

NASHVILLE BALLET
CONSOLIDATED FINANCIAL STATEMENTS,
CONSOLIDATING INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
MAY 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville Ballet
Nashville, Tennessee

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Nashville Ballet (the "Ballet") which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free of material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements 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 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Ballet as of May 31, 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.

REPORT ON CONSOLIDATING INFORMATION

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 28-30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Handwritten signature in black ink that reads "Knapf CPAs PLLC".

Nashville, Tennessee
September 29, 2020

NASHVILLE BALLET

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,389,115	\$ 1,714,245
Accounts receivable, net of allowance of \$34,616 and \$15,345 respectively	118,373	190,285
Grants receivable	33,448	199,024
Contributions receivable, net	810,494	343,902
Prepaid expenses and other	339,734	483,699
Investments	1,296,037	1,258,054
Property and equipment, net	7,223,039	7,452,663
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>61,739</u>	<u>61,350</u>
TOTAL ASSETS	<u>\$ 12,271,979</u>	<u>\$ 11,703,222</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 411,180	\$ 81,429
Payroll liabilities	111,902	116,182
Deferred revenue	666,563	1,169,429
Notes payable	<u>2,828,507</u>	<u>2,421,449</u>
TOTAL LIABILITIES	<u>4,018,152</u>	<u>3,788,489</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Board designated	957,629	598,807
Invested in property and equipment, less related debt	5,011,082	5,031,214
Undesignated (deficit)	<u>(130,388)</u>	<u>159,704</u>
Total without donor restrictions	5,838,323	5,789,725
With donor restrictions	<u>2,415,504</u>	<u>2,125,008</u>
TOTAL NET ASSETS	<u>8,253,827</u>	<u>7,914,733</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,271,979</u>	<u>\$ 11,703,222</u>

See accompanying notes to consolidated financial statements.

NASHVILLE BALLET

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Season ticket sales	\$ 207,564	\$ -	\$ 207,564
Single and group ticket sales	1,230,769	-	1,230,769
Rentals and touring	44,661	-	44,661
Community engagement	20,547	-	20,547
School tuition	1,649,517	-	1,649,517
Public Support:			
Grants	167,000	-	167,000
Capital campaign contributions	-	-	-
Individual contributions	1,149,877	275,700	1,425,577
Corporate and foundation contributions	331,808	783,000	1,114,808
Contributions from the Community Foundation of Middle Tennessee	201,600	-	201,600
Ballet Ball revenue	660,102	-	660,102
Friends support and benefits	5,692	-	5,692
Donated goods and services	296,740	-	296,740
Investment income (loss), net	11,087	71,322	82,409
Miscellaneous	58,864	-	58,864
Net assets released from restrictions	839,526	(839,526)	-
TOTAL SUPPORT AND REVENUE	6,875,354	290,496	7,165,850
EXPENSES			
Program services	5,569,874	-	5,569,874
Supporting services:			
Management and general	461,029	-	461,029
Fundraising	795,853	-	795,853
TOTAL EXPENSES	6,826,756	-	6,826,756
CHANGE IN NET ASSETS	48,598	290,496	339,094
NET ASSETS - BEGINNING OF YEAR	5,789,725	2,125,008	7,914,733
NET ASSETS - END OF YEAR	\$ 5,838,323	\$ 2,415,504	\$ 8,253,827

See accompanying notes to consolidated financial statements.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 300,019	\$ -	\$ 300,019
1,457,356	-	1,457,356
120,275	-	120,275
18,139	-	18,139
1,821,223	-	1,821,223
248,744	75,480	324,224
8,225	-	8,225
596,905	525,255	1,122,160
418,758	517,000	935,758
201,000	-	201,000
568,201	-	568,201
15,056	-	15,056
246,286	-	246,286
2,377	(6,302)	(3,925)
48,888	-	48,888
830,144	(830,144)	-
6,901,596	281,289	7,182,885
5,895,204	-	5,895,204
450,879	-	450,879
820,661	-	820,661
7,166,744	-	7,166,744
(265,148)	281,289	16,141
6,054,873	1,843,719	7,898,592
\$ 5,789,725	\$ 2,125,008	\$ 7,914,733

NASHVILLE BALLET

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	2020				
	Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel	\$ 2,683,052	\$ 300,129	\$ 413,298	\$ 713,427	\$ 3,396,479
Artist fees, licenses and royalties	617,373	-	60	60	617,433
Theatre and production	444,227	508	-	508	444,735
Professional and contract services	77,187	15,285	28,970	44,255	121,442
Advertising	408,976	14,183	4,337	18,520	427,496
Communication	155	10,874	-	10,874	11,029
Occupancy and housing	344,825	35,160	20,822	55,982	400,807
Interest	63,807	7,425	10,639	18,064	81,871
Equipment and supplies	54,557	23,665	3,451	27,116	81,673
Events	1,400	718	231,374	232,092	233,492
Travel	203,642	6,075	3,018	9,093	212,735
Insurance	36,449	5,333	6,077	11,410	47,859
Staff development and community involvement	6,479	16,300	4,140	20,440	26,919
Depreciation	451,816	15,066	36,159	51,225	503,041
Miscellaneous	1,783	3,368	-	3,368	5,151
Bank and ticket fees	174,146	6,940	33,508	40,448	214,594
TOTAL EXPENSES	<u>\$ 5,569,874</u>	<u>\$ 461,029</u>	<u>\$ 795,853</u>	<u>\$ 1,256,882</u>	<u>\$ 6,826,756</u>

See accompanying notes to consolidated financial statements.

2019

Program Services	Supporting Services			Total Supporting Services	Total
	Management and General	Fundraising			
\$ 2,783,864	\$ 249,506	\$ 372,037	\$ 621,543	\$ 3,405,407	
708,165	8,081	-	8,081	716,246	
565,528	480	1,177	1,657	567,185	
90,184	29,101	55,052	84,153	174,337	
343,048	7,837	5,313	13,150	356,198	
9,286	1,304	1,328	2,632	11,918	
426,684	13,938	25,747	39,685	466,369	
64,067	6,149	9,162	15,311	79,378	
87,943	79,218	2,877	82,095	170,038	
285	2,278	276,469	278,747	279,032	
181,061	5,464	4,397	9,861	190,922	
34,952	6,026	4,829	10,855	45,807	
6,806	15,253	14,028	29,281	36,087	
404,301	15,042	36,102	51,144	455,445	
8,926	4,003	1,255	5,258	14,184	
180,104	7,199	10,888	18,087	198,191	
<u>\$ 5,895,204</u>	<u>\$ 450,879</u>	<u>\$ 820,661</u>	<u>\$ 1,271,540</u>	<u>\$ 7,166,744</u>	

NASHVILLE BALLET

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 339,094	\$ 16,141
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	503,041	455,445
Realized and unrealized loss (gain) on investments	(51,355)	39,336
Donated securities received	(54,174)	(269,878)
Change in value of beneficial interest in agency endowment fund	(389)	3,007
Contributions - endowment	(210,676)	(286,645)
(Increase) decrease in:		
Grants receivable	165,576	(108,424)
Contributions receivable	(267,515)	(100,293)
Accounts receivable	71,912	(46,978)
Prepaid expenses and other	143,965	(27,370)
Increase (decrease) in:		
Accounts payable	329,751	(19,791)
Payroll liabilities	(4,280)	(67,486)
Deferred revenue	(502,866)	46,634
TOTAL ADJUSTMENTS	<u>122,990</u>	<u>(382,443)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>462,084</u>	<u>(366,302)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(273,417)	(106,716)
Proceeds from sale of investments	286,125	804,200
Purchases of investments	<u>(218,579)</u>	<u>(800,445)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(205,871)</u>	<u>(102,961)</u>
FINANCING ACTIVITIES		
Collections for capital campaign	-	285,519
Proceeds from notes payable	616,550	-
Principal payments on notes payable	(209,492)	(101,192)
Proceeds from contributions restricted for endowment	<u>11,599</u>	<u>290,012</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>418,657</u>	<u>474,339</u>
INCREASE IN CASH AND CASH EQUIVALENTS	674,870	5,076
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,714,245</u>	<u>1,709,169</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,389,115</u>	<u>\$ 1,714,245</u>
OTHER CASH FLOW DISCLOSURES:		
Interest expense paid during the year	<u>\$ 81,871</u>	<u>\$ 86,894</u>

See accompanying notes to consolidated financial statements.

NASHVILLE BALLET
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES

Nashville Ballet was incorporated in 1986 as a Tennessee not-for-profit corporation. The Ballet's mission is to create, perform, teach and promote dance as an essential and inspiring element of our community. The Ballet presents classical and contemporary works by new and renowned choreographers and is a resident group of the Tennessee Performing Arts Center. The Ballet regularly collaborates with other arts organizations to promote community cultural enrichment. The organization reaches more than 34,000 people through season performances. The School of Nashville Ballet trains dancers age two and older and has more than 1,400 students enrolled in classes annually. The Ballet's second company engages more than 25,000 Middle Tennesseans every year through education and community engagement programming.

Nashville Ballet Foundation (the "Foundation") was established in 2012 for the purpose of supporting the activities and mission of Nashville Ballet. There was no activity in the Foundation until the year ended May 31, 2019 when Nashville Ballet transferred certain donor-restricted and Board-designated net assets and corresponding investments to the Foundation upon receiving donor and Board approval.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Nashville Ballet and the Nashville Ballet Foundation (collectively referred to as the "Ballet"). All material intercompany transactions have been eliminated.

Basis of Presentation

The consolidated financial statements of the Ballet have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Ballet to report information regarding its financial position and activities according to the following net asset classifications:

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. These net assets may be used at the discretion of the Ballet's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Ballet or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Support and Revenue

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Grants awarded by state and other sponsors are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the statements of financial position.

The Ballet reports gifts of equipment or materials (in-kind contributions) at their fair value in the period received as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long - lived assets are placed in service.

Ticket sale revenues received prior to the fiscal year to which they apply are reported as deferred revenue. Such revenue is recognized and reported in the consolidated statements of activities in the year the production is performed.

Ballet school tuition received prior to the fiscal year in which the classes are held is reported as deferred revenue. Such revenue is recognized and reported in the consolidated statements of activities in the year in which the classes are held.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Endowment Fund

The Ballet's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee ("Community Foundation") is recognized as an asset. Investment income and changes in the value of the fund are recognized in the consolidated statements of activities, and distributions received from the fund are recorded as increases (decreases) in the beneficial interest.

Donated Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Ballet if not donated. Such services are recognized at fair value as support and expense in the period the services are performed, and related primarily to professional services for the years ended May 31, 2020 and 2019.

Other individuals volunteer their time and perform a variety of tasks that assist the Ballet with program services and fundraising events. No amounts have been reflected in the consolidated financial statements for these donated services since the volunteer's time does not meet the criteria for recognition under GAAP.

Cash and Cash Equivalents

The Ballet considers cash and cash equivalents to be all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash and cash equivalents held in the investment accounts are reported with investments.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (0.31% in 2020, 1.93% in 2019). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at fair market value in the period received. The Ballet capitalizes all property and equipment over \$2,500. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Building	40 years
Building improvements	5 to 39 years
Furniture and equipment	5 to 7 years
Sets and props	7 to 12 years
Costumes	4 to 12 years
Vehicles	5 years

Fair Value Measurements

The Ballet classifies its investments based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee - The agency endowment fund held at the Community Foundation represents the Ballet's interest in pooled investments with other participants in the funds. The Community Foundation prepares a valuation of the fund based on the fair value of the underlying investments using quoted market prices and allocates income or loss to each participant based on market results. The Ballet reflects this asset within Level 2 of the valuation hierarchy.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Investments:

Corporate bonds - Securities valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations as well as valuation models reflecting factors such as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements, and are classified within Level 2 of the valuation hierarchy.

Equities - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded and are classified within Level 1 of the valuation hierarchy.

Mutual funds - Investments in these funds are valued using the net asset value per unit as quoted in active markets at the valuation date and are classified within Level 1 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at May 31, 2020 and 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Ballet believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Endowment Funds

The Ballet has both donor-restricted endowment funds and funds designated by the Nashville Ballet Foundation Board ("Foundation Board") to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Foundation Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Ballet's donor-restricted endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

The Foundation Board has interpreted SUPMIFA 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 Ballet classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the investment funds designated as an endowment that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions as part of the Board-designated endowment fund, which is consistent with the standard of prudence prescribed by UPMIFA.

The Ballet has adopted an investment policy to establish asset allocation targets, diversification, rebalancing and other investment guidelines. The goal of the investment program is to preserve the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Ballet.

Assets are managed as a balanced portfolio composed of two major components: equity and fixed income. The role of equity investments is to maximize the long-term growth of portfolio assets, while fixed income investments role is to generate current income, provide for more stable periodic returns and provide some protection against a prolonged decline in the market value of equity investments. The asset allocation target, which was modified during the year ended May 31, 2020, is 60% to 80% equities, 0% to 10% public alternatives, 10% to 30% fixed income, and 0% to 10% cash (20% to 30% large cap growth equity, 3% to 10% mid cap equity, 0% to 10% small cap equity, 2% to 10% public alternatives, 10% to 18% international equity, 25% to 50% fixed income, 2% to 7% emerging markets and 2% to 12% cash prior to the modification).

Diversification across and within asset classes is the primary means by which the Foundation's Board expects the portfolio to avoid undue risk of large losses over long time periods. To protect the portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Foundation's Board will take reasonable precautions to avoid excessive investment concentrations.

It is expected that the portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset classes. The policy sets forth procedures under which the portfolio will be rebalanced to its target normal asset allocation.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

The Ballet has a policy that will fund distributions from net investment income, net realized gains, and proceeds from the sale of investments. The distribution of Ballet assets will be permitted to the extent that such distributions do not exceed a level that would erode the Ballet's real assets over time. To reduce the variability of annual Ballet distributions, the Foundation's Board will factor in past spending and portfolio asset values into its current spending decisions. The Foundation's Board will review its spending assumptions annually to decide whether any changes necessitate amending the spending policy, its target asset allocation, or both. The annual distribution authorized by the Foundation's Board from portfolio assets to the Ballet shall not exceed 4.5% of the average of the quarter ending balance of the portfolio of the last business day over the previous twelve calendar quarters.

Investments

Investments consist of money market accounts, certificates of deposit, treasury bonds, corporate bonds, mutual funds and equities. Money market accounts and certificates of deposit are carried at cash value plus accrued interest. All other investments are carried at fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Advertising

The Ballet's advertising costs are primarily expensed as incurred. Significant expenses incurred in preparation for the subsequent performance season are recorded as prepaid expenses and recognized in the year in which the corresponding revenue is recognized. Advertising expense for the year ended May 31, 2020, totaled approximately \$427,000 (\$356,000 in 2019).

Income Taxes

The Nashville Ballet and Nashville Ballet Foundation both qualify as not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Ballet's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Nashville Ballet and Nashville Ballet Foundation each file a U.S. Federal Form 990 for organizations exempt from income tax.

Program and Supporting Services

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services

The Ballet maintains high standards for programming and education activities that benefit the entire community. In addition to offering a diverse season of culturally engaging performances by world class dancers, the Ballet also provides distinct programs that provide dance classes to children and adults at Ballet facilities. The Ballet also uses community engagement and education to spread the mission of the organization.

Supporting Services

Management and General - relates to the overall direction of the Ballet. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Ballet. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program and supporting services benefited. Such allocations are determined by management on a reasonable basis. The expenses that are allocated include personnel, professional and contract services, communication, occupancy and housing, insurance depreciation and interest, which are allocated on the basis of estimates of time and effort.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

On June 1, 2019, the Ballet adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. This standard did not result in a change to the financial statements or the timing of revenue recognition for the Ballet's contribution and grants.

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, and in June 2020, in response to the COVID-19 pandemic, the FASB issued ASU 2020-05, allowing certain entities to defer implementation of ASU 2014-09 for an additional year. As a result of the issuance of ASU 2020-05, the Ballet will defer the implementation of ASU 2014-09 until June 1, 2020. The Ballet is currently evaluating the effect that the updated standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. As a result of ASU 2020-05, the standard will now be effective for fiscal years beginning after December 15, 2021. The Ballet is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Ballet has evaluated events and transactions that occurred between May 31, 2020 and September 29, 2020, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain reclassifications were made to the 2019 financial statements to conform to the current year presentation. Such reclassifications had no impact on the change in net assets previously reported.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position, comprise the following as of May 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,389,115	\$ 1,714,245
Accounts receivable, net	118,373	190,285
Grants receivable	33,448	199,024
Contributions receivable, net	810,494	343,902
Investments	1,296,037	1,258,054
Beneficial interest in agency endowment fund	<u>61,739</u>	<u>61,350</u>
Total financial assets	<u>4,709,206</u>	<u>3,766,860</u>
Less amounts not available to be used within one year:		
Contributions receivable due after one year, net	(284,297)	(83,336)
Donor-restricted endowment funds	(1,180,117)	(1,144,795)
Board-designated funds	<u>(957,629)</u>	<u>(598,807)</u>
Amounts not available to be used within one year	<u>(2,422,043)</u>	<u>(1,826,938)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,287,163</u>	<u>\$ 1,939,922</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 3 - LIQUIDITY AND AVAILABILITY (CONTINUED)

The Ballet's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Ballet keeps the majority of its cash in an interest-bearing money market account and is moved to its operating account as needed to cover expenditures. Any operating surplus at year end is discussed with the Board and reserved for future years and/or projects. The Board has set aside a cash reserve fund as well as funds for several projects. See Note 10 for the description and amount of all Board-designated funds. Although the Ballet does not intend to spend from the Board-designated endowment (other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation) and other Board-designated funds, these amounts could be made available if necessary.

The Ballet also has two lines of credit with availability totaling \$400,000 to meet cash flow needs.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at May 31:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 565,227	\$ 294,750
One to five years	<u>286,400</u>	<u>86,057</u>
	851,627	380,807
Less: discount to present value	(2,103)	(2,721)
Less: allowance for uncollectible pledges	<u>(39,030)</u>	<u>(34,184)</u>
	<u>\$ 810,494</u>	<u>\$ 343,902</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 5 - DONOR-DESIGNATED AND AGENCY ENDOWMENT FUNDS

The Ballet has a beneficial interest in an agency endowment fund held by the Community Foundation. The Ballet has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the fund and the income derived therefrom. Upon request by the Ballet, income from the fund representing a 5% annual return may be distributed to the Ballet or to another suggested beneficiary. The Ballet's beneficial interest in this fund was \$61,739 as of May 31, 2020 (\$61,350 as of May 31, 2019).

Two donor-designated endowment funds have been established by donors with the Community Foundation for the benefit of the Ballet. The Community Foundation has the ultimate authority and control over these funds and, therefore, these investments are not included in the consolidated financial statements of the Ballet. Income distributed to the Ballet from these funds, which is recognized by the Ballet in the year received, amounted to \$201,600 during fiscal year 2020 (\$201,000 during fiscal year 2019). Total assets held in these funds approximated \$3,770,000 at May 31, 2020 and \$3,781,000 at May 31, 2019.

NOTE 6 - INVESTMENTS

Investments consisted of the following at May 31:

	<u>2020</u>	<u>2019</u>
Money market accounts	\$ 89,918	\$ 45,049
Certificates of deposit	40,726	70,222
Treasury bonds	45,044	42,996
Corporate bonds	147,168	148,694
Mutual funds	900,851	912,119
Equities	<u>72,330</u>	<u>38,974</u>
Total	<u>\$ 1,296,037</u>	<u>\$ 1,258,054</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Ballet's assets at fair value as of May 31:

	2020			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Corporate bonds	\$ -	\$ 147,168	\$ -	\$ 147,168
Treasury bonds	-	45,044	-	45,044
Mutual funds:				
Emerging markets bond funds	28,674	-	-	28,674
Energy limited partnership	9,655	-	-	9,655
Foreign large blend funds	109,800	-	-	109,800
Foreign large value	13,039	-	-	13,039
International equity funds	40,481	-	-	40,481
Large growth funds	314,535	-	-	314,535
Large value funds	240,825	-	-	240,825
Market neutral	28,058	-	-	28,058
Mid-cap blend funds	36,297	-	-	36,297
Mid-cap growth funds	27,989	-	-	27,989
Multi-alternative funds	33,077	-	-	33,077
Small value funds	18,421	-	-	18,421
Equities:				
Services	58,700	-	-	58,700
Utilities	13,630	-	-	13,630
Total investments at fair value	<u>\$ 973,181</u>	<u>\$ 192,212</u>	<u>\$ -</u>	<u>1,165,393</u>
Investments at cost				<u>130,644</u>
Total investments				<u>\$ 1,296,037</u>
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 61,739</u>	<u>\$ -</u>	<u>\$ 61,739</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

	2019			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Corporate bonds	\$ -	\$ 148,694	\$ -	\$ 148,694
Treasury bonds	-	42,996	-	42,996
Mutual funds:				
Commodities funds	16,195	-	-	16,195
Emerging markets bond funds	38,839	-	-	38,839
Energy limited partnership	12,532	-	-	12,532
Foreign large blend funds	108,914	-	-	108,914
Foreign large value	15,802	-	-	15,802
International equity funds	44,268	-	-	44,268
Large growth funds	252,872	-	-	252,872
Large value funds	248,521	-	-	248,521
Market neutral	19,693	-	-	19,693
Mid-cap blend funds	46,986	-	-	46,986
Mid-cap growth funds	26,627	-	-	26,627
Multi-alternative funds	52,849	-	-	52,849
REIT	6,517	-	-	6,517
Small value funds	21,504	-	-	21,504
Equities:				-
Services	26,584	-	-	26,584
Utilities	12,390	-	-	12,390
Total investments at fair value	<u>\$ 951,093</u>	<u>\$ 191,690</u>	<u>\$ -</u>	<u>\$ 1,142,783</u>
Investments at cost				115,271
Total investments				<u>\$ 1,258,054</u>
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 61,350</u>	<u>\$ -</u>	<u>\$ 61,350</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at May 31:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 8,226,979	\$ 8,226,979
Land and improvements	28,108	28,108
Costumes	1,325,704	1,241,587
Sets and props	1,436,113	1,283,747
Furniture and equipment	491,849	454,915
Vehicles	<u>38,685</u>	<u>38,685</u>
	11,547,438	11,274,021
Less: accumulated depreciation	<u>(4,324,399)</u>	<u>(3,821,358)</u>
	<u>\$ 7,223,039</u>	<u>\$ 7,452,663</u>

NOTE 9 - NOTES PAYABLE

The Ballet has a non-revolving line of credit note and a revolving credit note with a bank. The non-revolving line of credit requires monthly principal and interest payments at a fixed rate of 3.46% through October 2021, at which time all outstanding principal is due. As of May 31, 2020, the outstanding balance under this note was \$2,211,957 (\$2,421,449 as of May 31, 2019).

The Ballet also has a \$250,000 revolving credit note that requires interest payments at a variable rate (LIBOR + 2.75%). All outstanding principal and interest is due November 30, 2020. As of May 31, 2020 and 2019, there was no outstanding balance under the revolving credit note.

Both notes are secured by a deed of trust on the Ballet's building and a security agreement on substantially all other assets of the Ballet. The Ballet is also subject to certain covenant requirements.

The Ballet also entered into a Paycheck Protection Program loan in April 2020. The loan requires monthly principal and interest payments at a fixed rate of 1% beginning November 22, 2020 through April 22, 2022, at which time all outstanding principal is due. As of May 31, 2020, the outstanding balance under this note was \$606,550.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 9 - NOTES PAYABLE (CONTINUED)

In July 2014, The Ballet entered into a \$150,000 line of credit with a bank. Interest is payable monthly at a variable rate (Prime + 0.50%), with the outstanding principal balance payable on demand. As of May 31, 2020 and 2019, there was no outstanding balance under this line of credit.

Annual principal maturities under the notes are as follows:

<u>For the year ending May 31,</u>	
2021	\$ 314,842
2022	<u>2,503,665</u>
	<u>\$ 2,818,507</u>

NOTE 10 - NET ASSETS

Board designated net assets consisted of the following at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Designated as endowment	\$ 104,005	\$ 104,005
Designated for Jane Fabian Memorial Fund endowment	31,903	31,273
Memorial gifts designated as endowment	11,840	11,840
Designated for the purchase of property and equipment	-	165,123
Designated for the Ballet Ball	-	55,000
Designated as cash reserve	757,965	99,000
Designated for Peter Pan	-	83,069
Unspent earnings on board designated endowment and other investments	<u>51,916</u>	<u>49,497</u>
	<u>\$ 957,629</u>	<u>\$ 598,807</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 10 - NET ASSETS (CONTINUED)

Net assets with donor restrictions as of May 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
<i>Temporary in nature - subject to expenditure for specified purpose or passage of time:</i>		
Nutcracker creation and renovation fund	\$ 145,831	\$ 145,831
Donations or pledges for subsequent periods	<u>890,015</u>	<u>832,812</u>
	<u>1,035,846</u>	<u>978,643</u>
<i>Temporary in nature - endowments - subject to appropriation:</i>		
Unspent earnings on endowment fund	59,569	36,236
Unspent earnings on agency endowment fund	<u>11,639</u>	<u>11,250</u>
	<u>71,208</u>	<u>47,486</u>
<i>Total net assets with donor restrictions - temporary in nature</i>	<u>1,107,054</u>	<u>1,026,129</u>
<i>Perpetual in nature - endowments:</i>		
Agency endowment fund	50,100	50,100
Dancer salaries fund	25,000	25,000
Scholarship fund	67,972	67,972
Artistic fund	198,638	286,537
General fund	767,199	667,700
Contributions receivable, net	<u>199,541</u>	<u>1,570</u>
<i>Total net assets with donor restrictions - perpetual in nature</i>	<u>1,308,450</u>	<u>1,098,879</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 2,415,504</u>	<u>\$ 2,125,008</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 11 - ENDOWMENT

The Ballet's endowment consists of donor-restricted funds to support professional ballet performances, educational community engagement performances and School of Nashville Ballet student scholarships. Contributions to these endowment funds were subject to donor restrictions that the original principal of the gifts are to be held and invested by the Ballet indefinitely, and income from the funds are to be used to fund professional ballet activities, including educational community engagement performances, and to support the dance training of students. The endowment also includes certain net assets without donor restrictions that have been designated for the endowment by the Board of Directors.

As of May 31, 2020 and 2019, the Ballet had the following endowment net asset composition by type of fund:

<u>May 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 177,659	\$ -	\$ 177,659
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	1,108,909	1,108,909
Accumulated investment gains	-	71,208	71,208
Endowment net assets, May 31, 2020	<u>\$ 177,659</u>	<u>\$ 1,180,117</u>	<u>\$ 1,357,776</u>
<u>May 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 174,609	\$ -	\$ 174,609
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	1,097,309	1,097,309
Accumulated investment gains	-	47,486	47,486
Endowment net assets, May 31, 2019	<u>\$ 174,609</u>	<u>\$ 1,144,795</u>	<u>\$ 1,319,404</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 11 - ENDOWMENT (CONTINUED)

A summary of changes in endowments by net asset composition and type of fund was as follows:

<u>Year ended May 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 1, 2019	\$ 174,609	\$ 1,144,795	\$ 1,319,404
Contributions	-	11,599	11,599
Interest and dividend income, net of fees	2,970	23,408	26,378
Realized and unrealized gains on investments	7,715	47,914	55,629
Amounts appropriated for expenditure or other designation	<u>(7,635)</u>	<u>(47,599)</u>	<u>(55,234)</u>
Endowment net assets, May 31, 2020	<u>\$ 177,659</u>	<u>\$ 1,180,117</u>	<u>\$ 1,357,776</u>

<u>Year ended May 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 1, 2018	\$ 191,053	\$ 904,571	\$ 1,095,624
Contributions	-	290,012	290,012
Interest and dividend income, net of fees	766	24,868	25,634
Realized and unrealized losses on investments	(7,818)	(33,314)	(41,132)
Amounts appropriated for expenditure or other designation	<u>(9,392)</u>	<u>(41,342)</u>	<u>(50,734)</u>
Endowment net assets, May 31, 2019	<u>\$ 174,609</u>	<u>\$ 1,144,795</u>	<u>\$ 1,319,404</u>

From time to time, the fair value of assets associated with certain endowment funds may fall below the level that the donor or UPMIFA requires the Ballet to retain as a fund of perpetual duration (underwater endowments). The Ballet has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudence measures required by law. At May 31, 2020, funds with original gift values of \$242,820, fair values of \$239,293, and deficiencies of \$3,527 were reported in net assets with donor restrictions (at May 31, 2019, funds with original gift values of \$138,664, fair values of \$135,330, and deficiencies of \$3,334 were reported in net assets with donor restrictions). Subsequent to May 31, 2020, these amounts were fully recovered due to favorable market conditions.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 12 - LEASE COMMITMENTS

The Ballet had an agreement to lease a general office and dance studio space. The expiration date of the lease was June 30, 2019 and was not renewed.

Rent expense totaled approximately \$5,300 for the year ended May 31, 2020 (\$57,500 for the year ended May 31, 2019).

NOTE 13 - CONCENTRATIONS

Financial instruments that potentially subject the Ballet to concentrations of credit risk consist of cash and cash equivalents, investments and various contributions, grants and other receivables. Contributions receivable consist of individual and corporate contribution pledges. Grant and other receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. At May 31, 2020, receivables from two sources totaled approximately \$335,000, or 35% of total receivables. At May 31, 2019, a receivable from one source totaled approximately \$120,000, or 16% of total receivables.

Combined contributions from three sources amounted to approximately \$1,657,000 or 40% of total public support for the year ended May 31, 2020 (approximately \$448,000 or 13% of total public support from one source for the year ended May 31, 2019).

The Ballet maintains cash accounts at reputable financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Ballet's cash balances may, at times, exceed statutory limits. The Ballet has not experienced any losses in such accounts and management considers this to be a normal business risk.

Investments are subject to market risk, the risk inherent in a fluctuating market. The custodians of the Ballet's securities are covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances, such as fraud or failure of the institution. Coverage is limited to \$500,000 per broker/dealer custodian, including up to \$250,000 in cash. The SIPC does not insure against market risk.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020 AND 2019

NOTE 14 - EMPLOYEE RETIREMENT PLAN

The Ballet sponsors a 401(k) qualified retirement plan. Employees are eligible to participate in the plan after 600 hours of service completed within the first six months of employment or after the first year of service completed, whichever is sooner. The Ballet can make discretionary contributions to the plan equal to a uniform percentage of employee's salary deferrals. The Ballet made no employer matching contributions to the plan, for the year ended May 31, 2020 (\$14,100, a 1.12% employer matching contribution, for the year ended May 31, 2019).

NOTE 15 - RELATED PARTY TRANSACTIONS

One of the Ballet's Board members is employed with a financial institution where the Ballet has an account. Two Board members provide pro-bono legal assistance to the Ballet at no charge. A relative of two Board members is employed at the Ballet as a contract employee. One Board member is employed with a benefit broker where the Ballet has accounts. One Board member provides event planning services to the Ballet. One Board member is employed with an organization in which the Ballet has collaborated. Lastly, one Board member is employed with a radio station on which the Ballet has advertised.

NOTE 16 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Ballet operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Ballet, to date, the Ballet is experiencing increased volatility in the fair value of investments and has experienced loss of revenues due to the cancellation of performances and classes. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions. The Ballet's leadership team is evaluating the evolving situation and will implement appropriate countermeasures as determined to be appropriate.

NOTE 17 - SUBSEQUENT EVENT

On June 10, 2020, the Ballet entered into a Small Business Administration Economic Injury Disaster Loan for \$150,000. The loan requires monthly principal and interest payments at a fixed rate of 2.75% beginning June 10, 2021 through June 10, 2050, at which time all outstanding principal is due.

CONSOLIDATING INFORMATION

NASHVILLE BALLET

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MAY 31, 2020 AND 2019

	<u>2020</u>		
	<u>Nashville Ballet</u>	<u>Nashville Ballet Foundation</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,389,115	\$ -	\$ 2,389,115
Accounts receivable, net of allowance	118,373	-	118,373
Grants receivable	33,448	-	33,448
Contributions receivable, net	611,185	199,309	810,494
Prepaid expenses and other	339,734	-	339,734
Investments	-	1,296,037	1,296,037
Property and equipment, net	7,223,039	-	7,223,039
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>61,739</u>	<u>-</u>	<u>61,739</u>
TOTAL ASSETS	<u><u>\$ 10,776,633</u></u>	<u><u>\$ 1,495,346</u></u>	<u><u>\$ 12,271,979</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ 411,180	\$ -	\$ 411,180
Payroll liabilities	111,902	-	111,902
Deferred revenue	666,563	-	666,563
Notes payable	<u>2,828,507</u>	<u>-</u>	<u>2,828,507</u>
TOTAL LIABILITIES	<u>4,018,152</u>	<u>-</u>	<u>4,018,152</u>
NET ASSETS			
Without donor restrictions:			
Board designated	779,005	178,624	957,629
Invested in property and equipment, less related debt	5,011,082	-	5,011,082
Undesignated (deficit)	<u>(126,011)</u>	<u>(4,377)</u>	<u>(130,388)</u>
Total without donor restrictions	5,664,076	174,247	5,838,323
With donor restrictions	<u>1,094,405</u>	<u>1,321,099</u>	<u>2,415,504</u>
TOTAL NET ASSETS	<u>6,758,481</u>	<u>1,495,346</u>	<u>8,253,827</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,776,633</u></u>	<u><u>\$ 1,495,346</u></u>	<u><u>\$ 12,271,979</u></u>

2019

Nashville Ballet		
Nashville Ballet	Foundation	Total
\$ 1,714,215	\$ 30	\$ 1,714,245
190,285	-	190,285
199,024	-	199,024
341,402	2,500	343,902
483,699	-	483,699
-	1,258,054	1,258,054
7,452,663	-	7,452,663
61,350	-	61,350
<u>\$ 10,442,638</u>	<u>\$ 1,260,584</u>	<u>\$ 11,703,222</u>

\$ 81,429	\$ -	\$ 81,429
116,182	-	116,182
1,169,429	-	1,169,429
<u>2,421,449</u>	<u>-</u>	<u>2,421,449</u>
<u>3,788,489</u>	<u>-</u>	<u>3,788,489</u>

422,894	175,913	598,807
5,031,214	-	5,031,214
<u>159,704</u>	<u>-</u>	<u>159,704</u>
5,613,812	175,913	5,789,725
<u>1,040,337</u>	<u>1,084,671</u>	<u>2,125,008</u>
<u>6,654,149</u>	<u>1,260,584</u>	<u>7,914,733</u>
<u>\$ 10,442,638</u>	<u>\$ 1,260,584</u>	<u>\$ 11,703,222</u>

NASHVILLE BALLET

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2020

	Nashville Ballet			Nashville Ballet Foundation			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE									
Season ticket sales	\$ 207,564	\$ -	\$ 207,564	\$ -	\$ -	\$ -	\$ 207,564	\$ -	\$ 207,564
Single and group ticket sales	1,230,769	-	1,230,769	-	-	-	1,230,769	-	1,230,769
Rentals and touring	44,661	-	44,661	-	-	-	44,661	-	44,661
Community engagement	20,547	-	20,547	-	-	-	20,547	-	20,547
School tuition	1,649,517	-	1,649,517	-	-	-	1,649,517	-	1,649,517
Public Support:									
Grants	167,000	-	167,000	-	-	-	167,000	-	167,000
Individual contributions	1,149,877	61,888	1,211,765	-	213,812	213,812	1,149,877	275,700	1,425,577
Corporate and foundation contributions	331,808	783,000	1,114,808	-	-	-	331,808	783,000	1,114,808
Contributions from the Community Foundation of Middle Tennessee	201,600	-	201,600	-	-	-	201,600	-	201,600
Ballet Ball revenue	660,102	-	660,102	-	-	-	660,102	-	660,102
Friends support and benefits	5,692	-	5,692	-	-	-	5,692	-	5,692
Donated goods and services	296,740	-	296,740	-	-	-	296,740	-	296,740
Investment income, net	6,225	-	6,225	4,862	71,322	76,184	11,087	71,322	82,409
Miscellaneous	58,864	-	58,864	-	-	-	58,864	-	58,864
Net assets released from restrictions	790,820	(790,820)	-	48,706	(48,706)	-	839,526	(839,526)	-
TOTAL SUPPORT AND REVENUE	6,821,786	54,068	6,875,854	53,568	236,428	289,996	6,875,354	290,496	7,165,850
EXPENSES									
Program services	5,569,874	-	5,569,874	-	-	-	5,569,874	-	5,569,874
Supporting services:									
Management and general	461,029	-	461,029	-	-	-	461,029	-	461,029
Fundraising	795,853	-	795,853	-	-	-	795,853	-	795,853
TOTAL EXPENSES	6,826,756	-	6,826,756	-	-	-	6,826,756	-	6,826,756
CHANGE IN NET ASSET PRIOR TO TRANSFERS BETWEEN NASHVILLE BALLET AND NASHVILLE BALLET FOUNDATION	(4,970)	54,068	49,098	53,568	236,428	289,996	48,598	290,496	339,094
DISTRIBUTION TO NASHVILLE BALLET FROM NASHVILLE BALLET FOUNDATION	55,234	-	55,234	(55,234)	-	(55,234)	-	-	-
CHANGE IN NET ASSETS	50,264	54,068	104,332	(1,666)	236,428	234,762	48,598	290,496	339,094
NET ASSETS - BEGINNING OF YEAR	5,613,812	1,040,337	6,654,149	175,913	1,084,671	1,260,584	5,789,725	2,125,008	7,914,733
NET ASSETS - END OF YEAR	\$ 5,664,076	\$ 1,094,405	\$ 6,758,481	\$ 174,247	\$ 1,321,099	\$ 1,495,346	\$ 5,838,323	\$ 2,415,504	\$ 8,253,827

NASHVILLE BALLET

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2019

	Nashville Ballet			Nashville Ballet Foundation			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE									
Season ticket sales	\$ 300,019	\$ -	\$ 300,019	\$ -	\$ -	\$ -	\$ 300,019	\$ -	\$ 300,019
Single and group ticket sales	1,457,356	-	1,457,356	-	-	-	1,457,356	-	1,457,356
Rentals and touring	120,275	-	120,275	-	-	-	120,275	-	120,275
Community engagement	18,139	-	18,139	-	-	-	18,139	-	18,139
School tuition	1,821,223	-	1,821,223	-	-	-	1,821,223	-	1,821,223
Public Support:									
Grants	248,744	75,480	324,224	-	-	-	248,744	75,480	324,224
Capital campaign contributions	8,225	-	8,225	-	-	-	8,225	-	8,225
Individual contributions	596,905	406,655	1,003,560	-	118,600	118,600	596,905	525,255	1,122,160
Corporate and foundation contributions	418,758	517,000	935,758	-	-	-	418,758	517,000	935,758
Contributions from the Community Foundation of Middle Tennessee	201,000	-	201,000	-	-	-	201,000	-	201,000
Ballet Ball revenue	568,201	-	568,201	-	-	-	568,201	-	568,201
Friends support and benefits	15,056	-	15,056	-	-	-	15,056	-	15,056
Donated goods and services	246,286	-	246,286	-	-	-	246,286	-	246,286
Investment income (loss), net	10,512	(7,030)	3,482	(8,135)	728	(7,407)	2,377	(6,302)	(3,925)
Miscellaneous	48,888	-	48,888	-	-	-	48,888	-	48,888
Net assets released from restrictions	786,669	(786,669)	-	43,475	(43,475)	-	830,144	(830,144)	-
TOTAL SUPPORT AND REVENUE	6,866,256	205,436	7,071,692	35,340	75,853	111,193	6,901,596	281,289	7,182,885
EXPENSES									
Program services	5,895,204	-	5,895,204	-	-	-	5,895,204	-	5,895,204
Supporting services:									
Management and general	450,879	-	450,879	-	-	-	450,879	-	450,879
Fundraising	820,661	-	820,661	-	-	-	820,661	-	820,661
TOTAL EXPENSES	7,166,744	-	7,166,744	-	-	-	7,166,744	-	7,166,744
CHANGE IN NET ASSET PRIOR TO TRANSFERS BETWEEN NASHVILLE BALLET AND NASHVILLE BALLET FOUNDATION	(300,488)	205,436	(95,052)	35,340	75,853	111,193	(265,148)	281,289	16,141
TRANSFER OF INVESTMENTS TO NASHVILLE BALLET FOUNDATION FROM NASHVILLE BALLET	(191,307)	(1,008,818)	(1,200,125)	191,307	1,008,818	1,200,125	-	-	-
DISTRIBUTION TO NASHVILLE BALLET FROM NASHVILLE BALLET FOUNDATION	50,734	-	50,734	(50,734)	-	(50,734)	-	-	-
CHANGE IN NET ASSETS	(441,061)	(803,382)	(1,244,443)	175,913	1,084,671	1,260,584	(265,148)	281,289	16,141
NET ASSETS - BEGINNING OF YEAR	6,054,873	1,843,719	7,898,592	-	-	-	6,054,873	1,843,719	7,898,592
NET ASSETS - END OF YEAR	<u>\$ 5,613,812</u>	<u>\$ 1,040,337</u>	<u>\$ 6,654,149</u>	<u>\$ 175,913</u>	<u>\$ 1,084,671</u>	<u>\$ 1,260,584</u>	<u>\$ 5,789,725</u>	<u>\$ 2,125,008</u>	<u>\$ 7,914,733</u>