

NASHVILLE BALLET  
CONSOLIDATED FINANCIAL STATEMENTS,  
CONSOLIDATING INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT  
MAY 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 30-33 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  
October 28, 2021

NASHVILLE BALLET

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,313,686	\$ 2,389,115
Accounts receivable, net of allowance of \$6,766 and \$34,616 respectively	62,301	118,373
Grants receivable	105,460	33,448
Contributions receivable, net	478,977	810,494
Prepaid expenses and other	264,642	339,734
Investments	1,699,897	1,296,037
Property and equipment, net	6,838,606	7,223,039
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>72,754</u>	<u>61,739</u>
TOTAL ASSETS	<u>\$ 12,836,323</u>	<u>\$ 12,271,979</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 248,115	\$ 411,180
Payroll liabilities	103,446	111,902
Deferred revenue	605,240	666,563
Notes payable	<u>3,058,738</u>	<u>2,828,507</u>
TOTAL LIABILITIES	<u>4,015,539</u>	<u>4,018,152</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Board designated	1,658,967	957,629
Invested in property and equipment, less related debt	4,545,655	5,011,082
Undesignated (deficit)	<u>42,262</u>	<u>(130,388)</u>
Total without donor restrictions	6,246,884	5,838,323
With donor restrictions	<u>2,573,900</u>	<u>2,415,504</u>
TOTAL NET ASSETS	<u>8,820,784</u>	<u>8,253,827</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,836,323</u>	<u>\$ 12,271,979</u>

See accompanying notes to consolidated financial statements.

NASHVILLE BALLET

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Season ticket sales	\$ 3,930	\$ -	\$ 3,930
Single and group ticket sales	98,405	-	98,405
Rentals and touring	5,250	-	5,250
Community engagement	10,635	-	10,635
School tuition	659,031	-	659,031
Public Support:			
Grants	1,628,804	-	1,628,804
Individual contributions	1,339,194	42,583	1,381,777
Corporate and foundation contributions	215,556	573,069	788,625
Contributions from the Community Foundation of Middle Tennessee	201,000	-	201,000
Ballet Ball revenue	253,903	-	253,903
Friends support and benefits	2,533	-	2,533
Donated goods and services	120,062	-	120,062
Investment income (loss), net	53,310	313,566	366,876
Miscellaneous	17,403	-	17,403
Net assets released from restrictions	<u>770,822</u>	<u>(770,822)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>5,379,838</u>	 <u>158,396</u>	 <u>5,538,234</u>
 EXPENSES			
Program services	4,058,575	-	4,058,575
Supporting services:			
Management and general	525,471	-	525,471
Fundraising	<u>387,231</u>	<u>-</u>	<u>387,231</u>
 TOTAL EXPENSES	 <u>4,971,277</u>	 <u>-</u>	 <u>4,971,277</u>
 CHANGE IN NET ASSETS	 408,561	 158,396	 566,957
 NET ASSETS - BEGINNING OF YEAR	 <u>5,838,323</u>	 <u>2,415,504</u>	 <u>8,253,827</u>
 NET ASSETS - END OF YEAR	 <u>\$ 6,246,884</u>	 <u>\$ 2,573,900</u>	 <u>\$ 8,820,784</u>

See accompanying notes to consolidated financial statements.

NASHVILLE BALLET

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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
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	<u>839,526</u>	<u>(839,526)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>6,875,354</u>	 <u>290,496</u>	 <u>7,165,850</u>
 EXPENSES			
Program services	5,569,874	-	5,569,874
Supporting services:			
Management and general	461,029	-	461,029
Fundraising	<u>795,853</u>	<u>-</u>	<u>795,853</u>
 TOTAL EXPENSES	 <u>6,826,756</u>	 <u>-</u>	 <u>6,826,756</u>
 CHANGE IN NET ASSETS	 48,598	 290,496	 339,094
 NET ASSETS - BEGINNING OF YEAR	 <u>5,789,725</u>	 <u>2,125,008</u>	 <u>7,914,733</u>
 NET ASSETS - END OF YEAR	 <u>\$ 5,838,323</u>	 <u>\$ 2,415,504</u>	 <u>\$ 8,253,827</u>

See accompanying notes to consolidated financial statements.

NASHVILLE BALLET

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2021

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 2,532,589	\$ 320,738	\$ 279,318	\$ 600,056	\$ 3,132,645
Artist fees, licenses and royalties	95,665	-	-	-	95,665
Theatre and production	426,646	764	-	764	427,410
Professional and contract services	85,381	6,947	13,768	20,715	106,096
Advertising	131,366	29,392	6,107	35,499	166,865
Communication	8,851	1,364	970	2,334	11,185
Occupancy and housing	181,801	27,887	19,828	47,715	229,516
Interest	64,370	9,921	7,054	16,975	81,345
Equipment and supplies	17,535	52,503	2,359	54,862	72,397
Events	609	-	7,438	7,438	8,047
Travel	19,194	390	-	390	19,584
Insurance	44,000	6,782	4,822	11,604	55,604
Staff development and community involvement	1,067	11,900	899	12,799	13,866
Depreciation	416,126	14,986	35,967	50,953	467,079
Miscellaneous	11,189	14,420	-	14,420	25,609
Bank and ticket fees	22,186	6,291	8,701	14,992	37,178
Loss on extinguishment of debt	-	21,186	-	21,186	21,186
<b>TOTAL EXPENSES</b>	<u>\$ 4,058,575</u>	<u>\$ 525,471</u>	<u>\$ 387,231</u>	<u>\$ 912,702</u>	<u>\$ 4,971,277</u>

See accompanying notes to consolidated financial statements.



NASHVILLE BALLET

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2020

		Supporting Services			
	Program	Management		Total	
	Services	and	Fundraising	Supporting	Total
		General		Services	
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
Loss on extinguishment of debt	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 5,569,874</b>	<b>\$ 461,029</b>	<b>\$ 795,853</b>	<b>\$ 1,256,882</b>	<b>\$ 6,826,756</b>

See accompanying notes to consolidated financial statements.

NASHVILLE BALLET

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 566,957	\$ 339,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	467,079	503,041
Realized and unrealized gain on investments	(337,046)	(51,355)
Paycheck Protection Program loan forgiven	(606,550)	-
Donated securities received	(394,297)	(54,174)
Change in value of beneficial interest in agency endowment fund	(11,015)	(389)
Contributions - endowment	(24,013)	(210,676)
(Increase) decrease in:		
Grants receivable	(72,012)	165,576
Contributions receivable	251,293	(267,515)
Accounts receivable	56,072	71,912
Prepaid expenses and other	75,092	143,965
Increase (decrease) in:		
Accounts payable	(163,065)	329,751
Payroll liabilities	(8,456)	(4,280)
Deferred revenue	(61,323)	(502,866)
TOTAL ADJUSTMENTS	<u>(828,241)</u>	<u>122,990</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(261,284)</u>	<u>462,084</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(82,646)	(273,417)
Proceeds from sale of investments	842,646	286,125
Purchases of investments	<u>(515,163)</u>	<u>(218,579)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>244,837</u>	<u>(205,871)</u>
FINANCING ACTIVITIES		
Proceeds from notes payable	921,894	616,550
Principal payments on notes payable	(85,113)	(209,492)
Proceeds from contributions restricted for endowment	<u>104,237</u>	<u>11,599</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>941,018</u>	<u>418,657</u>
INCREASE IN CASH AND CASH EQUIVALENTS	924,571	674,870
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,389,115</u>	<u>1,714,245</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,313,686</u>	<u>\$ 2,389,115</u>
OTHER CASH FLOW DISCLOSURES:		
Interest expense paid during the year	<u>\$ 81,345</u>	<u>\$ 81,871</u>
NON-CASH FINANCING ACTIVITIES		
Refinancing of mortgage loan	<u>\$ 2,143,892</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

NASHVILLE BALLET  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020

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. During 2021, the Ballet reached more than 260,000 Middle Tennesseans through virtual and in-theatre performances. The School of Nashville Ballet trains dancers age two and older, and during 2021 had approximately 1,150 students enrolled. 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, 2021 AND 2020

#### 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.

Ballet Ball revenue is comprised of contributions and tickets sold to the special event. Revenues are recognized when the event occurs. During the year ended May 31, 2021, an in-person event was not held, however, contributions were solicited through the Ballet Ball.

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.

All Ballet revenue that falls within the scope of Accounting Standards Codification ("ASC") 606 is recognized at a point in time.

## NASHVILLE BALLET

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

#### 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, 2021 and 2020.

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 (0.79% in 2021, 0.31% in 2020). 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, 2021 AND 2020

#### 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, 2021 AND 2020

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, 2021 and 2020.

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, 2021 AND 2020

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 investment's 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 is 60% to 80% equities, 0% to 10% public alternatives, 10% to 30% fixed income, and 0% to 10% cash.

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, 2021 AND 2020

#### 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, 2021, totaled approximately \$167,000 (\$427,000 in 2020).

##### 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, 2021 AND 2020

#### 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. For the year ended May 31, 2021, the Nashville Ballet will also file a U.S. Federal Form 990-T for organizations exempt from income tax with unrelated business income, as well as an income tax return in the State of Tennessee.

##### 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, 2021 AND 2020

#### 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, 2020, the Ballet adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customer (Topic 606)* and all subsequent amendments to the ASU (collectively, “ASC 606”), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. The Ballet adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of June 1, 2020. The Ballet performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include ticket sales, rentals and touring, community engagement, and school tuition. The Ballet recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the Ballet did not record a cumulative effect adjustment.

##### Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board (“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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Ballet beginning on June 1, 2022. The Ballet is currently evaluating the impact of the pending adoption of new standard on the consolidated financial statements.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

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, 2021 and October 28, 2021, 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 2020 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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,313,686	\$ 2,389,115
Accounts receivable, net	62,301	118,373
Grants receivable	105,460	33,448
Contributions receivable, net	478,977	810,494
Investments	1,699,897	1,296,037
Beneficial interest in agency endowment fund	<u>72,754</u>	<u>61,739</u>
 Total financial assets	 <u>5,733,075</u>	 <u>4,709,206</u>
 Less amounts not available to be used within one year:		
Contributions receivable due after one year, net	(177,967)	(284,297)
Donor-restricted endowment funds	(1,554,016)	(1,180,117)
Board-designated funds	<u>(1,658,967)</u>	<u>(957,629)</u>
 Amounts not available to be used within one year	 <u>(3,390,950)</u>	 <u>(2,422,043)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,342,125</u>	 <u>\$ 2,287,163</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

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 a line of credit with availability of \$400,000 to meet cash flow needs.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at May 31:

	<u>2021</u>	<u>2020</u>
Contributions receivable - other		
Due in less than one year	\$ 324,570	\$ 565,227
One to five years	<u>180,000</u>	<u>286,400</u>
	504,570	851,627
Less: discount to present value	(2,033)	(2,103)
Less: allowance for uncollectible pledges	<u>(23,560)</u>	<u>(39,030)</u>
	<u>\$ 478,977</u>	<u>\$ 810,494</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

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 \$72,754 as of May 31, 2021 (\$61,739 as of May 31, 2020).

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 \$201,000 during fiscal year 2021 (\$201,600 during fiscal year 2020). Total assets held in these funds approximated \$4,402,000 at May 31, 2021 and \$3,700,000 at May 31, 2020.

NOTE 6 - INVESTMENTS

Investments consisted of the following at May 31:

	<u>2021</u>	<u>2020</u>
Money market accounts	\$ 194,144	\$ 89,918
Certificates of deposit	20,066	40,726
Treasury bonds	35,579	45,044
Corporate bonds	105,041	147,168
Mutual funds	1,197,208	900,851
Equities	<u>147,859</u>	<u>72,330</u>
Total	<u>\$ 1,699,897</u>	<u>\$ 1,296,037</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

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:

	2021			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Corporate bonds	\$ -	\$ 105,041	\$ -	\$ 105,041
Treasury bonds	-	35,579	-	35,579
Mutual funds:	1,197,208	-	-	1,197,208
Equities	147,859	-	-	147,859
Total investments at fair value	<u>\$ 1,345,067</u>	<u>\$ 140,620</u>	<u>\$ -</u>	1,485,687
Investments at cost				214,210
Total investments				<u>\$ 1,699,897</u>
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 72,754</u>	<u>\$ -</u>	<u>\$ 72,754</u>
	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:	900,851	-	-	900,851
Equities	72,330	-	-	72,330
Total investments at fair value	<u>\$ 973,181</u>	<u>\$ 192,212</u>	<u>\$ -</u>	1,165,393
Investments at cost				130,644
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, 2021 AND 2020

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at May 31:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 8,285,350	\$ 8,226,979
Land and improvements	28,108	28,108
Costumes	1,325,704	1,325,704
Sets and props	1,443,853	1,436,113
Furniture and equipment	508,384	491,849
Vehicles	<u>38,685</u>	<u>38,685</u>
	11,630,084	11,547,438
Less: accumulated depreciation	<u>(4,791,478)</u>	<u>(4,324,399)</u>
	<u>\$ 6,838,606</u>	<u>\$ 7,223,039</u>

NOTE 9 - NOTES PAYABLE

The Ballet had a non-revolving line of credit note, a revolving credit note, and a mortgage note with a bank. The non-revolving line of credit required monthly principal and interest payments at a fixed rate of 3.46% through October 2021, at which time all outstanding principal was scheduled to be due. In May 2021, the Ballet entered into a \$2,300,000 mortgage note with a new bank to refinance the existing note. The new note requires monthly payments of \$12,703 (including interest at a fixed rate of 2.95%) through May 2031, at which time all outstanding principal is due. As of May 31, 2021, the outstanding balance under this note was \$2,292,952. The mortgage note is 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 has a \$400,000 revolving credit note that requires interest payments at a variable rate with a floor of 3.75%. All outstanding principal and interest is due on demand. As of May 31, 2021 and 2020, there was no outstanding balance under the revolving credit note.

The Ballet also entered into Paycheck Protection Program ("PPP") loans and an Economic Injury Disaster Loan ("EIDL"), which are fully described in Note 15. The PPP loans have been excluded from the schedule of required principal maturities of long term borrowings that follows, as they are subject to forgiveness and future payments may not be required.



NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

NOTE 9 - NOTES PAYABLE (CONTINUED)

Annual principal maturities under the notes, excluding the PPP loans, are as follows:

For the year ending May 31,

2022	\$ 85,945
2023	92,118
2024	94,866
2025	97,695
2026	100,608
Thereafter	<u>1,971,720</u>
	<u>\$ 2,442,952</u>

NOTE 10 - NET ASSETS

Board designated net assets consisted of the following at May 31:

	<u>2021</u>	<u>2020</u>
Designated as endowment	\$ 104,005	\$ 104,005
Designated for dancer salaries	200,000	-
Designated for Jane Fabian Memorial Fund endowment	40,230	31,903
Memorial gifts designated as endowment	11,840	11,840
Designated as cash reserve	1,218,124	757,965
Unspent earnings on board designated endowment and other investments	<u>84,768</u>	<u>51,916</u>
	<u>\$ 1,658,967</u>	<u>\$ 957,629</u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

NOTE 10 - NET ASSETS (CONTINUED)

Net assets with donor restrictions as of May 31:

	<u>2021</u>	<u>2020</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>753,632</u>	<u>890,015</u>
	<u>899,463</u>	<u>1,035,846</u>
 <i>Temporary in nature - endowments - subject to appropriation:</i>		
Unspent earnings on endowment fund	318,216	59,569
Unspent earnings on agency endowment fund	<u>22,654</u>	<u>11,639</u>
	<u>340,870</u>	<u>71,208</u>
 <i>Total net assets with donor restrictions - temporary in nature</i>	<u>1,240,333</u>	<u>1,107,054</u>
 <i>Perpetual in nature - endowments:</i>		
Agency endowment fund	50,100	50,100
Dancer salaries fund	25,000	25,000
Scholarship fund	68,472	67,972
Artistic fund	198,638	198,638
General fund	870,936	767,199
Contributions receivable, net	<u>120,421</u>	<u>199,541</u>
 <i>Total net assets with donor restrictions - perpetual in nature</i>	<u>1,333,567</u>	<u>1,308,450</u>
 <i>Total net assets with donor restrictions</i>	<u><u>\$ 2,573,900</u></u>	<u><u>\$ 2,415,504</u></u>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

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, 2021 and 2020, the Ballet had the following endowment net asset composition by type of fund:

<u>May 31, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 218,635	\$ -	\$ 218,635
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	1,213,146	1,213,146
Accumulated investment gains	-	340,870	340,870
Endowment net assets, May 31, 2021	<u>\$ 218,635</u>	<u>\$ 1,554,016</u>	<u>\$ 1,772,651</u>
<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>

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

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, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 1, 2020	\$ 177,659	\$ 1,180,117	\$ 1,357,776
Contributions	-	104,237	104,237
Interest and dividend income, net of fees	2,064	14,243	16,307
Realized and unrealized gains on investments	45,863	299,322	345,185
Amounts appropriated for expenditure or other designation	<u>(6,951)</u>	<u>(43,903)</u>	<u>(50,854)</u>
Endowment net assets, May 31, 2021	<u>\$ 218,635</u>	<u>\$ 1,554,016</u>	<u>\$ 1,772,651</u>

<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 losses 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>

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, 2021, there were no underwater endowments. 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.

## NASHVILLE BALLET

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### MAY 31, 2021 AND 2020

##### NOTE 12 - 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, 2021, receivables from three sources totaled approximately \$406,000, or 63% of total receivables. At May 31, 2020, receivables from two sources totaled approximately \$335,000, or 35% of total receivables.

Combined contributions from two sources amounted to approximately \$1,981,000 or 45% of total public support for the year ended May 31, 2021 (approximately \$1,657,000 or 40% of total public support from three sources for the year ended May 31, 2020).

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.

##### NOTE 13 - EMPLOYEE RETIREMENT PLAN

The Ballet sponsors a 401(k) qualified retirement plan for its eligible employees. 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, 2021 (no employer matching contributions to the plan, for the year ended May 31, 2020).

##### NOTE 14 - RELATED PARTY TRANSACTIONS

The Ballet receives support from and, at times, purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. All related party transactions are subject to the Ballet's Conflict of Interest Policy.

## NASHVILLE BALLET

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### MAY 31, 2021 AND 2020

##### NOTE 15 - 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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. The CARES Act provided an economic relief package to many businesses in the United States as a direct response to the adverse impacts of COVID-19. Section 1102 of the CARES Act established the Paycheck Protection Program (“PPP”), which was implemented by the Small Business Administration, and was intended to provide small businesses (generally those with 500 or less employees) with funds in amounts up to 2.5 times the business’s average monthly payroll expenses to pay for eligible expenses, including payroll, benefits, rent and utilities. The funds were available in the form of a loan. The loan is fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. Any unforgiven funds will convert to a note with a 1.0% interest rate and payable over 24 months.

On April 23, 2020 the Ballet received \$606,550 from a PPP loan. On December 29, 2020, the Ballet received notification that the PPP loan had been fully forgiven. As such, the forgiveness of the principal balance has been presented in the consolidated statements of activities as a grant.

On February 26, 2021, the Ballet received a second PPP loan in the amount of \$615,787. The second PPP loan has substantially the same terms noted above. As of the date these financial statements were available to be issued, the Ballet has not applied for forgiveness of the loan. Accordingly, the Ballet has included the balance in notes payable on the consolidated statements of financial position.

The CARES Act also provided economic relief to businesses impacted by the coronavirus pandemic through the Economic Injury Disaster Loan Program (“EIDL”). On June 10, 2020 the Ballet received an EIDL in the amount of \$150,000, which is included in notes payable on the consolidated statements of financial position. The loan requires monthly payments of \$641 (including interest at a fixed rate of 2.75%) beginning June 10, 2021 through June 10, 2050, at which time all outstanding principal and interest is due. As of May 31, 2021, the outstanding balance was \$150,000.

NASHVILLE BALLET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2021 AND 2020

NOTE 15 - COVID-19 (CONTINUED)

The CARES Act also provided the Employer Retention Credit (“ERC”) program to encourage employers to retain and continue to pay employees during the pandemic. The ERC program was modified, expanded and extended by the 2021 Consolidated Appropriations Act (“CAA”) and subsequently extended again by the American Rescue Plan (“ARP”) Act. If certain criteria are met under the program, employers are eligible to claim the ERC which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages. The Ballet filed revised 941 returns in 2021 in order to claim the ERC in the amount of \$680,055. The Ballet is accounting for the ERC as a conditional grant and recognized the ERC in the consolidated statement of activities during the year ended May 31, 2021 as all applicable conditions were met.

NOTE 16 - SUBSEQUENT EVENTS

On July 27, 2021, the Ballet received a Shuttered Venue Operators Grant in the amount of \$1,004,785, and on October 27, 2021, was notified it will receive a supplemental award of \$810,186. This award, established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and amended by the American Rescue Plan Act, is to assist eligible entities who, in general, illustrated a loss of gross revenues in certain quarters during 2020 as compared to the same quarter(s) in 2019. This award is considered a conditional grant and will be recognized as revenue in the year awarded to the extent qualified expenditures have been incurred.

On August 19, 2021, the Ballet announced that it has become the recipient of a generous endowment contribution by an anonymous donor totaling \$1,000,000 to be held at the Community Foundation of Middle Tennessee. Additionally, this donor has generously offered to make an additional \$1,000,000 contribution if the Ballet is able to raise a matching \$1,000,000 in full by December 31, 2025.

On October 8, 2021, a mechanical failure with the fire suppression system caused significant water damage to Tennessee Performing Arts Center’s Andrew Jackson Hall stage as well as to the Ballet’s sets and production equipment. Therefore, the Ballet unfortunately had to cancel its scheduled performances of Peter Pan set to take place October 8th through October 10th. The Ballet is working with insurance and the financial impact is not expected to be material.

## CONSOLIDATING INFORMATION



NASHVILLE BALLET

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MAY 31, 2021

	Nashville Ballet	Nashville Ballet Foundation	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,313,686	\$ -	\$ 3,313,686
Accounts receivable, net of allowance	62,301	-	62,301
Grants receivable	105,460	-	105,460
Contributions receivable, net	359,688	119,289	478,977
Prepaid expenses and other	264,642	-	264,642
Investments	-	1,699,897	1,699,897
Property and equipment, net	6,838,606	-	6,838,606
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>72,754</u>	<u>-</u>	<u>72,754</u>
TOTAL ASSETS	<u>\$ 11,017,137</u>	<u>\$ 1,819,186</u>	<u>\$ 12,836,323</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 248,115	\$ -	\$ 248,115
Payroll liabilities	103,446	-	103,446
Deferred revenue	605,240	-	605,240
Notes payable	<u>3,058,738</u>	<u>-</u>	<u>3,058,738</u>
TOTAL LIABILITIES	<u>4,015,539</u>	<u>-</u>	<u>4,015,539</u>
<u>NET ASSETS</u>			
Without donor restrictions:			
Board designated	1,439,165	219,802	1,658,967
Invested in property and equipment, less related debt	4,545,655		4,545,655
Undesignated (deficit)	<u>44,561</u>	<u>(2,299)</u>	<u>42,262</u>
Total without donor restrictions	6,029,381	217,503	6,246,884
With donor restrictions	<u>972,217</u>	<u>1,601,683</u>	<u>2,573,900</u>
TOTAL NET ASSETS	<u>7,001,598</u>	<u>1,819,186</u>	<u>8,820,784</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,017,137</u>	<u>\$ 1,819,186</u>	<u>\$ 12,836,323</u>

NASHVILLE BALLET

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MAY 31, 2020

	<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>
<b>TOTAL ASSETS</b>	<u><b>\$ 10,776,633</b></u>	<u><b>\$ 1,495,346</b></u>	<u><b>\$ 12,271,979</b></u>
<u>LIABILITIES AND NET ASSETS</u>			
<b>LIABILITIES</b>			
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>
<b>TOTAL LIABILITIES</b>	<u><b>4,018,152</b></u>	<u><b>-</b></u>	<u><b>4,018,152</b></u>
<b>NET ASSETS</b>			
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>
<b>TOTAL NET ASSETS</b>	<u><b>6,758,481</b></u>	<u><b>1,495,346</b></u>	<u><b>8,253,827</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 10,776,633</b></u>	<u><b>\$ 1,495,346</b></u>	<u><b>\$ 12,271,979</b></u>

NASHVILLE BALLET

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2021

	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	\$ 3,930	\$ -	\$ 3,930	\$ -	\$ -	\$ -	\$ 3,930	\$ -	\$ 3,930
Single and group ticket sales	98,405	-	98,405	-	-	-	98,405	-	98,405
Rentals and touring	5,250	-	5,250	-	-	-	5,250	-	5,250
Community engagement	10,635	-	10,635	-	-	-	10,635	-	10,635
School tuition	659,031	-	659,031	-	-	-	659,031	-	659,031
Public Support:									
Grants	1,628,804	-	1,628,804	-	-	-	1,628,804	-	1,628,804
Individual contributions	1,339,194	18,570	1,357,764	-	24,013	24,013	1,339,194	42,583	1,381,777
Corporate and foundation contributions	215,556	573,069	788,625	-	-	-	215,556	573,069	788,625
Contributions from the Community Foundation of Middle Tennessee	201,000	-	201,000	-	-	-	201,000	-	201,000
Ballet Ball revenue	253,903	-	253,903	-	-	-	253,903	-	253,903
Friends support and benefits	2,533	-	2,533	-	-	-	2,533	-	2,533
Donated goods and services	120,062	-	120,062	-	-	-	120,062	-	120,062
Investment income, net	5,180	11,015	16,195	48,130	302,551	350,681	53,310	313,566	366,876
Miscellaneous	17,403	-	17,403	-	-	-	17,403	-	17,403
Net assets released from restrictions	724,842	(724,842)	-	45,980	(45,980)	-	770,822	(770,822)	-
TOTAL SUPPORT AND REVENUE	5,285,728	(122,188)	5,163,540	94,110	280,584	374,694	5,379,838	158,396	5,538,234
EXPENSES									
Program services	4,058,575	-	4,058,575	-	-	-	4,058,575	-	4,058,575
Supporting services:									
Management and general	525,471	-	525,471	-	-	-	525,471	-	525,471
Fundraising	387,231	-	387,231	-	-	-	387,231	-	387,231
TOTAL EXPENSES	4,971,277	-	4,971,277	-	-	-	4,971,277	-	4,971,277
CHANGE IN NET ASSET PRIOR TO TRANSFERS BETWEEN NASHVILLE BALLET AND NASHVILLE BALLET FOUNDATION	314,451	(122,188)	192,263	94,110	280,584	374,694	408,561	158,396	566,957
DISTRIBUTION TO NASHVILLE BALLET FROM NASHVILLE BALLET FOUNDATION	50,854	-	50,854	(50,854)	-	(50,854)	-	-	-
CHANGE IN NET ASSETS	365,305	(122,188)	243,117	43,256	280,584	323,840	408,561	158,396	566,957
NET ASSETS - BEGINNING 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
NET ASSETS - END OF YEAR	\$ 6,029,381	\$ 972,217	\$ 7,001,598	\$ 217,503	\$ 1,601,683	\$ 1,819,186	\$ 6,246,884	\$ 2,573,900	\$ 8,820,784

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