

DANCE THEATRE OF HARLEM, INC.

FINANCIAL STATEMENTS

June 30, 2022

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

Opinion

We have audited the financial statements of Dance Theatre of Harlem, Inc., which comprise the statement of financial position as of [Date], and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dance Theatre of Harlem, Inc. as of November 21, 2022, 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.

Basis for Opinion

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

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 No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

We have previously audited Dance Theatre of Harlem, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
November 21, 2022

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022 with Comparative Totals as of June 30,2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,913,184	\$ 4,083,913
Investments	11,584,997	11,505,062
Government grants receivable	84,900	251,293
Unconditional promises to give, current	1,385,283	1,118,387
Accounts receivable	105,801	2,115
Prepaid expenses and other assets	<u>203,155</u>	<u>114,776</u>
Total current assets	19,277,320	17,075,546
Unconditional promises to give, long-term, net	986,467	2,100,000
Fixed assets, net	5,025,130	5,234,840
Security deposit	<u>3,000</u>	<u>1,000</u>
Total assets	<u><u>\$ 25,291,917</u></u>	<u><u>\$ 24,411,386</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 370,019	\$ 138,484
Refundable advance	26,076	502,322
Deferred revenue	272,068	102,021
Current portion of capital lease liability	<u>660</u>	<u>3,345</u>
Total current liabilities	668,823	746,172
Security deposit payable	6,378	6,271
Long-term capital lease liability	<u>440</u>	<u>1,100</u>
Total liabilities	\$ 675,641	\$ 753,543
NET ASSETS		
Without donor restrictions		
Board-designated reserve	1,025,917	855,692
Undesignated	<u>17,621,515</u>	<u>16,157,223</u>
Total net assets without donor restrictions	18,647,432	17,012,915
With donor restrictions	<u>5,968,844</u>	<u>6,644,928</u>
Total net assets	<u><u>24,616,276</u></u>	<u><u>23,657,843</u></u>
Total liabilities and net assets	<u><u>\$ 25,291,917</u></u>	<u><u>\$ 24,411,386</u></u>

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES				
Contributions	\$ 1,668,020	\$ 1,462,290	\$ 3,130,310	\$ 18,021,004
Government grants	2,031,162	222,000	2,253,162	606,865
Special events	667,704	-	667,704	-
Less: Costs of direct benefits to donors	(233,870)	-	(233,870)	-
In-kind contributions	99,825	-	99,825	152,302
Program revenues	1,214,023	-	1,214,023	333,967
Investment return, net	19,457	-	19,457	1,211
Other income	94,604	-	94,604	33,614
Net assets released from				
Purpose restrictions	847,642	(847,642)	-	-
Time restrictions	1,512,733	(1,512,733)	-	-
Total revenues	7,921,300	(676,085)	7,245,215	19,148,963
EXPENSES				
Program services				
Community engagement	301,258	-	301,258	208,987
School	825,468	-	825,468	550,865
Dance company	2,944,523	-	2,944,523	1,748,585
Total program services	4,071,249	-	4,071,249	2,508,437
Supporting activities				
Management and general	1,347,599	-	1,347,599	1,194,616
Fundraising	867,934	-	867,934	660,386
Total expenses	6,286,782	-	6,286,782	4,363,439
Change in net assets	1,634,518	(676,085)	958,433	14,785,524
Net assets at beginning of year	17,012,914	6,644,929	23,657,843	8,872,319
Net assets at end of year	\$ 18,647,432	\$ 5,968,844	\$ 24,616,276	\$ 23,657,843

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	Program Services				Supporting Activities		Costs of Direct Benefits to Donors	2022 Total	2021 Total
	Community Engagement	School	Dance Company	Total Program Services	Management and General	Fundraising			
Salaries	\$ 196,653	\$ 503,426	\$ 1,278,581	\$ 1,978,660	\$ 550,186	\$ 488,123	\$ -	\$ 3,016,969	\$ 2,097,359
Payroll taxes and employee benefits	33,522	117,445	451,446	602,413	152,390	105,684	-	860,487	680,676
Production expenses	3,600	4,844	277,325	285,769	3,370	2,334	176,933	468,406	155,922
Office and other expenses	1,749	16,309	33,012	51,070	29,264	28,690	43,530	152,554	124,514
Professional fees and contractual services	2,128	5,739	104,401	112,268	440,655	95,589	1,000	649,512	461,281
School activities	-	5,371	-	5,371	159	-	-	5,530	12,244
Travel	3,766	8,514	397,173	409,453	4,197	21,170	4,886	439,706	76,004
Insurance	3,400	9,171	25,555	38,126	16,303	8,771	-	63,200	74,835
Information technology	3,571	23,802	27,990	55,363	11,960	29,608	-	96,931	65,135
Marketing	4,770	7,568	34,951	47,289	12,490	32,313	6,347	98,439	122,624
Occupancy	28,869	73,904	187,699	290,472	73,003	15,131	-	378,606	142,037
Taxes and filing fees	-	-	-	-	775	-	-	775	304
Depreciation	19,230	49,228	125,025	193,483	48,627	10,078	-	252,188	260,364
Bad debt	-	-	-	-	4,220	-	-	4,220	90,140
Catering	-	147	1,365	1,512	-	30,443	1,174	33,129	-
Total expenses	301,258	825,468	2,944,523	4,071,249	1,347,599	867,934	233,870	6,520,652	4,363,439
Less: Special event expenses deducted directly from revenues on the statement of activities	-	-	-	-	-	-	(233,870)	(233,870)	-
Total expenses included in the expense section on the statement of activities	\$ 301,258	\$ 825,468	\$ 2,944,523	\$ 4,071,249	\$ 1,347,599	\$ 867,934	\$ -	\$ 6,286,782	\$ 4,363,439

See accompanying notes.

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

Year Ended June 30, 2022 with Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 958,433	14,785,524
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	252,188	260,364
Bad debt expense	4,220	90,140
Net realized and unrealized gains on investments	(18,733)	(870)
In-kind contribution of building and improvements	-	(30,551)
(Increase) decrease in assets		
Government grants receivable	166,393	(109,913)
Unconditional promises to give	842,417	(2,632,253)
Accounts receivable	(103,686)	40,544
Prepaid expenses and other assets	(88,379)	56,399
Security deposit	(2,000)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	231,535	(61,090)
Refundable advance	(476,246)	488,667
Security deposit payable	107	-
Deferred revenue	170,047	32,818
Fundraising advances	-	(60,698)
Net cash flows from operating activities	<u>1,936,296</u>	<u>12,859,081</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and building improvements	(42,478)	(16,038)
Purchases of investments	(10,801,889)	(10,807,188)
Proceeds from sales of investments	10,740,687	345,000
Net cash flows from investing activities activities	<u>(103,680)</u>	<u>(10,478,226)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital leases	(3,345)	(5,155)
Net change in cash	<u>1,829,271</u>	<u>2,375,700</u>
Cash at beginning of year	<u>4,083,913</u>	<u>1,708,213</u>
Cash at end of year	<u>\$ 5,913,184</u>	<u>\$ 4,083,913</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash investing transactions		
In-kind contribution of buliding and improvements	\$ -	\$ 30,551

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 is primarily funded through contributions, government grants and program service fees.

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 rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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.

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. 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 more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

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, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Dance Theatre carries purchased fixed assets at cost. Donated fixed assets are carried at fair value at the date of donation. Depreciation is computed using the straight-line method.

Accounts Receivable

Accounts receivable consist primarily of tuition and performance fees due from clients and students as part of its program services. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2022 and 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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 from government agencies that are conditioned upon 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 are generally restricted by the grantor for a specified purpose. 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 financial and compliance reviews and audits by the grantors and other government agencies. No determination has been made regarding the effect, if any, such reviews and audits could have on the financial statements.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers also provide various services through the year that are not recognized as in-kind contributions in the financial statements since the recognition criteria were not met.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 have been fully forgiven as the funds were used for eligible expenses such as payroll costs, interest on mortgages, rent, and utilities. Dance Theatre met the PPP's eligibility criteria and believes the loans were, in substance, grants that have been forgiven. Dance Theatre recognized amounts expected to be forgiven as revenue when it incurred qualifying expenses.

Revenue Recognition

Program revenue primarily includes performance fees and ticket sales and tuition and fees. Performance fees and ticket sales are recognized as revenue when the performance occurs. Tuition and fees are recognized ratably over the applicable semester, net of any refunds. Accounts receivable at June 30, 2022 and 2021 are as follows:

	2022	2021
Beginning of year	\$ 2,115	\$ 42,659
End of year	105,801	2,115

Amounts received in advance of the period to which the services are delivered are reported as deferred revenue:

	2022	2021
Beginning of year	\$ 102,021	\$ 129,901
End of year	272,068	102,021

Adoption of New Accounting Guidance

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as in-kind contributions) received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. Dance Theatre adopted the requirements of this Update effective July 1, 2021.

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, 2022

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, 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) is 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 creates opportunities for dancers of color barred from the world of classical ballet. The Dance Theatre of Harlem Company consists of 19 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 of Dance Theatre, and perform other administrative functions.

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

Date of Management's Review

Management has evaluated subsequent events through November 21, 2022, the date which the financial statements were available to be issued.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2—ECONOMIC DEPENDENCY

For the year ended June 30, 2022 and 2021, approximately 28% of Dance Theatre's revenue came from one government agency. 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 the grants and gifts represent a significant percentage of total contributions for Fiscal Years 2022 and 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, 2022 and 2021, Dance Theatre's uninsured cash balances total approximately \$5,630,000 and \$3,584,000, respectively.

NOTE 4—INVESTMENTS

Investments consist of the following:

	2022	2021
Cash and equivalents	\$ 4,322	\$ 52
Money market funds	11,580,675	11,502,078
Equity mutual funds	-	2,932
	\$ 11,584,997	\$ 11,505,062

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 are as follows:

	2022	2021
Receivable in less than one year	\$ 1,385,283	\$ 1,118,387
Receivable in one to five years	1,050,000	2,100,000
Discount on long term promises to give	(63,533)	-
Total unconditional promises to give, net	\$ 2,371,750	\$ 3,218,387

Unconditional promises to give at June 30, 2022 receivable in more than one year are discounted at an effective rate of 3.17%.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6—FIXED ASSETS

Fixed assets consist of the following:

	2022	2021
Land	\$ 168,990	\$ 168,990
Buildings	7,074,960	7,074,960
Building improvements	2,211,412	2,168,934
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	(5,270,443)	(5,018,255)
Fixed assets, net	\$ 5,025,130	\$ 5,234,840

Dance Theatre received a contributed condominium with a net book value of \$339,898 and \$346,155 at June 30, 2022 and 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 LOANS

Dance Theatre received two loans totaling \$1,155,840 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. Dance Theatre has received full forgiveness of both loans. 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.

NOTE 8—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 1,000 hours of service. Maximum employee contributions are determined by the fund sponsor and by federal law. Dance Theatre's contributions were \$102,784 and \$61,607 for the years ended June 30, 2022 and 2021, respectively.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2022	2021
Donated building improvements	\$ 905,125	\$ 905,125
Various program purposes	588,848	462,442
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	4,441,366	5,243,856
Total net assets with donor restrictions	\$ 5,968,844	\$ 6,644,928

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

NOTE 10—LIQUIDITY AND AVAILABILITY

The following reflects Dance Theatre’s financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditures within one year because of donor-imposed restrictions and internal designations. The financial assets available for general expenditure within one year of the statement of financial position dates includes the following:

	2022	2021
Cash	\$ 5,913,184	\$ 4,083,913
Investments	11,584,997	11,505,062
Government grants receivable	84,900	251,293
Unconditional promises to give	2,371,750	3,218,387
Accounts receivable	105,801	2,115
Total financial assets	20,060,632	19,060,770
Less those unavailable for general expenditure within one year, due to:		
Board designations	(1,025,917)	(855,692)
Purpose restrictions	(622,353)	(495,947)
Time restrictions	(986,467)	(2,100,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 17,425,895	\$ 15,609,131

As part of 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, 2022

NOTE 11—CONDITIONAL PROMISE TO GIVE

The City of New York has supported Dance Theatre with a capital project that commenced in fiscal year 2009 and 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, there was \$30,551 in funding of capital expenditures from the City. Dance Theatre received no funding of capital expenditures from the City in the year ended June 30, 2022. As of June 30, 2022, total capital expenditures have aggregated to \$2,065,020 since inception. The value of the capital project expenditures are recognized as in-kind support. As of June 30, 2022, the conditional promise to give from the City regarding these capital expenditures totaled \$11,400,000. Revenue will be recognized when the funds are expended for improvements in future years.

NOTE 12—IN-KIND CONTRIBUTIONS

The fair value of donated legal services received during the years ending June 30, 2022 and 2021 was \$91,565 and \$111,751, respectively. Donated legal services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services. The fair value of donated cosmetics, flowers, and clothing received during the years ending June 30, 2022 and 2021 was \$8,260 and \$10,000, respectively. Donated goods are valued and reported at the estimated fair value in the financial statements based on prices paid by the donor. The fair value of donated building improvements received during the year ending June 30, 2021 was \$30,551. Donated building improvements are valued and reported at the estimated fair value in the financial statements based on current rates for similar services. During June 30, 2022 and 2021, all donated services were used for management and general purposes and donated goods were used for programmatic purposes.