

ATLANTA BALLET, INC.
FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2022 AND 2021
with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Atlanta Ballet, Inc.**

Opinion

We have audited the accompanying financial statements of Atlanta Ballet, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of July 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of July 31, 2022 and 2021, and the change in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

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 the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' 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 auditors' 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 can arise from fraud or error and 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

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.

Smith and Howard

November 4, 2022

ATLANTA BALLET, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 784,210	\$ 3,382,244
Restricted cash	1,001,213	771,187
Receivables, net of allowance for doubtful accounts of \$3,654 and \$482 for 2022 and 2021, respectively	8,137	7,898
Employee Retention Tax Credit receivable	440,394	263,403
Unconditional promises to give, net	705,658	1,268,009
Prepaid expenses and other assets	762,387	894,287
Production development	29,914	67,068
Endowment	1,559,513	1,591,215
Property and equipment, net	<u>12,393,759</u>	<u>12,877,754</u>
 Total Assets	 <u>\$ 17,685,185</u>	 <u>\$ 21,123,065</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 456,547	\$ 599,506
Contract Liabilities	1,304,392	1,071,291
Refundable advance	407,880	2,714,916
Promissory notes	<u>1,650,000</u>	<u>1,650,000</u>
 Total Liabilities	 <u>3,818,819</u>	 <u>6,035,713</u>
 Net Assets		
Without donor restrictions	10,676,876	12,106,582
With donor restrictions	<u>3,189,490</u>	<u>2,980,770</u>
 Total Net Assets	 <u>13,866,366</u>	 <u>15,087,352</u>
 Total Liabilities and Net Assets	 <u>\$ 17,685,185</u>	 <u>\$ 21,123,065</u>

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

ATLANTA BALLET, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Nutcracker ticket sales	\$ 2,236,469	\$ -	\$ 2,236,469
Other ticket sales	781,208	-	781,208
Centre for Dance Education and Outreach fees	1,847,467	-	1,847,467
Contributions and grants	2,227,153	696,585	2,923,738
Paycheck Protection Program (Note 1)	1,124,902	-	1,124,902
Other government grant	1,625,828	-	1,625,828
Special events, net direct donor expense of \$371,622	109,404	-	109,404
Investment loss, net of investment fees	-	(129,396)	(129,396)
Merchandise sales	337,735	-	337,735
Less: cost of sales	(149,881)	-	(149,881)
Other income	226,179	-	226,179
Net assets released from restrictions	<u>358,469</u>	<u>(358,469)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>10,724,933</u>	 <u>208,720</u>	 <u>10,933,653</u>
Expenses and Other Losses			
Program services:			
Production	5,728,402	-	5,728,402
Centre for Dance Education and Outreach	2,173,811	-	2,173,811
Marketing and box office	<u>1,472,188</u>	<u>-</u>	<u>1,472,188</u>
Total program services	<u>9,374,401</u>	<u>-</u>	<u>9,374,401</u>
Supporting services:			
Management and general	1,556,991	-	1,556,991
Fundraising and development	<u>551,976</u>	<u>-</u>	<u>551,976</u>
Total supporting services	<u>2,108,967</u>	<u>-</u>	<u>2,108,967</u>
 Total Expenses	 <u>11,483,368</u>	 <u>-</u>	 <u>11,483,368</u>
 Change in Net Assets Before Depreciation	 (758,435)	 208,720	 (549,715)
Depreciation	<u>671,271</u>	<u>-</u>	<u>671,271</u>
Change in Net Assets	(1,429,706)	208,720	(1,220,986)
Net Assets, Beginning of Year	<u>12,106,582</u>	<u>2,980,770</u>	<u>15,087,352</u>
Net Assets, End of Year	<u>\$ 10,676,876</u>	<u>\$ 3,189,490</u>	<u>\$ 13,866,366</u>

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

ATLANTA BALLET, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Nutcracker ticket sales	\$ 73,876	\$ -	\$ 73,876
Other ticket sales	35,374	-	35,374
Centre for Dance Education and Outreach fees	1,653,310	-	1,653,310
Contributions and grants	4,053,690	390,754	4,444,444
Paycheck Protection Program (Note 1)	1,107,806	-	1,107,806
Other government grant	2,190,217	-	2,190,217
Special events, net direct donor expense of \$11,125	39,646	-	39,646
Investment income, net of investment fees	-	207,601	207,601
Merchandise sales	157,534	-	157,534
Less: cost of sales	(114,897)	-	(114,897)
Other income	21,691	-	21,691
Net assets released from restrictions	<u>973,863</u>	<u>(973,863)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>10,192,110</u>	 <u>(375,508)</u>	 <u>9,816,602</u>
Expenses and Other Losses			
Program services:			
Production	3,079,305	-	3,079,305
Centre for Dance Education and Outreach	2,007,379	-	2,007,379
Marketing and box office	720,341	-	720,341
Total program services	<u>5,807,025</u>	<u>-</u>	<u>5,807,025</u>
Supporting services:			
Management and general	1,362,267	-	1,362,267
Fundraising and development	463,266	-	463,266
Total supporting services	<u>1,825,533</u>	<u>-</u>	<u>1,825,533</u>
 Total Expenses	 <u>7,632,558</u>	 <u>-</u>	 <u>7,632,558</u>
 Change in Net Assets Before Depreciation	 2,559,552	 (375,508)	 2,184,044
Depreciation	<u>702,807</u>	<u>-</u>	<u>702,807</u>
 Change in Net Assets	 1,856,745	 (375,508)	 1,481,237
Net Assets, Beginning of Year	<u>10,249,837</u>	<u>3,356,278</u>	<u>13,606,115</u>
Net Assets, End of Year	<u>\$ 12,106,582</u>	<u>\$ 2,980,770</u>	<u>\$ 15,087,352</u>

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

ATLANTA BALLET, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2022

	<u>Production</u>	<u>Centre for Dance Education and Outreach</u>	<u>Marketing and Box Office</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 2,627,854	\$ 1,075,609	\$ 504,206	\$ 4,207,669	\$ 650,928	\$ 288,708	\$ 939,636	\$ 5,147,305
Payroll taxes and benefits	770,526	222,596	123,597	1,116,719	100,423	56,143	156,566	1,273,285
Total Personnel	3,398,380	1,298,205	627,803	5,324,388	751,351	344,851	1,096,202	6,420,590
Office supplies	-	9,235	963	10,198	3,456	1,576	5,032	15,230
Performance hall expenses	355,035	-	86,517	441,552	-	3,194	3,194	444,746
Interest expense	-	-	-	-	94,482	-	94,482	94,482
Postage	21,403	482	16,038	37,923	1,042	1,220	2,262	40,185
Credit card processing expenses	-	53,682	34,509	88,191	-	6,015	6,015	94,206
Music purchases and royalties	82,235	-	-	82,235	-	-	-	82,235
Production expense	1,386,401	-	-	1,386,401	-	142,127	142,127	1,528,528
Costumes	27,420	-	-	27,420	-	-	-	27,420
Equipment rental and maintenance	41,098	1,154	4,878	47,130	51,397	-	51,397	98,527
Facility expenses and maintenance	-	346,804	-	346,804	49,177	-	49,177	395,981
Telemarketing	-	-	12,161	12,161	-	-	-	12,161
Student programs	-	230,645	-	230,645	-	-	-	230,645
Scholarship	-	1,760	-	1,760	-	-	-	1,760
Photography	-	1,000	30,526	31,526	-	810	810	32,336
Printing	124	-	6,578	6,702	-	27,903	27,903	34,605
Travel expenses	88,823	10,496	-	99,319	4,220	10	4,230	103,549
Janitorial services and supplies	-	32,679	-	32,679	37,130	-	37,130	69,809
Advertising and public relation	-	2,698	527,146	529,844	10,385	629	11,014	540,858
Mailings	-	-	39,702	39,702	-	-	-	39,702
Cultivation	-	185	-	185	122	2,468	2,590	2,775
Insurance	5,250	-	-	5,250	88,529	-	88,529	93,779
Utilities and telephone	-	37,200	-	37,200	78,481	-	78,481	115,681
Professional services	319,732	144,810	82,867	547,409	153,333	350	153,683	701,092
Dues and subscriptions	-	2,776	500	3,276	10,628	22,940	33,568	36,844
Human resource expense	-	-	-	-	105,363	-	105,363	105,363
Bad debt recoveries	-	-	-	-	-	(12,706)	(12,706)	(12,706)
Other	2,501	-	2,000	4,501	117,895	10,589	128,484	132,985
Total Expenses Before Depreciation	5,728,402	2,173,811	1,472,188	9,374,401	1,556,991	551,976	2,108,967	11,483,368
Depreciation	344,122	60,898	-	405,020	266,251	-	266,251	671,271
Total Expenses After Depreciation	\$ 6,072,524	\$ 2,234,709	\$ 1,472,188	\$ 9,779,421	\$ 1,823,242	\$ 551,976	\$ 2,375,218	\$ 12,154,639

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

ATLANTA BALLET, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2021

	<u>Production</u>	<u>Centre for Dance Education and Outreach</u>	<u>Marketing and Box Office</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 2,230,457	\$ 1,036,958	\$ 458,907	\$ 3,726,322	\$ 577,431	\$ 305,264	\$ 882,695	\$ 4,609,017
Payroll taxes and benefits	610,781	222,168	102,585	935,534	98,563	59,620	158,183	1,093,717
Total Personnel	<u>2,841,238</u>	<u>1,259,126</u>	<u>561,492</u>	<u>4,661,856</u>	<u>675,994</u>	<u>364,884</u>	<u>1,040,878</u>	<u>5,702,734</u>
Office supplies	-	5,913	1,636	7,549	1,467	23	1,490	9,039
Performance hall expenses	25,500	-	-	25,500	-	-	-	25,500
Interest expense	-	-	-	-	104,425	-	104,425	104,425
Postage	426	1,020	635	2,081	1,455	11,607	13,062	15,143
Credit card processing expenses	-	47,365	845	48,210	-	5,697	5,697	53,907
Music purchases and royalties	6,440	-	-	6,440	-	-	-	6,440
Production expense	128,762	10,015	-	138,777	-	-	-	138,777
Costumes	74	-	-	74	-	-	-	74
Equipment rental and maintenance	3,501	34	5,000	8,535	47,828	-	47,828	56,363
Facility expenses and maintenance	-	338,005	-	338,005	55,061	-	55,061	393,066
Student programs	-	203,717	-	203,717	-	-	-	203,717
Scholarship	-	318	-	318	-	-	-	318
Photography	-	-	8,050	8,050	-	-	-	8,050
Printing	-	-	264	264	-	14,470	14,470	14,734
Travel expenses	12,213	3,271	2,127	17,611	-	75	75	17,686
Janitorial services and supplies	-	29,859	-	29,859	36,627	-	36,627	66,486
Advertising and public relation	-	535	123,414	123,949	7,355	-	7,355	131,304
Mailings	-	-	240	240	-	-	-	240
Cultivation	-	-	-	-	-	1,867	1,867	1,867
Insurance	-	-	-	-	84,613	-	84,613	84,613
Utilities and telephone	-	38,148	-	38,148	70,168	-	70,168	108,316
Professional services	60,316	68,268	13,620	142,204	113,745	50,767	164,512	306,716
Dues and subscriptions	-	1,344	375	1,719	3,422	2,995	6,417	8,136
Human resource expense	-	-	-	-	23,499	1,197	24,696	24,696
Bad debt recoveries	-	-	-	-	-	(9,242)	(9,242)	(9,242)
Other	835	441	2,643	3,919	136,608	18,926	155,534	159,453
Total Expenses Before Depreciation	<u>3,079,305</u>	<u>2,007,379</u>	<u>720,341</u>	<u>5,807,025</u>	<u>1,362,267</u>	<u>463,266</u>	<u>1,825,533</u>	<u>7,632,558</u>
Depreciation	375,855	61,898	-	437,753	265,054	-	265,054	702,807
Total Expenses After Depreciation	<u>\$ 3,455,160</u>	<u>\$ 2,069,277</u>	<u>\$ 720,341</u>	<u>\$ 6,244,778</u>	<u>\$ 1,627,321</u>	<u>\$ 463,266</u>	<u>\$ 2,090,587</u>	<u>\$ 8,335,365</u>

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

ATLANTA BALLET, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JULY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,220,986)	\$ 1,481,237
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Required) by Operating Activities:		
Depreciation and amortization	671,271	702,807
Gain on sale of property and equipment	-	-
Bad debt recoveries	(12,706)	(9,242)
Contributions restricted for endowment	(185,000)	-
Net realized and unrealized (gain) loss on investments	168,269	(183,512)
Changes in assets and liabilities:		
Receivables	(239)	36,864
Employee Retention Tax Credit	(176,991)	(263,403)
Unconditional promises to give	575,057	422,113
Prepaid expenses and other assets	131,900	(55,734)
Accounts payable and accrued expenses	(142,959)	169,097
Contract Liabilities	233,101	195,438
Refundable advance	(2,307,036)	1,607,110
Total adjustments	<u>(1,045,333)</u>	<u>2,621,538</u>
Net Cash Provided (Required) by Operating Activities	<u>(2,266,319)</u>	<u>4,102,775</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(150,122)	(5,797)
Proceeds from the sale of property and equipment	100,000	-
Purchase of investments	(219,352)	(21,976)
Proceeds from the sale of investments	82,785	314,635
Net Cash Provided (Required) by Investing Activities	<u>(186,689)</u>	<u>286,862</u>
Cash Flows from Financing Activities:		
Payments promissory notes	-	(500,000)
Contributions restricted for endowment	185,000	-
Net Cash Provided (Required) by Financing Activities	<u>185,000</u>	<u>(500,000)</u>
Change in Cash and Cash Equivalents and Restricted Cash		
Increase (Decrease) to cash and cash equivalents	(2,598,034)	3,123,537
Increase to restricted cash	230,026	766,100
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	<u>(2,368,008)</u>	<u>3,889,637</u>
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>4,153,431</u>	<u>263,794</u>
Cash and Cash Equivalents and Restricted Cash at End of Year	<u>\$ 1,785,423</u>	<u>\$ 4,153,431</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 94,482</u>	<u>\$ 104,425</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position:</u>		
Cash and cash equivalents	\$ 784,210	\$ 3,382,244
Restricted Cash	<u>1,001,213</u>	<u>771,187</u>
	<u>\$ 1,785,423</u>	<u>\$ 4,153,431</u>

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

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Atlanta Ballet, Inc. (the “Organization”) was formed in 1929 and incorporated under the laws of the state of Georgia in 1969. The purpose of the Organization is to actively serve the Atlanta community by providing enlightened arts education opportunities, inspire a diversity of audiences with a broad stylistic range of dance repertoire and to honor our past and contribute to the legacy of the art of ballet in an enduring way. The Organization’s revenue is generated primarily through ticket sales to the general public and tuition from students. Additional sources of revenue include support from contributions and grants from corporations, foundations and individuals.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform with the 2022 presentation.

Presentation

Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.
- Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, receivables, unconditional promises to give and investments. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federal insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable and unconditional promises to give balances and believes that its exposure to credit risk is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

The Organization has experienced a disruption of normal business operations caused from COVID-19. The overall financial impact cannot be determined, however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements.

Endowment

FASB requires the following financial statement disclosures for the Organization for the years ended July 31, 2022 and 2021:

- Classification of net assets

Endowment funds are used to account for investments in which the principal is donor restricted or Board-designated for a specific purpose.

- Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) under the state of Georgia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

- Interpretation of Relevant Law (Continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

- Return Objectives and Risk Parameters

The Organization 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Organization, the endowment assets are invested in a manner to attain an average annual real total return, net of investment management fees, of at least 5% over the long term. The annual real return should equal or exceed the spending rate indicated in the Organization's spending policy described below. Actual returns in any given year may vary from this amount.

- Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

- Spending Policy

The Organization has a spending policy approved by the Organization's Board of Trustees that is designed to ensure that the real value of both the funds and of the spending stream is maintained over time. The Organization may draw an amount on the endowment net asset value equal to 5% of the fiscal 12 month average.

**ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

- Underwater Endowment Funds

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complied with the Georgia Prudent Management of Institutional Funds Act, an enacted version of UPMIFA, and has interpreted UPMIFA to permit spending from underwater endowment funds at July 31, 2022. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. At July 31, 2022, the Organization had a total corpus of \$1,705,397 and a fair value of \$1,559,513, thus, total deficiencies of \$145,884 were reported in net assets with donor restrictions. At July 31, 2021, there were no underwater endowments.

Changes in endowment net assets for years ended July 31, 2022 and 2021 are as follows:

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Endowment net assets, July 31, 2020	\$ -	\$ 1,700,362	\$ 1,700,362
Investment income, net	-	207,601	207,601
Earnings used in operations	-	(316,748)	(316,748)
Endowment net assets, July 31, 2021	-	1,591,215	1,591,215
Contributions collected	-	185,000	185,000
Investment loss, net	-	(129,396)	(129,396)
Earnings used in operations	-	(87,306)	(87,306)
Endowment net assets, July 31, 2022	<u>\$ -</u>	<u>\$ 1,559,513</u>	<u>\$ 1,559,513</u>

Production Development

Production development includes artistic licenses for various productions. The Organization has the right to perform the productions over the license periods that range from two to seven years. The Organization's policy is to amortize artistic licenses over the applicable license period. For the years ended July 31, 2022 and 2021, production development amortization expense was \$37,154 and \$49,211, respectively.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The table below represents fair value measurement hierarchy of the Organization's net assets at fair value as of July 31:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 61,734	\$ -	\$ -	\$ 61,734
Mutual funds & ETFs	866,128	-	-	866,128
Equities	<u>631,651</u>	<u>-</u>	<u>-</u>	<u>631,651</u>
	<u>\$ 1,559,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,559,513</u>

	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 107,704	\$ -	\$ -	\$ 107,704
Mutual funds & ETFs	776,097	-	-	776,097
Equities	<u>707,414</u>	<u>-</u>	<u>-</u>	<u>707,414</u>
	<u>\$ 1,591,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,591,215</u>

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Property and Equipment

It is the policy of the Organization to capitalize property and equipment in excess of \$2,500. The cost of the property is depreciated over the estimated useful lives of the related assets using the straight-line method. Organization property and equipment is depreciated over lives ranging from 3 to 39 years.

Maintenance expenses are expensed as incurred. Costs for the creation of new productions, including sets, costumes, and choreography, are capitalized and depreciated on a straight-line basis over the estimated life of the production.

Impairment

The Organization evaluates the recoverability of its long-lived assets in accordance with GAAP. GAAP requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the future undiscounted cash flows attributable to such assets. If impairment is indicated, the carrying amount of the asset is written down to fair value. In the opinion of management, no long-lived assets were impaired as of July 31, 2022 and 2021.

Recognition of Revenue

The Organization recognizes revenue for ticket sales, Centre for dance education and outreach fees, and merchandise sales on the satisfaction of performance obligations. Performance obligations are determined based on the service provided by the Organization. The following explains the performance obligations and satisfaction of performance obligations related to each revenue stream.

Ticket sales - Ticket sales revenues are associated with tickets sold for shows produced by the Organization. Ticket sales are recognized when the show occurs for which the ticket relates. Amounts not earned by the end of the fiscal year are reported as deferred customer deposits.

Centre for dance education and outreach fees – Centre for dance education and outreach fees revenues are associated with tuition from educational classes held by the Organization. This revenue is recognized at a point in time once performance obligations are satisfied. Amounts not earned by the end of the fiscal year are reported as deferred customer deposits.

Merchandise sales - Revenue related to merchandise sales activities is primarily recognized at point of sale as the merchandise has been provided in full by the Organization.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue (Continued)

Payroll Protection Program - In April 2020, the Organization obtained a Small Business Administration (“SBA”) loan under the Paycheck Protection Program (“PPP”) totaling \$1,107,806. The PPP loan bore interest at 1% and beginning in December 2020, required monthly payments of principal and interest through May 2022, at which time the outstanding balance was due in full. Under the terms of Coronavirus Aid, Relief, and Economic Securities Act (the “Cares Act”), the Organization had the option to apply for PPP loan proceeds used within twenty-four weeks of funding receipt to be forgiven with the lending institution, provided the proceeds are used to cover certain payroll and other expenses as defined by the Cares Act.

On February 28, 2021, The Organization received forgiveness of the full amount of the PPP loan. Accordingly, the Organization has recognized grant revenue for the full amount of the PPP loan in accordance with ASU 2018-08 for the year ended July 31, 2021.

In January 2021, the Organization obtained a second SBA loan under the Paycheck Protection Program (“PPP”) totaling \$1,124,902. The PPP loan bore interest at 1% and beginning in December 2021, required monthly payments of principal and interest through July 2022, at which time the outstanding balance was due in full. Under the terms of Coronavirus Aid, Relief, and Economic Securities Act (the “Cares Act”), the Organization had the option to apply for PPP loan proceeds used within twenty-four weeks of funding receipt to be forgiven with the lending institution, provided the proceeds are used to cover certain payroll and other expenses as defined by the Cares Act.

On November 12, 2021, The Organization received forgiveness of the full amount of the PPP loan. Accordingly, the Organization has recognized grant revenue for the full amount of the PPP loan in accordance with ASU 2018-08 for the year ended July 31, 2022.

Employee Retention Tax Credit - As part of the Coronavirus Aid, Relief and Economic Stabilization Act (the “CARES” Act), employers are provided the Employee Retention Credit (“ERC”). The ERTC is a benefit provided through payroll tax credits to encourage maintaining employee headcounts throughout the Coronavirus pandemic. The Organization is treating the ERTC as a conditional grant and revenue is recorded when the conditions are substantially met. During the years ended July 31, 2022 and 2021, the Organization met the conditions required by the ERTC and recognized grant revenue of \$443,695 and \$898,383, respectively, which is reflected as Employee Retention Tax Credit in the accompanying statement of activities and changes in net assets.

Contributions

The Organization accounts for contributions in accordance with GAAP. Unconditional promises to give and contributions received are recorded as increases to net assets with or without donor restrictions depending on the existence or nature of donor restrictions which limit the use of the donated assets.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Accordingly, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. For the year ended July 31, 2022, there were no significant concentrations from donors. For the year ended July 31, 2021, 47% of contributions and grants were from three donors.

In July 2021, the Organization received a federal grant, Shuttered Venue Operators Grant (SVOG), from the Small Business Administration in the amount of \$2,881,848. The SVOG grant is conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. For the years ended July 31, 2022 and 2021, the Organization recorded revenue from the SVOG in the amount of \$1,182,133 and \$1,291,834, respectively.

The Organization records gifts of land, buildings and equipment as increases to net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as increases to net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There was no donated equipment in 2022 and 2021.

Land held for sale, donated goods, other assets and marketable securities acquired by gift are recorded at their fair market value on the date of receipt. Donated goods and other assets were not significant for years ending July 31, 2022 and 2021. No amounts have been reflected in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's programs and supporting services. If donated services received either created or enhanced non-financial assets or required specialized skills which would need to be purchased if not donated, the value of those donated services would be recorded in accordance with GAAP.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Functional Allocation of Expenses

The cost of providing the Organization's various programs and other activities has been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management. Accordingly, certain costs have been allocated between the program and supporting services benefited. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount or estimates of time and effort incurred by personnel.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for tax years ending before July 31, 2019.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

At July 31, unconditional promises to give were as follows:

	<u>2022</u>	<u>2021</u>
Program	\$ 568,878	\$ 1,240,690
General operations	<u>328,021</u>	<u>385,688</u>
	896,899	1,626,378
Less discount for present value	(178,992)	(330,242)
Less allowance for doubtful accounts	<u>(12,249)</u>	<u>(28,127)</u>
	<u><u>\$ 705,658</u></u>	<u><u>\$ 1,268,009</u></u>

At July 31, 2022 and 2021, unconditional promises to give were discounted to their present values using an interest rate ranging from 3.40% to 5.50%.

The estimated future cash flows for the years ending July 31 are as follows:

2023	\$ 796,899
2024	<u>100,000</u>
	<u><u>\$ 896,899</u></u>

At July 31, 2022, 34% of unconditional promises to give was from one donor. At July 31, 2021, 89% of unconditional promises to give was from two donors.

During 2021, the Organization initiated a multi-year campaign in response to COVID-19. The campaign is building the Organization's cash reserve for general operations.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at July 31:

	<u>2022</u>	<u>2021</u>
Stage equipment	\$ 1,368,951	\$ 1,952,619
Costumes	1,278,250	1,478,250
Office equipment	743,596	720,022
Furniture and fixtures	206,741	201,923
Leasehold improvements	366,378	366,378
Building	9,417,040	9,417,040
Land	1,360,603	1,360,603
Land improvements	44,265	44,265
Nutcracker	3,942,398	3,942,398
Construction in progress	<u>60,262</u>	<u>-</u>
	18,788,484	19,483,498
Less accumulated depreciation and amortization	<u>(6,394,725)</u>	<u>(6,605,744)</u>
Total property and equipment, net	<u>\$ 12,393,759</u>	<u>\$ 12,877,754</u>

Depreciation and amortization expense for the years ended July 31, 2022 and 2021 was \$671,271 and \$702,807, respectively.

NOTE 4 – BORROWING ARRANGEMENTS

Lines of Credit

The Organization has a line of credit with maximum borrowings up to \$1,000,000. The line of credit carries interest at the greater of LIBOR or 0.5% plus 3.25% (an effective rate of 3.75% at July 31, 2022). The line is secured by the assets of the Organization. In March 2021, the line of credit was extended to have a maturity date of March 29, 2023. There were no outstanding borrowings under the line of credit at July 31, 2022 and 2021.

Promissory Notes

The Organization entered into a \$650,000 promissory note agreement with a member of the Board of Trustees. The note bears interest at 4% and does not have a maturity date. The note is unsecured. Outstanding borrowings under the note were \$150,000 at July 31, 2022 and 2021.

The Organization entered into a \$1,500,000 promissory note agreement with a member of the Board of Trustees. The note bears interest at 5.81% and expires on April 1, 2024 at which time any unpaid principal and interest is due. The note is not required to be secured by collateral. Outstanding borrowings under the note were \$1,500,000 at July 31, 2022 and 2021.

**ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 5 – CONTRACT LIABILITIES

The following table provides details of the Organization’s contract liabilities at July 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contract Liabilities - Unearned Income:			
Deferred ticket sales	\$ 447,143	\$ 617,208	\$ 416,861
Deferred sponsorships	234,286	91,607	177,143
Deferred tuition	527,834	362,476	281,849
Deferred events	76,050	-	-
Deferred other	19,079	-	-
	<u>\$ 1,304,392</u>	<u>\$ 1,071,291</u>	<u>\$ 875,853</u>

NOTE 6 – OPERATING LEASE OBLIGATIONS

The Organization leases certain warehouse and dance studio space under non-cancelable operating leases. The following is a schedule by years of minimum future rentals on non-cancelable operating leases for years ending July 31:

2023	\$ 143,822
2024	148,136
2025	56,095
2026	9,535
2027	9,820
	<u>\$ 367,408</u>

Lease expense for 2022 and 2021 approximated \$330,000 and \$321,000, respectively.

**ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose at July 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose or passage of time:		
Program	\$ 500	\$ 500
Promises to give that are not restricted by donors, but which are unavailable for expenditures until due	629,477	389,055
Cash reserve fund	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,629,977</u>	<u>1,389,555</u>
 Endowments:		
Subject to spending policy and appropriation:		
Investments in perpetuity (including accumulated investment net return of \$(145,884) and \$70,823 for July 31, 2022 and 2021, respectively), which once appropriated, are expendable to support:		
General operations	355,505	197,386
Productions	511,693	592,365
Scholarship	522,173	604,497
Music Endowment	<u>170,142</u>	<u>196,966</u>
	<u>1,559,513</u>	<u>1,591,215</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,189,490</u>	<u>\$ 2,980,770</u>

Restricted Cash

In 2012, the Organization received a \$1,000,000 donation to establish a fund to provide cash flow for specified activities. Under the terms of the agreement, borrowings from the cash reserve fund must be approved by the Organization's Finance Committee and must have a written plan for repayment of the funds. The donor-designated cash reserve account is reported as with donor restricted net assets, and the earnings are recorded as without donor restricted net assets. The Finance Committee recommended and Board of Trustees approved a resolution for the donor-designated cash reserve account to require a full repayment of the outstanding borrowings at least once during each fiscal year. The Organization meets this requirement each year. The Organization had outstanding borrowings of \$228,813 from the cash reserve funds at July 31, 2021. There were no outstanding borrowings at July 31, 2022.

**ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021**

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended July 31:

	<u>2022</u>	<u>2021</u>
Program restrictions	\$ 87,306	\$ 316,748
Center for Dance Education and Outreach	-	500,000
Time restrictions	<u>271,163</u>	<u>157,115</u>
	<u>\$ 358,469</u>	<u>\$ 973,863</u>

NOTE 9 – RELATED-PARTY TRANSACTIONS

During 2022 and 2021, the Organization received contributions from members of the Board and entities with common Board members. During the years ended July 31, 2022 and 2021, contributions collected from such related parties were approximately \$1,732,000 and \$1,111,000, respectively. Undiscounted promises to give from related parties were approximately \$565,000 and \$1,175,000 at July 31, 2022 and 2021, respectively.

The Organization also has two promissory notes from Board members as further described in Note 4.

ATLANTA BALLET, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures within one year, the Organization considers cash and cash equivalents, endowments appropriated for the following year, receivables, and unconditional promises to give that were restricted for time only and will be collected and available within one year for use by the Organization. The Organization’s financial assets available for general expenditures within one year at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 784,210	\$ 3,382,244
Restricted cash	1,001,213	771,187
Receivables, net	8,137	271,301
Unconditional promises to give, net	705,658	1,268,009
Endowment	<u>1,559,513</u>	<u>1,591,215</u>
Financial assets, at year end	4,058,731	7,283,956
Less those unavailable for general expenditures within one year, due to:		
Restricted cash	(1,001,213)	(771,187)
Restricted by donor with time or purpose restrictions	(629,977)	(389,555)
Unconditional promises to give not available	(100,000)	(782,800)
Endowment funds not appropriated for spending in the following year	<u>(1,483,513)</u>	<u>(1,511,215)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 844,028</u>	<u>\$ 3,829,199</u>

As a part of the Organization’s liquidity management, it has a practice of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. COVID-19 continued to cause a loss of revenue for the year ending July 31, 2022, with loss of ticket sales and student enrollment. During the 2021 fiscal year, the Organization received a PPP loan and an SVOG grant to assist with operating costs, allowing for a cash reserve to be carried into fiscal years 2022 and 2023. Additionally, Employee Retention Tax Credits were taken during fiscal year 2022, yet to be refunded by the IRS. The funds provide the Organization with liquidity needs for the upcoming fiscal year. A line of credit is available to draw upon in order to manage cash flowing needs.

NOTE 11 – CONTINGENCIES

The Organization has certain federally funded programs, which are subject to review and audit by federal agencies. If such audits occur, they would lead to requests for reimbursement to the federal agency for expenditures disallowed, if any, under terms of the applicable grant agreement. Since the Organization does not expect claims to arise as a result of such audits, no provision for liabilities has been provided in the accompany financial statements.