

ATLANTA BALLET, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2024 AND 2023
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 consolidated financial statements of Atlanta Ballet, Inc. (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of July 31, 2024 and 2023, 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Emphasis of Matter – Realization of Assets

At July 31, 2024, the Organization has experienced a decrease in net assets from operations. This reflects a deficit in resources available to fund the 2025 fiscal year operations. Due to subsequent events described in Note 12, management has executed on their plan to raise liquidity of the Organization through the sale of their building. Our opinion is not modified with respect to that matter.

Smith and Howard

Atlanta, GA
December 12, 2024

ATLANTA BALLET, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 236,765	\$ 373,548
Restricted cash	5,064	90,284
Receivables, net of allowance for doubtful accounts of \$3,168 and \$3,506 for 2024 and 2023, respectively	23,642	13,886
Employee Retention Tax Credit receivable (Note 1)	827,997	826,890
Deferred tax asset (Note 1)	1,303,307	-
Unconditional promises to give, net	152,901	190,665
Prepaid expenses and other assets	814,419	968,204
Endowment investments	1,517,706	1,550,175
Property and equipment, net	11,584,105	12,069,497
Right-of-use asset, net - operating	1,059,650	420,642
Right-of-use asset, net - financing	<u>150,720</u>	<u>232,932</u>
 Total Assets	 <u>\$ 17,676,276</u>	 <u>\$ 16,736,723</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 1,471,165	\$ 737,377
Contract liabilities	1,463,447	1,511,232
Refundable advance	407,880	407,880
Lines of credit	1,868,000	-
Promissory notes	1,850,000	1,650,000
Operating lease liability	1,067,334	427,120
Financing lease liability	<u>156,162</u>	<u>235,950</u>
 Total Liabilities	 <u>8,283,988</u>	 <u>4,969,559</u>
 Net Assets		
Without donor restrictions	6,547,813	8,640,583
With donor restrictions	<u>2,844,475</u>	<u>3,126,581</u>
 Total Net Assets	 <u>9,392,288</u>	 <u>11,767,164</u>
 Total Liabilities and Net Assets	 <u>\$ 17,676,276</u>	 <u>\$ 16,736,723</u>

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

ATLANTA BALLET, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Nutcracker ticket sales	\$ 2,489,404	\$ -	\$ 2,489,404
Other ticket sales	1,412,770	-	1,412,770
Centre for Dance Education and Outreach fees	1,982,382	-	1,982,382
Contributions and grants	3,260,794	326,769	3,587,563
Special events, net direct donor expense of \$380,178	187,345	-	187,345
Investment gain, net of investment fees	-	51,819	51,819
Merchandise sales	396,704	-	396,704
Less: cost of sales	(149,004)	-	(149,004)
Other income	240,249	-	240,249
Net assets released from restrictions	<u>660,694</u>	<u>(660,694)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>10,481,338</u>	 <u>(282,106)</u>	 <u>10,199,232</u>
Expenses			
Program services:			
Production	6,658,018	-	6,658,018
Centre for Dance Education and Outreach	2,130,798	-	2,130,798
Marketing and box office	<u>1,801,458</u>	<u>-</u>	<u>1,801,458</u>
Total program services	<u>10,590,274</u>	<u>-</u>	<u>10,590,274</u>
Supporting services:			
Management and general	1,802,382	-	1,802,382
Fundraising and development	<u>793,528</u>	<u>-</u>	<u>793,528</u>
Total supporting services	<u>2,595,910</u>	<u>-</u>	<u>2,595,910</u>
 Total Expenses	 <u>13,186,184</u>	 <u>-</u>	 <u>13,186,184</u>
 Change in Net Assets Before Depreciation, Amortization and Deferred Tax Credit	 (2,704,846)	 (282,106)	 (2,986,952)
Depreciation and Amortization	(691,231)	-	(691,231)
Deferred Tax Credit (Note 1)	<u>1,303,307</u>	<u>-</u>	<u>1,303,307</u>
 Change in Net Assets	 (2,092,770)	 (282,106)	 (2,374,876)
Net Assets, Beginning of Year	<u>8,640,583</u>	<u>3,126,581</u>	<u>11,767,164</u>
 Net Assets, End of Year	 <u>\$ 6,547,813</u>	 <u>\$ 2,844,475</u>	 <u>\$ 9,392,288</u>

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

ATLANTA BALLET, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Nutcracker ticket sales	\$ 2,267,960	\$ -	\$ 2,267,960
Other ticket sales	1,099,375	-	1,099,375
Centre for Dance Education and Outreach fees	1,935,415	-	1,935,415
Contributions and grants	3,599,586	533,242	4,132,828
Employee Retention Tax Credit (Note 1)	393,914	-	393,914
Special events, net direct donor expense of \$303,125	196,189	-	196,189
Investment gain, net of investment fees	-	84,392	84,392
Merchandise sales	292,224	-	292,224
Less: cost of sales	(143,097)	-	(143,097)
Other income	135,522	-	135,522
Net assets released from restrictions	<u>680,543</u>	<u>(680,543)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>10,457,631</u>	 <u>(62,909)</u>	 <u>10,394,722</u>
Expenses			
Program services:			
Production	6,173,936	-	6,173,936
Centre for Dance Education and Outreach	2,073,908	-	2,073,908
Marketing and box office	<u>1,484,567</u>	<u>-</u>	<u>1,484,567</u>
Total program services	<u>9,732,411</u>	<u>-</u>	<u>9,732,411</u>
Supporting services:			
Management and general	1,539,627	-	1,539,627
Fundraising and development	<u>589,014</u>	<u>-</u>	<u>589,014</u>
Total supporting services	<u>2,128,641</u>	<u>-</u>	<u>2,128,641</u>
 Total Expenses	 <u>11,861,052</u>	 <u>-</u>	 <u>11,861,052</u>
 Change in Net Assets Before Depreciation and Amortization	 <u>(1,403,421)</u>	 <u>(62,909)</u>	 <u>(1,466,330)</u>
 Depreciation and Amortization	 <u>632,872</u>	 <u>-</u>	 <u>632,872</u>
 Change in Net Assets	 <u>(2,036,293)</u>	 <u>(62,909)</u>	 <u>(2,099,202)</u>
 Net Assets, Beginning of Year	 <u>10,676,876</u>	 <u>3,189,490</u>	 <u>13,866,366</u>
 Net Assets, End of Year	 <u>\$ 8,640,583</u>	 <u>\$ 3,126,581</u>	 <u>\$ 11,767,164</u>

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

ATLANTA BALLET, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2024

	<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	\$ 3,016,122	\$ 1,034,754	\$ 425,991	\$ 4,476,867	\$ 717,250	\$ 408,323	\$ 1,125,573	\$ 5,602,440
Payroll taxes and benefits	837,350	202,799	91,323	1,131,472	102,625	65,799	168,424	1,299,896
Total Personnel	3,853,472	1,237,553	517,314	5,608,339	819,875	474,122	1,293,997	6,902,336
Office supplies	-	10,189	423	10,612	3,543	10,327	13,870	24,482
Performance hall expenses	415,387	-	70,500	485,887	-	-	-	485,887
Interest expense	-	-	-	-	198,372	-	198,372	198,372
Postage	69,235	109	-	69,344	1,093	9,721	10,814	80,158
Credit card processing expenses	4	66,823	55,569	122,396	230	24,007	24,237	146,633
Music purchases and royalties	60,610	-	-	60,610	-	-	-	60,610
Production expense	1,648,883	9,625	-	1,658,508	-	47,860	47,860	1,706,368
Costumes	39,745	-	-	39,745	-	-	-	39,745
Equipment rental and maintenance	44,271	336	-	44,607	32,691	-	32,691	77,298
Facility expenses and maintenance	-	388,562	-	388,562	71,983	-	71,983	460,545
Telemarketing	-	-	24,029	24,029	-	-	-	24,029
Student programs	-	219,712	-	219,712	-	-	-	219,712
Photography	500	-	42,679	43,179	-	2,525	2,525	45,704
Printing	-	-	7,538	7,538	-	43,890	43,890	51,428
Travel expenses	112,656	11,681	-	124,337	938	1,300	2,238	126,575
Janitorial services and supplies	-	38,680	-	38,680	44,993	-	44,993	83,673
Advertising and public relation	-	-	964,224	964,224	11,737	-	11,737	975,961
Mailings	-	-	53,202	53,202	-	-	-	53,202
Cultivation	-	-	-	-	-	92,642	92,642	92,642
Insurance	5,000	-	-	5,000	105,085	-	105,085	110,085
Utilities and telephone	-	41,903	-	41,903	101,695	-	101,695	143,598
Professional services	407,275	96,297	62,000	565,572	276,958	33,150	310,108	875,680
Dues and subscriptions	980	4,045	1,780	6,805	23,203	13,472	36,675	43,480
Human resource expense	-	-	-	-	1,865	-	1,865	1,865
Bad debt	-	2,924	-	2,924	-	33,964	33,964	36,888
Other	-	2,359	2,200	4,559	108,121	6,548	114,669	119,228
Total Expenses Before Depreciation and Amortization	6,658,018	2,130,798	1,801,458	10,590,274	1,802,382	793,528	2,595,910	13,186,184
Depreciation and Amortization	380,875	11,473	-	392,348	298,883	-	298,883	691,231
Total Expenses After Depreciation and Amortization	<u>\$ 7,038,893</u>	<u>\$ 2,142,271</u>	<u>\$ 1,801,458</u>	<u>\$ 10,982,622</u>	<u>\$ 2,101,265</u>	<u>\$ 793,528</u>	<u>\$ 2,894,793</u>	<u>\$ 13,877,415</u>

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

ATLANTA BALLET, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2023

	<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	\$ 2,812,095	\$ 934,681	\$ 454,224	\$ 4,201,000	\$ 674,927	\$ 302,420	\$ 977,347	\$ 5,178,347
Payroll taxes and benefits	803,390	223,798	120,097	1,147,285	101,473	45,640	147,113	1,294,398
Total Personnel	3,615,485	1,158,479	574,321	5,348,285	776,400	348,060	1,124,460	6,472,745
Office supplies	132	5,338	2,054	7,524	3,462	4,044	7,506	15,030
Performance hall expenses	332,413	-	67,500	399,913	-	-	-	399,913
Interest expense	-	-	-	-	110,799	-	110,799	110,799
Postage	28,359	547	20,089	48,995	-	865	865	49,860
Credit card processing expenses	-	57,850	31,263	89,113	11,272	13,408	24,680	113,793
Music purchases and royalties	84,900	-	-	84,900	-	-	-	84,900
Production expense	1,359,326	369	-	1,359,695	-	35,482	35,482	1,395,177
Costumes	37,526	-	-	37,526	-	-	-	37,526
Equipment rental and maintenance	37,009	500	816	38,325	57,077	-	57,077	95,402
Facility expenses and maintenance	9,749	353,572	-	363,321	55,269	-	55,269	418,590
Telemarketing	-	-	29,501	29,501	-	-	-	29,501
Student programs	-	231,361	-	231,361	-	-	-	231,361
Photography	-	-	31,062	31,062	-	2,403	2,403	33,465
Printing	35	-	4,557	4,592	-	32,498	32,498	37,090
Travel expenses	112,176	18,899	-	131,075	1,735	1,958	3,693	134,768
Janitorial services and supplies	-	37,052	-	37,052	46,309	-	46,309	83,361
Advertising and public relation	-	-	614,534	614,534	9,226	2,999	12,225	626,759
Mailings	-	-	45,431	45,431	-	-	-	45,431
Cultivation	-	746	-	746	-	91,599	91,599	92,345
Insurance	5,541	-	-	5,541	98,599	-	98,599	104,140
Utilities and telephone	2,776	45,216	-	47,992	89,467	-	89,467	137,459
Professional services	502,317	162,675	55,089	720,081	163,708	25,890	189,598	909,679
Dues and subscriptions	-	1,304	350	1,654	3,953	8,400	12,353	14,007
Human resource expense	-	-	-	-	3,787	-	3,787	3,787
Bad debt	-	-	-	-	-	11,607	11,607	11,607
Other	46,192	-	8,000	54,192	108,564	9,801	118,365	172,557
Total Expenses Before Depreciation and Amortization	6,173,936	2,073,908	1,484,567	9,732,411	1,539,627	589,014	2,128,641	11,861,052
Depreciation and Amortization	328,248	4,971	-	333,219	299,653	-	299,653	632,872
Total Expenses After Depreciation and Amortization	<u>\$ 6,502,184</u>	<u>\$ 2,078,879</u>	<u>\$ 1,484,567</u>	<u>\$ 10,065,630</u>	<u>\$ 1,839,280</u>	<u>\$ 589,014</u>	<u>\$ 2,428,294</u>	<u>\$ 12,493,924</u>

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

ATLANTA BALLET, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (2,374,876)	\$ (2,099,202)
Adjustments to Reconcile Change in Net Assets to Net Cash Required by Operating Activities:		
Depreciation and amortization	691,231	632,872
Bad debt expense	36,888	11,607
Operating lease expense	124,086	111,171
Payments on operating lease	(122,880)	(104,693)
Net realized and unrealized (gain) loss on investments	27,161	(40,650)
Changes in assets and liabilities:		
Receivables	(9,756)	(5,749)
Employee Retention Tax Credit receivable (Note 1)	(1,107)	(386,496)
Deferred Tax Credit (Note 1)	(1,303,307)	-
Unconditional promises to give	876	503,386
Prepaid expenses and other assets	153,785	(191,218)
Accounts payable and accrued expenses	733,788	280,830
Contract liabilities	(47,785)	206,840
Total adjustments	<u>282,980</u>	<u>1,017,900</u>
Net Cash Required by Operating Activities	<u>(2,091,896)</u>	<u>(1,081,302)</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(123,627)	(259,040)
Purchase of investments	(82,457)	(30,863)
Proceeds from the sale of investments	<u>87,765</u>	<u>80,851</u>
Net Cash Required by Investing Activities	<u>(118,319)</u>	<u>(209,052)</u>
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	200,000	-
Borrowings on lines of credit	1,868,000	-
Payments on financing lease liability	<u>(79,788)</u>	<u>(31,237)</u>
Net Cash Provided (Required) by Financing Activities	<u>1,988,212</u>	<u>(31,237)</u>
Change in Cash and Cash Equivalents and Restricted Cash		
Decrease to cash and cash equivalents	(136,783)	(410,662)
Decrease to restricted cash	<u>(85,220)</u>	<u>(910,929)</u>
Net Decrease in Cash and Cash Equivalents and Restricted Cash	<u>(222,003)</u>	<u>(1,321,591)</u>
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>463,832</u>	<u>1,785,423</u>
Cash and Cash Equivalents and Restricted Cash at End of Year	<u>\$ 241,829</u>	<u>\$ 463,832</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 198,372</u>	<u>\$ 110,799</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position:</u>		
Cash and cash equivalents	\$ 236,765	\$ 373,548
Restricted cash	<u>5,064</u>	<u>90,284</u>
	<u>\$ 241,829</u>	<u>\$ 463,832</u>

Schedule of Non-Cash Financing Activity:

See Note 6 for non-cash disclosures related to the right-of-use asset and operating lease liability obligation.

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

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Atlanta Ballet, Inc. (the “Ballet”) 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.

Atlanta Ballet Productions, LLC (“Productions”) is a subsidiary of the Ballet. Productions recognized revenue and expense as well as a deferred income tax asset related to a Georgia Film Production Tax Credit as further explained on page 19. All significant intercompany accounts and transactions have been eliminated in consolidation. Together the Ballet and Productions are referred to as (the “Organization”).

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”).

Adoption of New Accounting Policies

During 2024, the Organization adopted the requirements of Accounting Standards Update (“ASU”) 2016-13, Financial Instruments – Credit Losses Accounting Standards Codification (“ASC”) 326. This ASU introduces a “current expected credit loss” (“CECL”) model which requires all expected credit losses for financial instruments held at the reporting date to be based on historical experience, current conditions, and reasonable supportable forecasts. The CECL model replaces the existing incurred loss method and is applicable to the measurement of credit losses of financial assets. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASC 326 were receivables. There was no material impact to the financial statements or footnotes upon adoption of this new accounting policy.

Reclassifications

Certain reclassifications have been made to the 2023 consolidated financial statements to conform with the 2024 presentation.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 consolidated financial statements.

Endowment

FASB requires the following financial statement disclosures for the Organization for the years ended July 31, 2024 and 2023:

- 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.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

- 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.

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.

**ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

- 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.

- 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, 2024. 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, 2024 and 2023, the Organization had a total corpus of \$1,705,397. The fair value at July 31, 2024 and 2023, was \$1,517,706 and \$1,550,175, respectively. Therefore, total deficiencies at July 31, 2024 and 2023 were \$187,691 and \$155,222, respectively, and were reported in net assets with donor restrictions.

Changes in endowment net assets for years ended July 31, 2024 and 2023 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, July 31, 2022	\$ -	\$ 1,559,513	\$ 1,559,513
Investment gain, net	-	84,392	84,392
Earnings used in operations	-	(93,730)	(93,730)
Endowment net assets, July 31, 2023	-	1,550,175	1,550,175
Investment gain, net	-	51,819	51,819
Earnings used in operations	-	(84,288)	(84,288)
Endowment net assets, July 31, 2024	<u>\$ -</u>	<u>\$ 1,517,706</u>	<u>\$ 1,517,706</u>

**ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023**

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>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 1,345,120	\$ -	\$ -	\$ 1,345,120
Money market funds	18,662	-	-	18,662
Mutual funds & ETFs	74,409	-	-	74,409
Equities	79,515	-	-	79,515
	<u>\$ 1,517,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,517,706</u>

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>2023</u> <u>Level 3</u>	<u>Total</u>
Money market funds	\$ 236,361	\$ -	\$ -	\$ 236,361
Mutual funds & ETFs	605,422	-	-	605,422
Equities	<u>708,392</u>	<u>-</u>	<u>-</u>	<u>708,392</u>
	<u>\$ 1,550,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,550,175</u>

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, 2024 and 2023.

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 ticket sales.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue (Continued)

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 tuition.

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.

Employee Retention Tax Credit - As part of the Coronavirus Aid, Relief and Economic Stabilization Act (the “CARES” Act), employers are provided the Employee Retention Tax Credit (“ERTC”). 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 year ended July 31, 2023, the Organization met the conditions required by the ERTC and recognized grant revenue of \$393,914, which is reflected as Employee Retention Tax Credit in the accompanying statements of activities and changes in net assets. As of July 31, 2024, the Organization had outstanding ERTC receivables of \$827,997 related to grant revenue in 2023 and prior.

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.

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 statements of activities and changes in net assets as net assets released from restrictions. For the year ended July 31, 2024 and 2023, there were no significant concentrations from donors.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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 consolidated statements of financial position. Prior to 2023, the Organization had recorded revenue of \$2,473,967 related to the grant. The remaining amount is recorded as a refundable advance on the consolidated statements of financial position as of July 31, 2024 and 2023.

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 2024 and 2023.

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, 2024 and 2023. No amounts have been reflected in the consolidated 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.

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 consolidated statements of activities.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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 consolidated 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, 2021.

Deferred income taxes are provided for differences in timing of income and expenses for financial reporting and income tax reporting purposes. During the year ended July 31, 2024, the Organization recorded a deferred income tax asset relating to a transferable Georgia Film Production Tax Credit in the amount of \$1,303,307, which was also recorded as a credit for deferred income taxes.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exempt Status (Continued)

Under the Georgia’s Entertainment Industry Investment Act, companies that produce film, television series, music videos and commercials can be provided a 20% tax credit on production and post-production costs in Georgia. The act also provides an additional 10% tax credit if the finished project includes a promotional logo provided by the state. The Organization is eligible for 30% tax credit on production and post-production costs related to virtual performances that occurred during the fiscal year. The Organization calculated a Georgia tax credit in the amount of approximately \$1,448,119 as of July 31, 2024. As the Organization is not able to utilize the credits, it intends to sell the credits once formal approval is provided by the Georgia Department of Revenue. Based on research, the Organization estimates they can sell the credit for 90% of credit amount, thus has recorded a valuation allowance on the deferred tax credit in the amount of \$144,812 as of July 31, 2024. As of July 31, 2024, the Organization had not sold the tax credit but based on management's analysis and external audit of the credit however, no additional valuation allowance is deemed necessary. The Organization expects to sell the credit in fiscal year 2025. The Organization was eligible for a tax credit 2023 and 2024. At July 31, 2023, the Organization could not reasonably determine the credit amount, and thus no amount was recorded during 2023. As of July 31, 2024, management could not reasonably determine the amount of the credit, and thus no amount was recorded during 2024 that related to 2024 expenditures.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

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

	<u>2024</u>	<u>2023</u>
Program	\$ -	\$ 17,018
General operations	<u>155,953</u>	<u>179,700</u>
	155,953	196,718
Less discount for present value	(3,052)	(5,755)
Less allowance for doubtful accounts	<u>-</u>	<u>(298)</u>
	<u>\$ 152,901</u>	<u>\$ 190,665</u>

At July 31, 2024 and 2023, 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 year ending July 31, 2025 are \$152,901. At July 31, 2024, 50% of unconditional promises to give was from two donors. At July 31, 2023, 52% of unconditional promises to give was from three donors.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at July 31:

	<u>2024</u>	<u>2023</u>
Stage equipment	\$ 1,470,950	\$ 1,411,136
Costumes	1,315,480	1,278,250
Office equipment	743,596	743,596
Furniture and fixtures	206,741	206,741
Leasehold improvements	395,524	374,765
Building	9,450,516	9,450,516
Land	1,360,603	1,360,603
Land improvements	44,265	44,265
Production in progress	-	235,740
Nutcracker	3,942,398	3,942,398
CoCo Chanel	226,964	-
	<u>19,157,037</u>	<u>19,048,010</u>
Less accumulated depreciation	<u>(7,572,932)</u>	<u>(6,978,513)</u>
Total property and equipment, net	<u>\$ 11,584,105</u>	<u>\$ 12,069,497</u>

Depreciation expense for the years ended July 31, 2024 and 2023 was \$609,019 and \$632,872, respectively.

NOTE 4 – BORROWING ARRANGEMENTS

Lines of Credit

On August 29, 2023, the Organization entered into a new line of credit with maximum borrowings up to \$843,000. The line of credit carries interest at a fixed 7% per annum and matures on January 1, 2025. Outstanding borrowings under the line of credit were \$843,000 at July 31, 2024.

On November 21, 2023, the Organization entered into a new line of credit with maximum borrowings up to \$800,000. The line of credit carries interest at a fixed 7.25% per annum and matures on November 21, 2024. Outstanding borrowings under the line of credit were \$800,000 at July 31, 2024.

On March 1, 2024, the Organization entered into a new line of credit with maximum borrowings up to \$350,000. The line of credit carries interest at a fixed 6.89% per annum and matures on December 1, 2024. Outstanding borrowings under the line of credit were \$225,000 at July 31, 2024.

The lines of credit are collateralized by the certificate of deposits maintained with the bank. The certificate of deposits are included in the endowment investments.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 4 – BORROWING ARRANGEMENTS (Continued)

Promissory Notes

The Organization entered into a \$650,000 promissory note agreement with a member of the Board of Trustees. The note bore interest at 4% and expired on September 1, 2024, at which time all unpaid principal and interest was paid. The note was unsecured. Outstanding borrowings under the note were \$150,000 at July 31, 2024 and 2023.

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 July 31, 2025 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, 2024 and 2023.

The Organization entered into two promissory note agreements with a member of the Board of Trustees in the amounts of \$125,000 and \$75,000. The notes bore interest at 5.3% and expired on August 31, 2024, at which time all unpaid principal and interest was paid. The notes were not required to be secured by collateral. Outstanding borrowings under the notes were \$200,000 at July 31, 2024.

NOTE 5 – CONTRACT LIABILITIES

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

	<u>2024</u>	<u>2023</u>
Deferred ticket sales	\$ 704,532	\$ 612,942
Deferred sponsorships	24,500	207,790
Deferred tuition	575,421	545,033
Deferred events	71,429	142,857
Deferred other	<u>87,565</u>	<u>2,610</u>
	<u>\$ 1,463,447</u>	<u>\$ 1,511,232</u>

NOTE 6 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Organization leases certain warehouse and dance studio space under non-cancelable operating leases that mature in July 2027 and November 2029. At July 31, 2024, the Organization’s operating lease liability was comprised of the following:

Gross operating lease liability	\$ 1,167,766
Less: imputed interest	<u>(100,432)</u>
Present value of operating lease liability	<u>\$ 1,067,334</u>

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 6 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

The following is a schedule by years of minimum future rentals on non-cancelable Operating leases for years ending July 31:

2025	\$ 255,973
2026	264,460
2027	272,396
2028	159,176
2029	163,924
Thereafter	<u>51,837</u>
	<u>\$ 1,167,766</u>

Operating lease expense for 2024 and 2023 approximated \$124,000 and \$111,000, respectively which is reflected as amortization and interest expense on the consolidated statements of activities and changes in net assets.

The Organization is the lessee of computer equipment under a finance lease expiring May 2026. The assets and liabilities under this finance lease are recorded as a right-of-use (“ROU”) asset and finance lease liability based on the present value of future minimum rental payments using an interest rate of 4.61%. The assets are amortized over their estimated productive lives. Amortization expense totaled \$82,212 for the year ended July 31, 2024.

Following is a summary of property held under the finance lease:

Computer equipment	\$ 267,187
Less accumulated amortization	<u>(116,467)</u>
Total right-of-use asset, net	<u>\$ 150,720</u>

The schedule below summarizes the future minimum annual finance lease payments for the years ending July 31:

2025	\$ 96,409
2026	<u>74,161</u>
	170,570
Amount representing interest	<u>(14,408)</u>
	<u>\$ 156,162</u>

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose or passage of time:		
Program	\$ 211,769	\$ 270,000
Time restriction	115,000	306,406
Cash reserve fund	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,326,769</u>	<u>1,576,406</u>
 Endowments:		
Subject to spending policy and appropriation:		
Investments in perpetuity (including original gift amount of \$1,705,397 for July 31, 2024 and 2023), which once appropriated are expendable to support:		
General operations	471,000	471,000
Productions	500,000	500,000
Scholarship	534,397	534,397
Music endowment	200,000	200,000
Underwater endowment	<u>(187,691)</u>	<u>(155,222)</u>
	<u>1,517,706</u>	<u>1,550,175</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 2,844,475</u>	 <u>\$ 3,126,581</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 did not meet this requirement during the year but fulfilled the requirement subsequent to year-end. The Organization had outstanding borrowings of \$994,936 and \$909,716 from the cash reserve funds at July 31, 2024 and July 31, 2023, respectively.

**ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023**

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>2024</u>	<u>2023</u>
Program restrictions	\$ 354,287	\$ 91,024
Time restrictions	<u>306,407</u>	<u>589,519</u>
	<u>\$ 660,694</u>	<u>\$ 680,543</u>

NOTE 9 – RELATED-PARTY TRANSACTIONS

During 2024 and 2023, the Organization received contributions from members of the Board and entities with common Board members. During the years ended July 31, 2024 and 2023, contributions collected from such related parties were approximately \$2,050,992 and \$1,545,000, respectively. Undiscounted promises to give from related parties were approximately \$37,000 and \$32,500 at July 31, 2024 and 2023, respectively.

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

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

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 July 31 are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 236,765	\$ 373,548
Restricted cash	5,064	90,284
Receivables, net	23,642	13,896
Employee Retention Tax Credit receivable	827,997	826,890
Unconditional promises to give, net	152,901	190,665
Endowment	<u>1,517,706</u>	<u>1,550,175</u>
Financial assets, at year end	2,764,075	3,045,458
Less those unavailable for general expenditures within one year, due to:		
Restricted cash	(5,064)	(90,284)
Restricted by donor with time or purpose restrictions	(326,769)	(576,406)
Endowment funds not appropriated for spending in the following year	<u>(1,442,706)</u>	<u>(1,470,175)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 989,536</u>	<u>\$ 908,593</u>

The Organization has experienced significant decreases in net assets over the past few years. This reflects a deficit in resources available to fund the 2025 fiscal year operations.

Subsequent to year-end the Organization entered into a sale/leaseback arrangement for their building, which provides them with approximately \$8,335,600 in immediate cash to fund current and future years’ operations (see Note 12).

Additionally, the Organization expects to receive the cash related to the Employee Retention Tax Credits of \$827,997 in fiscal year 2025 and has obtained three lines of credit during the fiscal year, as noted in Note 4, to better manage its cash flow needs. Management also believes they have the ability to extend the lines of credit beyond their current maturity date.

ATLANTA BALLET, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

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 consolidated financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 12, 2024, the date the consolidated financial statements were available to be issued.

Subsequent to year end, the Organization entered into a sale/lease back agreement on their building. The Organization sold the building for \$8,335,600, which had a net book value of \$6,070,419 at the time of the sale. The Organization entered into a lease that expires in 2034 with the option to review for two consecutive periods of 5 years each. The future minimum cash payments associated with the original lease term is approximately \$6,700,000.