

**GRAND RAPIDS BALLET COMPANY**  
**GRAND RAPIDS, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**MEYAARD TOLMAN & VENLET p.c.**  
**Certified Public Accountants**  
**Zeeland, Michigan**

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENTS OF ACTIVITIES .....	3
STATEMENTS OF FUNCTIONAL EXPENSES .....	4
STATEMENTS OF CASH FLOWS .....	5
NOTES TO FINANCIAL STATEMENTS.....	6



Jayne E. Venlet, CPA  
John P. Rosendall, CPA

Matthew Mol, CPA, CFE  
Lyndon Wood, CPA  
Chanda M. Leech, CPA  
Tyler D. Westman, CPA

**MEYAARD TOLMAN & VENLET p.c.**  
*Certified Public Accountants*

Glenn Meyaard, CPA (Retired)

**INDEPENDENT AUDITOR'S REPORT**

Charles D. Olszewski, CPA (1955-2020)  
Kenneth Tolman, CPA (1959-2003)

Board of Directors  
Grand Rapids Ballet Company  
Grand Rapids, MI 49503

We have audited the accompanying financial statements of Grand Rapids Ballet Company (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Rapids Ballet Company as of June 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Meyaard Tolman + venlet p.c.*

Meyaard Tolman & Venlet p.c.  
Certified Public Accountants  
December 15, 2020

**GRAND RAPIDS BALLET COMPANY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
<b>CURRENT:</b>		
Cash	\$ 244,446	\$ 39,743
Promises to give	316,497	605,884
Inventories	3,808	680
Prepaid expenses	12,327	44,803
Licensed ballets	5,000	21,350
<b>Total Current Assets</b>	<u>582,078</u>	<u>712,460</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>4,129,041</u>	<u>4,466,125</u>
<b>OTHER ASSETS:</b>		
Promises to give, net of current portion and present value discount	-	244,000
Endowment investment	2,064,396	1,746,755
Beneficial interest in perpetual endowment fund	106,656	116,623
<b>Total Other Assets</b>	<u>2,171,052</u>	<u>2,107,378</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,882,171</u>	<u>\$ 7,285,963</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 17,801	\$ 53,558
Accrued liabilities	22,833	51,695
Deferred revenue	58,065	236,240
Lines of credit	680,622	265,928
Current portion of long-term liabilities	26,621	27,786
<b>Total Current Liabilities</b>	<u>805,942</u>	<u>635,207</u>
<b>LONG-TERM LIABILITIES:</b>		
Notes payable	900,229	681,316
Less current portion	(26,621)	(27,786)
<b>Total Long-Term Liabilities</b>	<u>873,608</u>	<u>653,530</u>
<b>TOTAL LIABILITIES</b>	<u>1,679,550</u>	<u>1,288,737</u>
<b>NET ASSETS:</b>		
Without donor restriction	2,761,767	3,414,537
With donor restriction	2,440,854	2,582,689
<b>Total Net Assets</b>	<u>5,202,621</u>	<u>5,997,226</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,882,171</u>	<u>\$ 7,285,963</u>

See accompanying notes.

**GRAND RAPIDS BALLET COMPANY**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30,**

	2020		
	Without Donor Restriction	With Donor Restriction	Total
<b>PUBLIC SUPPORT:</b>			
Contributions	413,949	\$ 13,991	\$ 427,940
In-kind contributions	18,804	-	18,804
Fund raising events, net of \$56,284 direct expenses	4,191	-	4,191
Net assets released from restrictions:			
Expiration of donor restrictions	<u>275,000</u>	<u>(275,000)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT</b>	<u>711,944</u>	<u>(261,009)</u>	<u>450,935</u>
<b>REVENUE:</b>			
Ticket sales:			
Season tickets	123,888	-	123,888
Nutcracker box office	556,458	-	556,458
Touring income	4,500	-	4,500
Wege Theater	75,760	-	75,760
Junior Company	24,171	-	24,171
School tuition and programs	450,780	-	450,780
Boutique sales, net of \$28,577			
direct cost of sales	28,636	-	28,636
Rental income	18,098	-	18,098
Lecture income	1,020	-	1,020
Advertising	4,501	-	4,501
Interest and dividend income	1,390	36,210	37,600
Realized and unrealized gain (loss)			
on endowment	-	92,931	92,931
Unrealized loss in beneficial interest	-	<u>(9,967)</u>	<u>(9,967)</u>
<b>TOTAL REVENUE</b>	<u>1,289,202</u>	<u>119,174</u>	<u>1,408,376</u>
<b>TOTAL SUPPORT AND REVENUE</b>	2,001,146	(141,835)	1,859,311
<b>EXPENSES</b>	<u>2,653,916</u>	<u>-</u>	<u>2,653,916</u>
<b>CHANGE IN NET ASSETS</b>	(652,770)	(141,835)	(794,605)
<b>NET ASSETS, July 1, 2019</b>	<u>3,414,537</u>	<u>2,582,689</u>	<u>5,997,226</u>
<b>NET ASSETS, June 30, 2020</b>	<u>\$ 2,761,767</u>	<u>\$ 2,440,854</u>	<u>\$ 5,202,621</u>

See accompanying notes.

	2019		
	Without Donor Restriction	With Donor Restriction	Total
<b>PUBLIC SUPPORT:</b>			
Contributions	\$ 458,673	\$ 389,000	\$ 847,673
In-kind contributions	37,595	-	37,595
Fund raising events, net of \$47,030 direct expenses	58,776	-	58,776
Net assets released from restrictions:			
Expiration of donor restrictions	340,000	(340,000)	-
<b>TOTAL PUBLIC SUPPORT</b>	<b>895,044</b>	<b>49,000</b>	<b>944,044</b>
<b>REVENUE:</b>			
Ticket sales:			
Season tickets	105,181	-	105,181
Nutcracker box office	612,191	-	612,191
Touring income	127,578	-	127,578
Wege Theater	103,447	-	103,447
Junior Company	50,553	-	50,553
School tuition and programs	515,859	-	515,859
Boutique sales, net of \$19,997 direct cost of sales	37,625	-	37,625
Rental income	12,258	-	12,258
Lecture income	1,090	-	1,090
Advertising	9,068	-	9,068
Interest and dividend income	144	35,488	35,632
Realized and unrealized gain (loss) on endowment	-	38,530	38,530
Unrealized loss in beneficial interest	-	(2,468)	(2,468)
<b>TOTAL REVENUE</b>	<b>1,574,994</b>	<b>71,550</b>	<b>1,646,544</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,470,038</b>	<b>120,550</b>	<b>2,590,588</b>
<b>EXPENSES</b>	<b>2,963,550</b>	<b>-</b>	<b>2,963,550</b>
<b>CHANGE IN NET ASSETS</b>	<b>(493,512)</b>	<b>120,550</b>	<b>(372,962)</b>
<b>NET ASSETS, July 1, 2018</b>	<b>3,908,049</b>	<b>2,462,139</b>	<b>6,370,188</b>
<b>NET ASSETS, June 30, 2019</b>	<b>\$ 3,414,537</b>	<b>\$ 2,582,689</b>	<b>\$ 5,997,226</b>

**GRAND RAPIDS BALLET COMPANY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30,**

	2020					
	Program Services		Total Program	Supporting Services		
	Production Costs	Ballet School		Management and General	Fundraising	Total
Salaries and wages	\$ 520,847	\$ 211,440	\$ 732,287	\$ 108,850	\$ 153,487	\$ 994,624
Payroll taxes	66,371	27,143	93,514	9,611	11,615	114,740
Health insurance	79,424	7,791	87,215	3,014	13,233	103,462
Production	339,697	-	339,697	-	-	339,697
Royalties	57,166	-	57,166	-	-	57,166
Shoe reimbursement	21,374	-	21,374	-	-	21,374
Facility charges	64,198	-	64,198	-	-	64,198
Promotion and public relations	116,321	-	116,321	-	13,735	130,056
Program printing	14,370	4,718	19,088	-	2,359	21,447
Scholarships granted	-	63,630	63,630	-	-	63,630
Trucking	29,451	-	29,451	-	-	29,451
Equipment	4,439	-	4,439	-	-	4,439
Supplies	1,836	530	2,366	3,686	-	6,052
General insurance	-	-	-	49,970	-	49,970
Interest	-	-	-	58,062	-	58,062
Dues and fees	-	-	-	11,598	-	11,598
Legal and professional	-	-	-	41,955	-	41,955
Depreciation	256,184	67,417	323,601	10,113	3,371	337,085
Utilities	35,315	12,756	48,071	3,907	595	52,573
Maintenance	21,240	7,445	28,685	2,284	313	31,282
Storage rental	29,504	-	29,504	-	-	29,504
Travel and touring expense (recovery)	(112)	-	(112)	-	-	(112)
Summer intensive lodging & travel	-	51,756	51,756	-	-	51,756
Special programs	-	8,307	8,307	-	-	8,307
Miscellaneous	2,994	7,998	10,992	1,804	-	12,796
In-kind promotion and public relations	18,804	-	18,804	-	-	18,804
<b>TOTAL EXPENSES</b>	<b>\$ 1,679,423</b>	<b>\$ 470,931</b>	<b>\$ 2,150,354</b>	<b>\$ 304,854</b>	<b>\$ 198,708</b>	<b>\$ 2,653,916</b>
% of Expenses			81.02%	11.49%	7.49%	100.00%

See accompanying notes.

2019

	Program Services			Supporting Services		
	Production Costs	Ballet School	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 599,510	\$ 243,374	\$ 842,884	\$ 129,707	\$ 172,251	\$ 1,144,842
Payroll taxes	82,395	33,696	116,091	11,932	14,419	142,442
Health insurance	48,936	4,800	53,736	1,857	8,153	63,746
Production	351,164	-	351,164	-	-	351,164
Royalties	60,727	-	60,727	-	-	60,727
Shoe reimbursement	21,621	-	21,621	-	-	21,621
Facility charges	43,271	-	43,271	-	-	43,271
Promotion and public relations	139,721	-	139,721	-	16,498	156,219
Program printing	28,193	9,258	37,451	-	4,629	42,080
Scholarships granted	(1,970)	67,615	65,645	-	-	65,645
Trucking	26,344	-	26,344	-	-	26,344
Equipment	4,417	-	4,417	-	-	4,417
Supplies	4,218	1,218	5,436	8,466	-	13,902
General insurance	-	-	-	61,643	-	61,643
Interest	-	-	-	45,522	-	45,522
Dues and fees	-	-	-	10,124	-	10,124
Postage	-	-	-	30	-	30
Legal and professional	-	-	-	42,871	-	42,871
Depreciation	260,734	68,614	329,348	10,293	3,431	343,072
Utilities	35,629	12,869	48,498	3,942	600	53,040
Maintenance	28,413	9,959	38,372	3,055	418	41,845
Storage rental	30,090	-	30,090	-	-	30,090
Travel and touring expense	53,589	-	53,589	-	-	53,589
Summer intensive lodging & travel	-	70,668	70,668	-	-	70,668
Special programs	-	18,878	18,878	-	-	18,878
Miscellaneous	4,250	11,352	15,602	2,561	-	18,163
In-kind promotion and public relations	37,595	-	37,595	-	-	37,595
<b>TOTAL EXPENSES</b>	<b>\$ 1,858,847</b>	<b>\$ 552,301</b>	<b>\$ 2,411,148</b>	<b>\$ 332,003</b>	<b>\$ 220,399</b>	<b>\$ 2,963,550</b>
% of Expenses			81.36%	11.20%	7.44%	100.00%



**GRAND RAPIDS BALLET COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30,**

	2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ (794,605)	\$ (372,962)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized (gain)/loss on beneficial interest	9,967	2,468
Realized and unrealized (gain)/loss on endowment	(92,931)	(38,530)
Depreciation	337,085	343,072
Change in net present value of pledges receivable	(8,991)	(13,000)
(Increase) decrease in:		
Promises to give	542,378	(62,537)
Inventories	(3,128)	(266)
Prepaid expenses	32,476	(3,697)
Licensed ballets	16,350	24,683
Increase (decrease) in:		
Accounts payable	(35,757)	24,414
Accrued liabilities	(28,862)	10,323
Deferred revenue	(178,175)	19,600
Net Cash Provided (Used) by Operating Activities	(204,193)	(66,432)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchases of property and equipment	-	(36,235)
Purchases of investments	(6,321,513)	(2,185,403)
Proceeds on sale of investments	6,096,803	2,032,567
Net Cash Provided (Used) by Investing Activities	(224,710)	(189,071)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Net proceeds (repayments) from short-term debt	414,694	244,498
Issuance of long-term debt	243,750	-
Repayments of long-term debt	(24,838)	(25,643)
Proceeds from capital campaign	-	50,000
Net Cash Provided (Used) by Financing Activities	633,606	268,855
Net increase (decrease) in cash and cash equivalents	204,703	13,352
Cash and cash equivalents, beginning	39,743	26,391
Cash and cash equivalents, ending	\$ 244,446	\$ 39,743

Payments for interest totaled \$58,062 and \$45,522 for the years ended June 30, 2020 and 2019, respectively.

**GRAND RAPIDS BALLET COMPANY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

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**MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**MISSION** – Grand Rapids Ballet Company (the "Ballet") is a not-for-profit corporation organized for the purpose of training and performance opportunities for ballet students, as well as providing education and appreciation of dance and music by members of audiences for operatic, dramatic, and musical programs. The mission of the Ballet is to lift the human spirit through the art of dance by providing exceptional and diverse programming; high quality dance education; outreach to inspire and enrich the community; family friendly programming including newly commissioned works; and a sound financial condition that enables growth and assists our staff and dancers in achieving their quality of life goals and provides a stable viable future. This is accomplished through the School of Grand Rapids Ballet Company and professional ballet productions. The Ballet's support comes primarily from ticket sales to performances, school tuition, and contributions.

**BASIS OF PRESENTATION** – The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements are presented in accordance with the provisions of FASB ASC 958, *Not-for-Profit Entities* and the AICPA Audit and Accounting Guide for Not-for-Profit Organizations.

**BASIS OF PRESENTATION** – The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – Net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net assets with donor restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

**CASH** – Cash consists of demand deposits, cash on hand, and temporary investments with original maturities of 90 days or less when purchased. The Ballet may, at times, and in the normal course of business, have deposits in major financial institutions in excess of federally insured amounts. Management does not consider uninsured cash to be a significant risk.

**PROMISES TO GIVE** – Unconditional promises to give are recognized as revenues in the period promised and as assets, decreases in liabilities, or expenses depending on the form of the benefits to be received. Unconditional promises to give are stated at the amount management expects to collect from outstanding balances, discounted to net present value. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. When balances are deemed uncollectible they are written off through a charge to the valuation allowance and a credit to promises to give. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

**INVENTORIES** – Inventories consist of items maintained for the Ballet Guild's Boutique including clothing and Ballet related gifts. Inventories are stated at the lower of cost (first-in, first-out method) or market.

LICENSED BALLETS – The Ballet enters into agreements to perform certain licensed ballets from one to five years in the future. The amount of the license fees attributable to future years is recorded as an asset, licensed ballets, on the Statement of Financial Position. The expense of each ballet’s license fee is reflected as the production is performed.

PROPERTY, EQUIPMENT AND DEPRECIATION – The Ballet follows the practice of capitalizing, at cost, all expenditures of property and equipment in excess of \$1,000. Donated assets are recorded at fair market value. Depreciation is computed using the straight-line method over the estimated lives of the assets placed into service. When property is deemed held for sale, the Ballet carries it at the lower of net carrying value or fair value less costs to sell.

ENDOWMENT INVESTMENTS – Investments are stated at fair value and consist of equity securities and publicly traded mutual funds. Due to donor stipulations, increases in the fair value of the investments are recorded as donor restricted revenue, and decreases in the fair value of the investments have been recorded as a reduction in net assets with donor restriction in the statements of activities.

DEFERRED REVENUE – Ticket and advertising sales relating to ballets to be performed in the upcoming season are included as deferred revenue. As well, school tuition received in advance for the summer intensive session is included in deferred revenue. As the ballets are performed and the summer intensive session is conducted, the deferred revenue will be included in revenue.

DONATED SERVICES AND GOODS – Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributed services and donated goods have been recorded in the Statements of Activities in the amount of \$18,804 and \$37,595 for the years ended June 30, 2020 and 2019, respectively. In addition, many other volunteers have contributed significant amounts of time to the Ballet, without compensation. These contributions, although clearly substantial, are not recognized as contributions in the financial statements since the recognition criteria stated above was not met.

ADVERTISING COSTS – The Ballet expenses advertising and promotional costs as they are incurred. Total advertising and promotional costs were \$130,056 and \$156,219 for the years ended June 30, 2020 and 2019, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited as detailed in the statement of functional expenses. Fundraising costs include both direct and indirect costs related to the solicitation of contributions from the general public.

INCOME TAXES – The Ballet qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, the Ballet may be taxed on “unrelated business income”. Such income pursuant to the Internal Revenue Code and related regulations, includes advertising income. In addition, the Ballet qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision has been made for income taxes in these financial statements.

The Ballet evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with generally accepted accounting principles which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Ballet has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income tax authorities are included in operating expenses. The Ballet’s federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT – During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Statement Accounting Standards Board’s Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

## FAIR VALUE

The Ballet utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Under FASB ASC 820, the Ballet groups its investments at fair value into three levels (termed the *fair value hierarchy*), based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

*Level 1:* Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. All of the Ballet’s direct investments are classified as Level 1.

*Level 2:* Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. The Ballet holds no securities classified as Level 2.

*Level 3:* Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. The Ballet holds investments in the Grand Rapids Community Foundation’s perpetual endowment fund that are classified as Level 3.

## PROMISES TO GIVE

The following is a schedule of unconditional promises to give as of June 30:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 318,506	\$ 605,884
Receivable in one to five years	<u>-</u>	<u>255,000</u>
Total unconditional promises to give	318,506	860,884
Discount of 3% to net present value	<u>(2,009)</u>	<u>(11,000)</u>
	<u>\$ 316,497</u>	<u>\$ 849,884</u>

## PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 410,700	\$ 410,700
Buildings	6,218,303	6,218,303
Sets	347,445	347,445
Nutcracker set	1,137,782	1,137,782
Costumes	167,577	167,577
Music	18,000	18,000
Props	16,715	16,715
Equipment and furniture	<u>314,916</u>	<u>314,916</u>
	8,631,438	8,631,438
Less accumulated depreciation	<u>(4,502,397)</u>	<u>(4,165,313)</u>
	<u>\$ 4,129,041</u>	<u>\$ 4,466,125</u>

## BENEFICIAL INTEREST IN PERPETUAL ENDOWMENT FUND

The Ballet is the beneficiary under an agency endowment agreement administered by the Grand Rapids Community Foundation. Under this agreement, the Ballet is entitled to the earnings from the assets in perpetuity, but has no right to the principal. The fair market value of the underlying investment is recorded in the Ballet's statements of financial position. On an annual basis, the asset is revalued based on the changes in market value. This revaluation is treated as a change in net assets with donor restriction in the statements of activities. Distributions from the Foundation are recorded as interest income on the statements of activities.

The Grand Rapids Community Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with generally accepted accounting principles, an asset has been established for the fair value of the funds on the statements of financial position of the Ballet.

## INVESTMENTS

Publicly traded investments consisted of the following as of June 30, 2020:

	<u>Fair Value</u>	<u>Level 1 Based on Quoted Prices</u>	<u>Level 3 Significant Unobservable Inputs</u>
Publicly traded mutual funds	\$ 615,919	\$ 615,919	\$ -
Publicly traded equities	1,448,477	1,448,477	-
Beneficial interest in perpetual endowment	<u>106,656</u>	<u>-</u>	<u>106,656</u>
	<u>\$ 2,171,052</u>	<u>\$ 2,064,396</u>	<u>\$ 106,656</u>

Publicly traded investments consisted of the following as of June 30, 2019:

	<u>Fair Value</u>	<u>Level 1 Based on Quoted Prices</u>	<u>Level 3 Significant Unobservable Inputs</u>
Publicly traded mutual funds	\$ 363,118	\$ 363,118	\$ -
Publicly traded equities	1,383,637	1,383,637	-
Beneficial interest in perpetual endowment	<u>116,623</u>	<u>-</u>	<u>116,623</u>
	<u>\$ 1,863,378</u>	<u>\$ 1,746,755</u>	<u>\$ 116,623</u>

Activity within the Beneficial Interest in Perpetual Endowment fund was as follows for years ended June 30:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 116,623	\$ 119,091
Interest and dividend income	2,327	2,308
Unrealized gain (loss)	(6,849)	520
Investment manager fees	<u>(445)</u>	<u>(396)</u>
Net investment income (loss)	(4,967)	2,432
Appropriation of beneficial interest assets for expenditure	<u>(5,000)</u>	<u>(4,900)</u>
Balance, end of year	<u>\$ 106,656</u>	<u>\$ 116,623</u>

## LINE OF CREDIT

The Ballet has available a \$1,000,000 line of credit with a bank, secured by a building, with interest payable at the bank's prime rate (effective rate of 3.00% at June 30, 2020). The line of credit expired in April 2019 and has been extended through October 15, 2020. There were outstanding borrowings on this line totaling \$680,622 and \$265,928 at June 30, 2020 and 2019, respectively.

## COVID-19/CORONAVIRUS

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date these financial statements were available to be issued, the Ballet has very limited operations. We cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Ballet's financial position, results of operations, or cash flows in the future.

## LONG TERM DEBT

The Ballet has a term note payable to a bank that requires monthly payments of \$4,722, including interest at 4.67%. The note is secured by the assets of the Ballet. The note matures and all remaining principal is due April 1, 2022. The balance as of June 30, 2020 was \$656,479.

On April 16, 2020, the Ballet received a Paycheck Protection Program loan from a bank for \$243,750. The funds are being used primarily for payroll costs during the spring and summer 2020. The Ballet believes all funds were used for the intended, allowable purposes, and the loan was forgiven December 7, 2020 (see note entitled "SUBSEQUENT EVENTS").

Scheduled principal maturities of long-term debt for each of the years succeeding June 30, 2020 are summarized as follows:

2021	26,621
2022	<u>873,608</u>
Total	<u>\$ 900,229</u>

## NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2020</u>	<u>2019</u>
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Future operations	\$ 252,991	\$ 510,000
Endowment investment income	<u>303,807</u>	<u>179,666</u>
Total Subject to the Passage of Time or Expenditure for Specified Purpose:	<u>556,798</u>	<u>689,666</u>

Endowment Funds:  
Original gifts and required retained earnings (corpus)

Perpetual endowment fund	106,656	116,623
Donor-restricted endowment fund	1,777,400	1,588,900
Promises to give restricted to endowment fund	-	187,500
	<u>1,884,056</u>	<u>1,893,023</u>
Total Endowment Funds		
	<u>\$ 2,440,854</u>	<u>\$ 2,582,689</u>

ENDOWMENT FUNDS

The Ballet's long-term investment endowment funds consist of funds held at an institution and was established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds with deficiencies – 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 the State Prudent Management of Institutional Funds Act (SPMIFA) requires the Ballet to retain. There were no deficiencies in the donor-restricted endowment fund at June 30, 2020 or 2019.

Spending policy – in accordance with the Ballet's Investment Policy, distributions shall be in an amount determined by the finance committee but not to exceed five percent (5%) per annum of the average market value of the Endowment's assets calculated as of December 31 of the immediately ended calendar year on the basis of the last twelve (12) calendar quarters. Except for the regular distributions authorized above, the assets of the Endowment shall not be otherwise invaded or distributed except if and when the Board of Directors determines that the Grand Rapids Ballet Company will not be able to continue operating without utilizing the assets from the Endowment.

Changes in donor restricted endowment net assets for the year ended June 30, 2020 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, July 1, 2019	\$ -	\$ 1,746,755	\$ 1,746,755
Contributions	-	188,500	188,500
Investment income	-	36,210	36,210
Realized and unrealized gain on investments	-	92,931	92,931
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 2,064,396</u>	<u>\$ 2,064,396</u>



Changes in donor restricted endowment net assets for the year ended June 30, 2019 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, July 1, 2018	\$ -	\$ 1,555,389	\$ 1,555,389
Contributions	-	187,500	187,500
Investment income	-	35,488	35,488
Realized and unrealized gain on investments	-	43,378	43,378
Appropriation of endowment assets for expenditure	-	(75,000)	(75,000)
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 1,746,755</u>	<u>\$ 1,746,755</u>

#### ENDOWMENT FUNDS WITH LOCAL FOUNDATION

The Ballet has a fund with the Forest Hills Public Schools Fine Arts Center Foundation (FACF) where an account has been set up for the benefit of the Grand Rapids Ballet Company. The Ballet will receive annual distributions in perpetuity from this fund based on the Foundation's spending formula. Such funds will be used solely to provide support for the educational programming of the FACF in the form of one or more performances at the center, presented annually by the Grand Rapids Ballet Company. The fund is the property of the Foundation, with the Foundation having authority and control over the fund; therefore, these funds are not reported as assets of the Ballet.

#### CONCENTRATION

Approximately 14% of the Ballet's public support was provided by one donor during the year ended June 30, 2020, and approximately 56% of the Ballet's public support was provided by two donors during the year ended June 30, 2019. In addition, promises to give from these donors totaled approximately 91% and 94% of promises to give at June 30, 2020 and 2019, respectively.

#### COMMITMENTS

The Ballet has entered into several contracts for future productions. The total commitments for the contracts of future performers at June 30, 2020 was \$327,205.

## LIQUIDITY

The following reflects the Ballet's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available for use within one year for general purposes include the payment from promises to give.

Financial assets at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 244,446	\$ 39,743
Promises to give	<u>316,497</u>	<u>605,884</u>
Total financial assets at year-end	<u>560,943</u>	<u>645,627</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 560,943</u>	<u>\$ 645,627</u>

## SUBSEQUENT EVENTS

Subsequent events were evaluated through December 15, 2020, which is the date the financial statements were available to be issued.

On December 7, 2020, the Small Business Administration forgave the Paycheck Protection Program loan.

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