Board-designated funds can be made available to meet operating needs, if necessary. During the fiscal year ended June 30, 2020, Dance Theatre was able to meet its cash needs utilizing designated reserves.

NOTE 4 CONCENTRATION OF CREDIT RISK

Dance Theatre maintains cash balances in financial institutions. These balances occasionally exceed the amount insured by the Federal Deposit Insurance Corporation and, therefore, subject Dance Theatre to concentration of credit risk. However, Dance Theatre's management monitors this risk on a regular basis.

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 5 INVESTMENTS

Dance Theatre held the following investments, which are stated at fair value:

	<u>2020</u>	<u>2019</u>
<i>Money market funds</i>		
To be held in perpetuity	\$ 33,505	\$ 33,505
Liquidity reserve	200,000	-
Donor-restricted funds	<u>842,004</u>	<u>-</u>
Total investments	<u>\$ 1,075,509</u>	<u>\$ 33,505</u>

The following tables present the balance of assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$1,075,509	\$ -	\$ -	\$1,075,509
Total investments	<u>\$1,075,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,075,509</u>
	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 33,505	\$ -	\$ -	\$ 33,505
Total investments	<u>\$ 33,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,505</u>

Money market funds are valued at the closing price reported on the active market on which the funds are traded.

NOTE 6 GRANTS AND OTHER RECEIVABLES

Grants and other receivables were comprised of the following:

	<u>2020</u>	<u>2019</u>
Government grants receivable	\$ 141,380	\$ 197,375
Pledge receivables	676,274	619,976
Fees and other income receivable	<u>42,659</u>	<u>123,238</u>
Total	<u>\$ 860,313</u>	<u>\$ 940,589</u>

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 6 GRANTS AND OTHER RECEIVABLES *(continued)*

Below is a summary of due dates of grants and other receivables as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due in less than 1 year	\$ 835,313	\$ 679,944
Due in 1-5 years	25,000	260,645
	<u>\$ 860,313</u>	<u>\$ 940,589</u>

NOTE 7 LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings, and equipment follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 168,990	\$ 168,990
Buildings	7,073,362	7,073,362
Building improvements	2,123,943	1,879,952
Capitalized lease equipment	30,311	30,311
Website development	180,000	150,000
Furniture and fixtures	53,885	53,885
Stage production and other equipment	576,015	576,015
Total	10,206,506	9,932,515
Less: Accumulated depreciation	<u>(4,757,891)</u>	<u>(4,506,688)</u>
Net book value	<u>\$ 5,448,615</u>	<u>\$ 5,425,827</u>

Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was \$251,203 and \$234,023, respectively.

In connection with the sale of Dance Theatre's parking lots in 2016, the sale agreement stipulated that subsequent to the closing and construction of a building on the premises, the purchaser will transfer to Dance Theatre a 500-square-foot condominium unit for a nominal consideration of \$10. This condominium unit would be used for the provision of cultural services. The value of the contributed condominium unit was \$350,000 and was recorded as an in-kind contribution with donor restrictions in fiscal 2019.

Dance Theatre was conveyed a residential apartment and cellar space (DTH space) in connection with the sale of buildings to a third-party entity. The DTH space is to be used for any not-for-profit arts or cultural purpose, including ancillary uses, to facilitate the use of the property for its specified purpose. Depreciation on the DTH space commenced in October 2015 when the space was put into service.

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 8 ESCROW AND SECURITY DEPOSITS

Escrow and security deposits were comprised of the following:

	<u>2020</u>	<u>2019</u>
Rental space security deposits	\$ 1,000	\$ 6,000
Total	<u>\$ 1,000</u>	<u>\$ 6,000</u>

Dance Theatre has a security deposit with New York City Center for the New York season, which as of June 30, 2020 and 2019, was \$0 and \$5,000, respectively. The security deposit is included in escrow and security deposits on the statement of financial position.

In February 2018, Dance Theatre entered into a month-to-month lease for storage space for archival production equipment and supplies. Dance Theatre's storage rent expense for the fiscal years ended June 30, 2020 and 2019 was \$19,344 and \$20,844, respectively. The lease agreement provided for a security deposit, which as of June 30, 2020 and 2019 was \$1,000 in both years. The security deposit is included in escrow and security deposits on the statements of financial position.

NOTE 9 ADVANCES

Advances consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
School revenue advances	\$ 22,953	\$ 162,569
Performance fee advances	46,250	135,170
Fundraising advances	60,698	-
Total advances	<u>\$ 129,901</u>	<u>\$ 297,739</u>

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 10 NET ASSETS

The composition of net assets at June 30, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
<i>Without donor restrictions</i>		
Undesignated	\$ 4,564,304	\$ 4,337,948
Designated by the Board for investment purposes	<u>750,692</u>	<u>960,692</u>
	<u>5,314,996</u>	<u>5,298,640</u>
<i>With donor restrictions</i>		
<i>Net assets with donor restrictions are designated as follows</i>		
Donated building improvements	874,574	630,582
Donated condominium	350,000	350,000
Purpose restrictions	828,752	521,220
Time restrictions	<u>1,470,492</u>	<u>504,321</u>
Total net assets with purpose or time restrictions	<u>3,523,818</u>	<u>2,006,123</u>
<i>Held in perpetuity</i>		
Fan Fox and Leslie R. Samuels Foundation Grant, established as a permanent cash reserve	25,000	25,000
Ron Chandler Endowment Fund, established to support the school program and scholarships	<u>8,505</u>	<u>8,505</u>
Total net assets held in perpetuity	<u>33,505</u>	<u>33,505</u>
	<u>3,557,323</u>	<u>2,039,628</u>
	<u>\$ 8,872,319</u>	<u>\$ 7,338,268</u>

Net assets released from restrictions based on the satisfaction of purpose and time restrictions were as follows:

	<u>2020</u>	<u>2019</u>
Purpose	\$ 596,088	\$ 812,133
Time	<u>888,722</u>	<u>408,581</u>
	<u>\$ 1,484,810</u>	<u>\$ 1,220,714</u>

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 11 ENDOWMENT FUNDInterpretation of Relevant Law

Dance Theatre’s Board follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which allows an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent; however, as this is subject to the intent of the donor expressed in the gift instrument. NYPMIFA provides that unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. For purposes of the financial statement presentation, Dance Theatre classifies as net assets held in perpetuity: (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) 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 remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity net assets is characterized as donor restricted. Of importance, however, under NYPMIFA, Dance Theatre is entitled to appropriate for expenditure endowment funds whether characterized here as “held in perpetuity” or “donor restricted,” except where inconsistent with the intent of the donor expressed in the gift instrument.

In accordance with New York State law, Dance Theatre considers the following factors in making a determination to approximate or calculate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of Dance Theatre and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of Dance Theatre; and
7. Where appropriate, circumstances that would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on Dance Theatre.

The composition of endowment net assets, by type of fund, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020			
Donor-restricted endowment funds	\$ -	\$ 33,505	\$ 33,505
Total funds	\$ -	\$ 33,505	\$ 33,505

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 11 ENDOWMENT FUND (continued)

Interpretation of Relevant Law (continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2019			
Donor-restricted endowment funds	\$ -	\$ 33,505	\$ 33,505
Total funds	<u>\$ -</u>	<u>\$ 33,505</u>	<u>\$ 33,505</u>

There were no changes in endowment net assets for the years ended June 30, 2020 or 2019.

Investment and Spending Policies

Dance Theatre has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Investment Committee of the Board, the endowment assets are invested with the intention to preserve the assets of donor-restricted funds that Dance Theatre must hold in perpetuity while assuming a low level of investment risk. Therefore, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable, and probable. In addition, a periodic review of total rate of return and spending rate objectives is required. Dance Theatre does not have a specific spending rate but allows for income earned on the endowment to be available for appropriation.

NOTE 12 IN-KIND CONTRIBUTIONS

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, 2020, there was \$243,991 in funding of capital expenditures from the City. Total capital expenditures have aggregated to \$2,034,469 since inception. The value of the capital project expenditures was recognized as in-kind support.

As indicated in Note 7, Dance Theatre recognized the value of the contributed condominium unit for \$350,000 for the fiscal year ended June 30, 2019.

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 12 IN-KIND CONTRIBUTIONS *(continued)*

Total in-kind contributions for the years ended June 30, 2020 and 2019 were \$367,665 and \$522,425, respectively. This includes the donated building improvements and condominium unit indicated above. Additionally, in-kind contributions consisted of contributed legal services that represented \$108,932 and \$15,073 in 2020 and 2019, respectively, and contributed advertising services that represented \$0 and \$7,051 in 2020 and 2019, respectively.

NOTE 13 CAPITAL LEASES

In October 2016, Dance Theatre entered into a five-year capital lease for phone equipment.

The approximate future minimum lease payments under the agreement, which are included in capital lease liability in the accompanying statements of financial position, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 5,369
2022	<u>1,790</u>
Total	<u>\$ 7,159</u>

In November 2018, Dance Theatre entered into a five-year capital lease for postage equipment.

The approximate future minimum lease payments under the agreement, which are included in capital lease liability in the accompanying statements of financial position, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 660
2022	660
2023	660
2024	<u>440</u>
Total	<u>\$ 2,420</u>

DANCE THEATRE OF HARLEM, INC.
Notes to Financial Statements
Year Ended June 30, 2020

NOTE 14 FUNCTIONAL EXPENSES

Dance Theatre's expenses are summarized on a functional basis for 2020 and the summarized comparative information for Dance Theatre's expenses for 2019 are as follows:

	Program Services				Supporting Services			Total Expenses	
	Community Engagement	School	Dance Company	Total	General Administration	Fund-Raising	Total	2020	2019
PERSONNEL									
Salaries and wages	\$ 161,192	\$ 590,940	\$ 811,394	\$ 1,563,526	\$ 760,439	\$ 112,647	\$ 873,086	\$ 2,436,612	\$ 2,551,989
Employee benefits and payroll taxes	30,662	106,443	318,826	455,931	203,425	28,095	231,520	687,451	711,040
Total personnel	191,854	697,383	1,130,220	2,019,457	963,864	140,742	1,104,606	3,124,063	3,263,029
OTHER THAN PERSONNEL									
Production expenses	9,638	35,595	188,121	233,354	613	450	1,063	234,417	620,677
General and administrative	7,330	59,297	23,890	90,517	25,852	22,540	48,392	138,909	227,366
Prof. fees and contractual services	1,755	14,690	135,129	151,574	364,276	98,547	462,823	614,397	642,723
Field trips and accommodations	-	70,615	-	70,615	-	-	-	70,615	126,517
Travel	(1,620)	26,345	264,225	288,950	5,093	1,578	6,671	295,621	460,690
Insurance	5,888	21,399	34,684	61,971	31,455	4,319	35,774	97,745	87,128
Information technology	2,095	11,456	16,275	29,826	11,171	14,504	25,675	55,501	55,944
Marketing	8,580	28,460	71,904	108,944	6,783	36,246	43,029	151,973	220,806
Occupancy costs	11,169	41,150	65,797	118,116	59,560	8,193	67,753	185,869	215,725
Taxes and filing fees	-	-	2,665	2,665	3,149	21	3,170	5,835	4,870
Bad debts	-	-	-	-	36,852	5,000	41,852	41,852	136,248
Total other than personnel	44,835	309,007	802,690	1,156,532	544,804	191,398	736,202	1,892,734	2,798,694
Depreciation	15,140	55,033	89,189	159,362	80,735	11,106	91,841	251,203	234,023
Total expenses	\$ 251,829	\$ 1,061,423	\$ 2,022,099	\$ 3,335,351	\$ 1,589,403	\$ 343,246	\$ 1,932,649	\$ 5,268,000	\$ 6,295,746

DANCE THEATRE OF HARLEM, INC.

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 15 RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, economic uncertainties have arisen which could negatively impact activities of Dance Theatre. Such potential impact is unknown at this time. No adjustments or provisions were made in these financial statements related to COVID-19.

NOTE 16 PAYCHECK PROTECTION PROGRAM (PPP)

On May 6, 2020, Dance Theatre received loan proceeds in the amount of \$562,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides loans to qualifying entities. The loans and accrued interest are forgivable after eight weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months.

Dance Theatre expects to meet the PPP's eligibility criteria, and therefore, has concluded that the PPP loan represents, in substance, a conditional contribution and expects the loan will be forgiven in full. As a result, Dance Theatre has accounted for the PPP loan in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, as a conditional contribution. During the year ended June 30, 2020, Dance Theatre substantially met the conditions of the loan and has recognized the entire loan amount as contribution revenue in the accompanying financial statements. Although there is no absolute assurance that Dance Theatre will not take actions that could cause Dance Theatre to be ineligible for forgiveness of the loan, in part or in whole, Dance Theatre believes the possibility of that occurring to be remote.

NOTE 17 SUBSEQUENT EVENTS

Dance Theatre has evaluated subsequent events through January 15, 2021, which is the date that the financial statements were available for issuance or disclosure and recognition purposes in the financial statements, and determined that there are no additional disclosure or recognition items other than as noted below and in Note 2 relating to postponement of the fundraising event to October 2020 due to COVID-19.

In November 2020, Dance Theatre was named as an American Cultural Treasure by the Ford Foundation and received a four-year grant totaling \$4,600,000, of which \$4,500,000 is designated as general operating support and \$100,000 is designated for core support toward technical assistance. The grant terms will begin in January 2021.

