

DANCE THEATRE OF HARLEM, INC.

FINANCIAL STATEMENTS

June 30, 2023 and 2022

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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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
January 31, 2024

DANCE THEATRE OF HARLEM, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,205,994	\$ 5,913,184
Investments	13,581,253	11,584,997
Government grants receivable	198,525	84,900
Unconditional promises to give, current	1,170,632	1,385,283
Accounts receivable	51,482	105,801
Prepaid expenses and other assets	<u>216,410</u>	<u>203,155</u>
Total current assets	20,424,296	19,277,320
Unconditional promises to give, long-term, net	22,624	986,467
Fixed assets, net	4,858,609	5,025,130
Finance lease right-of-use asset	24,962	-
Security deposit	<u>16,000</u>	<u>3,000</u>
Total assets	<u>\$ 25,346,491</u>	<u>\$ 25,291,917</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 349,369	\$ 370,019
Refundable advance	14,106	26,076
Deferred revenue	146,823	272,068
Current portion of capital lease liability	<u>-</u>	<u>660</u>
Total current liabilities	510,298	668,823
Security deposit payable	8,208	6,378
Finance lease liability	24,962	-
Long-term capital lease liability	<u>-</u>	<u>440</u>
Total liabilities	\$ 543,468	\$ 675,641
NET ASSETS		
Without donor restrictions		
Board-designated reserve	11,974,365	1,025,917
Undesignated	<u>7,065,824</u>	<u>17,621,515</u>
Total net assets without donor restrictions	19,040,189	18,647,432
With donor restrictions	<u>5,762,834</u>	<u>5,968,844</u>
Total net assets	<u>24,803,023</u>	<u>24,616,276</u>
Total liabilities and net assets	<u>\$ 25,346,491</u>	<u>\$ 25,291,917</u>

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 1,628,684	\$ 1,123,157	\$ 2,751,841
Government grants	1,372,525	290,000	1,662,525
Special events	1,073,839	-	1,073,839
Less: Costs of direct benefits to donors	(443,626)	-	(443,626)
In-kind contributions	155,010	-	155,010
Program revenues	1,954,329	-	1,954,329
Investment return, net	726,707	-	726,707
Other income	65,017	-	65,017
Net assets released from			
Purpose restrictions	1,311,417	(1,311,417)	-
Time restrictions	307,750	(307,750)	-
Total revenues	8,151,652	(206,010)	7,945,642
EXPENSES			
Program services			
Community engagement	208,452	-	208,452
School	1,517,751	-	1,517,751
Dance company	3,906,330	-	3,906,330
Total program services	5,632,533	-	5,632,533
Supporting activities			
Management and general	1,296,338	-	1,296,338
Fundraising	830,024	-	830,024
Total expenses	7,758,895	-	7,758,895
Change in net assets	392,757	(206,010)	186,747
Net assets at beginning of year	18,647,432	5,968,844	24,616,276
Net assets at end of year	\$ 19,040,189	\$ 5,762,834	\$ 24,803,023

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 1,668,020	\$ 1,462,290	3,130,310
Government grants	2,031,162	222,000	2,253,162
Special events	667,704		667,704
Less: Costs of direct benefits to donors	(233,870)		(233,870)
In-kind contributions	99,825	-	99,825
Program revenues	1,214,023	-	1,214,023
Investment return, net	19,457	-	19,457
Other income	94,604	-	94,604
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
EXPENSES			
Public education and research	301,258	-	301,258
Management and general	825,468	-	825,468
Fundraising	2,944,523	-	2,944,523
Total program services	4,071,249	-	4,071,249
Supporting activities			
Management and general	1,347,599	-	1,347,599
Fundraising	867,934	-	867,934
Total expenses	6,286,782	-	6,286,782
Change in net assets	1,634,518	(676,085)	958,433
Net assets at beginning of year	17,012,914	6,644,929	23,657,843
Net assets at end of year	\$ 18,647,432	\$ 5,968,844	\$ 24,616,276

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services				Supporting Activities		Costs of Direct Benefits to Donors	Total
	Community Engagement	School	Dance Company	Total Program Services	Management and General	Fundraising		
Salaries	\$ 137,721	\$ 880,878	\$ 1,554,663	\$ 2,573,262	\$ 415,398	\$ 494,978	\$ -	\$ 3,483,638
Payroll taxes and employee benefits	32,146	221,074	543,652	796,872	108,386	124,280	-	1,029,538
Production expenses	300	36,848	690,812	727,960	248	-	238,441	966,649
Office and other expenses	73	11,220	10,644	21,937	76,195	67,944	81,884	247,960
Professional fees and contractual services	1,500	99,846	88,219	189,565	505,950	10,817	93,295	799,627
School activities	-	58,671	-	58,671	-	-	-	58,671
Travel	807	27,940	545,314	574,061	22,665	5,141	1,943	603,810
Insurance	2,572	16,452	32,412	51,436	12,393	9,245	-	73,074
Information technology	1,960	25,929	22,146	50,035	5,911	21,573	2,000	79,519
Marketing	12,670	15,310	206,844	234,824	25,827	15,104	22,435	298,190
Occupancy	8,834	56,747	99,878	165,459	26,644	31,748	-	223,851
Taxes and filing fees	-	-	-	-	962	-	-	962
Depreciation	9,869	63,124	111,407	184,400	29,767	35,470	-	249,637
Bad debt	-	-	-	-	62,343	-	-	62,343
Catering	-	3,712	339	4,051	3,649	13,724	3,628	25,052
Total expenses	208,452	1,517,751	3,906,330	5,632,533	1,296,338	830,024	443,626	8,202,521
Less: Special event expenses deducted directly from revenues on the statement of activities	-	-	-	-	-	-	(443,626)	(443,626)
Total expenses included in the expense section on the statement of activities	\$ 208,452	\$ 1,517,751	\$ 3,906,330	\$ 5,632,533	\$ 1,296,338	\$ 830,024	\$ -	\$ 7,758,895

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services			Supporting Activities		Costs of		
	Community Engagement	School	Dance Company	Total Program Services	Management and General	Fundraising	Direct Benefits to Donors	Total
Salaries	\$ 196,653	\$ 503,426	\$ 1,278,581	\$ 1,978,660	\$ 550,186	\$ 488,123	\$ -	\$ 3,016,969
Payroll taxes and employee benefits	33,522	117,445	451,446	602,413	152,390	105,684	-	860,487
Production expenses	3,600	4,844	277,325	285,769	3,370	2,334	176,933	468,406
Office and other expenses	1,749	16,309	33,012	51,070	29,264	28,690	43,530	152,554
Professional fees and contractual services	2,128	5,739	104,401	112,268	440,655	95,589	1,000	649,512
School activities	-	5,371	-	5,371	159	-	-	5,530
Travel	3,766	8,514	397,173	409,453	4,197	21,170	4,886	439,706
Insurance	3,400	9,171	25,555	38,126	16,303	8,771	-	63,200
Information technology	3,571	23,802	27,990	55,363	11,960	29,608	-	96,931
Marketing	4,770	7,568	34,951	47,289	12,490	32,313	6,347	98,439
Occupancy	28,869	73,904	187,699	290,472	73,003	15,131	-	378,606
Taxes and filing fees	-	-	-	-	775	-	-	775
Depreciation	19,230	49,228	125,025	193,483	48,627	10,078	-	252,188
Bad debt	-	-	-	-	4,220	-	-	4,220
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
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

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 186,747	958,433
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	249,637	252,188
Amortization of discount on long-term promises to give	61,157	-
Amortization of finance lease right-of-use asset	12,120	-
Bad debt expense	62,343	4,220
Net realized and unrealized gains on investments	(779,818)	(18,733)
(Increase) decrease in assets		
Government grants receivable	(113,625)	166,393
Unconditional promises to give	1,054,994	842,417
Accounts receivable	54,319	(103,686)
Prepaid expenses and other assets	(13,255)	(88,379)
Security deposit	(13,000)	(2,000)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(20,650)	231,535
Refundable advance	(11,970)	(476,246)
Security deposit payable	1,830	107
Deferred revenue	(125,245)	170,047
Net cash flows from operating activities	605,584	1,936,296
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and building improvements	(83,116)	(42,478)
Purchases of investments	(1,315,349)	(10,801,889)
Proceeds from sales of investments	98,911	10,740,687
Net cash flows from investing activities	(1,299,554)	(103,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital leases	(1,100)	(3,345)
Payments on finance lease liability	(12,120)	-
Net cash flows from financing activities activities	(13,220)	(3,345)
Net change in cash	(707,190)	1,829,271
Cash at beginning of year	5,913,184	4,083,913
Cash at end of year	\$ 5,205,994	\$ 5,913,184

See accompanying notes.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 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 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.

Fair Value Measurements

FASB Topic 820, under the FASB ASC, defined fair value, established a framework for measuring fair value, and expanded disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities, subject to the standard, measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in publicly traded markets for identical assets or liabilities as of the measurement date. The type of investments in Level 1 include listed equities held in the name of Dance Theatre and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in publicly traded markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of valuation methodologies.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 3 – Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include hedge funds, private investment funds and partnership interests, which are required to provide Dance Theatre with periodic audited financial statements.

Dance Theatre follows the accounting standards of the FASB ASC Subtopic 820-10-35-59, *Fair Value Measurement and Disclosures - Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This allows for the estimation of the fair value of investments in investment companies, for which the investment does not have a readily determinable fair value, using net asset value (“NAV”) per share or its equivalent, as provided by the investment managers. Dance Theatre reviews and evaluates the values provided by its investment managers. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Investments valued using a NAV as an estimate of fair value are exempt from categorization within the fair value hierarchy and related disclosures. Therefore, Dance Theatre separately discloses the information required for assets measured using NAV and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value as reported on the consolidated 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. 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.

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.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Dance Theatre does not recognize short-term leases in the statements of financial position. For these leases, Dance Theatre recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Dance Theatre also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Dance Theatre uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

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, 2023 and 2022, 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.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2023 and 2022 are as follows:

	2023	2022
Beginning of year	\$ 105,801	\$ 2,115
End of year	51,482	105,801

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

	2023	2022
Beginning of year	\$ 272,068	\$ 102,021
End of year	146,823	272,068

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.

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

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation (continued)

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 January 31, 2024, the date which the financial statements were available to be issued.

NOTE 2—ECONOMIC DEPENDENCY

For the year ended June 30, 2022, approximately 28% of Dance Theatre's revenue came from one government agency.

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, 2023 and 2022, Dance Theatre's uninsured cash balances total approximately \$4,922,000 and \$5,630,000, respectively.

DANCE THEATRE OF HARLEM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4—INVESTMENTS

Investments consist of the following:

	2023	2022
Cash and equivalents	\$ 21,106	\$ 4,322
Money market funds	5,041,538	11,580,675
Alternative Investments	992,633	-
Fixed Income taxable	2,227,763	-
U.S. Equity	2,949,184	-
International Equity	2,349,029	-
	\$ 13,581,253	\$ 11,584,997

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. Fixed income taxable investments, U.S. Equities, and international equity investments are considered to be actively traded.

Alternative investments represent hedge funds, private credit and private debt funds which follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, differ for each fund. Dance Theatre believes that the reported amount of its alternative investments is a reasonable estimate of the fair value of such investments at June 30, 2023.

Dance Theatre uses the NAV per share or its equivalent to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. There are no unfunded commitments related to the alternative investments Dance Theatre holds.

Alternative investments consisted of the following at June 30, 2023:

	Fair Value Determined Using NAV in Funds	Redemption terms	Redemption restrictions
AB Multi-Manager Alternative Fund	\$ 814,852	Quarterly liquidity with notice 95 days in advance of the valuation date, via repurchase offer. Repurchase offers are made at the board's discretion	None
AB Private Credit Investors Corporation	140,527	After expiration of lock-up, on a quarterly basis, investors can request to have some or all of their shares repurchased based upon net asset value (NAV) with 90 days' notice, subject to Fund-level gate of 5%; the Fund has discretion to accept or reject (in whole or in part) those repurchase requests	3 year lock up period
AB Commercial Real Estate Private Debt Fund, LLC Class 2A	37,254	Quarterly, liquidity is provided through a General Tender Program, available to all investors who own shares at the time of the Tender, including those still within their Investor Lock-Ups	3 year lock up period
	\$ 992,633		

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NOTE 5—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 1,170,632	\$ 1,385,283
Receivable in one to five years	25,000	1,050,000
Discount on long term promises to give	<u>(2,376)</u>	<u>(63,533)</u>
Total unconditional promises to give, net	<u>\$ 1,193,256</u>	<u>\$ 2,371,750</u>

Unconditional promises to give at June 30, 2023 and 2022 receivable in more than one year are discounted at an effective rate of 5.12% and 3.17%, respectively.

NOTE 6—FIXED ASSETS

Fixed assets consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 168,990	\$ 168,990
Buildings	7,074,960	7,074,960
Building improvements	2,294,760	2,211,412
Capitalized lease equipment	-	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	<u>(5,490,001)</u>	<u>(5,270,443)</u>
Fixed assets, net	<u>\$ 4,858,609</u>	<u>\$ 5,025,130</u>

Dance Theatre received a contributed condominium with a net book value of \$331,641 and \$339,898 at June 30, 2023 and 2022. 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 (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On April 9, 2021, the SBA preliminarily approved forgiveness of Dance Theatre's first draw loan. On September 1, 2022, the SBA preliminarily approved forgiveness of Dance Theatre's second draw loan. 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.

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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 \$113,310 and \$102,784 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9—EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2023, Dance Theatre claimed Employee Retention Credits (ERC) totaling \$1,182,385 under the provisions the Coronavirus Aid, Relief, and Economic Security Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. Dance Theatre determined it had a significant decline in gross receipts and claimed the ERC for the second through fourth quarter of 2022 and the first three calendar quarters of 2021. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit Dance Theatre’s eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines Dance Theatre was ineligible for the ERC, Dance Theatre could be required to repay the amount claimed along with penalties and interest.

NOTE 10—NET ASSETS

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

	2023	2022
Donated building improvements	\$ 905,125	\$ 905,125
Various program purposes	1,719,080	588,848
Endowment restricted as permanent cash reserve	-	25,000
Endowment established to support the school program and scholarships	8,505	8,505
Future periods	3,130,124	4,441,366
Total net assets with donor restrictions	\$ 5,762,834	\$ 5,968,844

Dance Theatre of Harlem currently has \$8,500 in endowment funds in a bank account and is trying to repurpose these funds for general operating support.

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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. Dance Theatre received no funding of capital expenditures from the City in the year ended June 30, 2023. As of June 30, 2023, 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, 2023, 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—LIQUIDITY AND AVAILABILITY

The following reflects Dance Theatre's financial assets as of June 30, 2023 and 2022, 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:

	2023	2022
Cash	\$ 5,205,994	\$ 5,913,184
Investments	13,581,253	11,584,997
Government grants receivable	198,525	84,900
Unconditional promises to give	1,193,256	2,371,750
Accounts receivable	51,482	105,801
Total financial assets	20,230,510	20,060,632
Less those unavailable for general expenditure within one year, due to:		
Board designations	(11,974,365)	(1,025,917)
Purpose restrictions	(1,727,585)	(622,353)
Time restrictions	(22,624)	(986,467)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,505,936	\$ 17,425,895

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.

NOTE 13—CONTINGENCIES

Dance Theatre is involved in litigation matters. As of January 31, 2024, it is not possible to determine whether there is loss potential or what the amount would be. Any resulting potential losses are expected to be covered by insurance.

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NOTE 14—IN-KIND CONTRIBUTIONS

The fair value of donated legal services received during the years ending June 30, 2023 and 2022 was \$101,383 and \$91,565, 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, 2023 and 2022 was \$5,170 and \$8,260, respectively. Donated goods are valued and reported at the estimated fair value in the financial statements based on prices paid by the donor. During June 30, 2023 and 2022, all donated services were used for management and general purposes and donated goods were used for programmatic purposes. In-kind donations did not have any donor-imposed restrictions.