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CHARLOTTE BALLET

Financial Statements for the
Years Ended June 30, 2018 and 2017
and Independent Auditors' Report



GreerWalker



GreerWalker

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Charlotte Ballet:

We have audited the accompanying financial statements of Charlotte Ballet (the "Ballet") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Ballet as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

Greer Walker LLP

Certified Public Accountants
November 14, 2018
Charlotte, NC

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CHARLOTTE BALLET

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 126,626	\$ 807,973
Unconditional promises to give, net	463,063	546,603
Other receivables	30,101	16,966
Prepaid expenses	93,477	137,886
Total current assets	<u>713,267</u>	<u>1,509,428</u>
PROPERTY, NET	<u>12,250,416</u>	<u>12,325,677</u>
OTHER ASSETS:		
Unconditional promises to give, net	25,000	26,758
Beneficial interests in endowments	5,913,351	5,475,033
Total other assets	<u>5,938,351</u>	<u>5,501,791</u>
TOTAL	<u>\$ 18,902,034</u>	<u>\$ 19,336,896</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 275,968	\$ 129,645
Deferred revenue	712,825	723,747
Total current liabilities	<u>988,793</u>	<u>853,392</u>
NET ASSETS:		
Unrestricted	11,758,056	12,235,108
Temporarily restricted	1,974,726	2,267,937
Permanently restricted	4,180,459	3,980,459
Total net assets	<u>17,913,241</u>	<u>18,483,504</u>
TOTAL	<u>\$ 18,902,034</u>	<u>\$ 19,336,896</u>

See notes to financial statements.

CHARLOTTE BALLET

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS:								
Contributions	\$ 892,082	\$ 208,890	\$ -	\$ 1,100,972	\$ 1,207,750	\$ 118,423	\$ -	\$ 1,326,173
Grants:								
Federal	10,000			10,000	10,000			10,000
State	82,250			82,250	82,250			82,250
Arts and Science Council	617,780			617,780	638,080			638,080
Other grants	50,325	198,750		249,075	175,541	235,000		410,541
Ticket and subscription sales	1,989,737			1,989,737	2,265,472			2,265,472
Touring fees	249,625			249,625	211,089			211,089
Charlotte Ballet Academy	1,365,384			1,365,384	1,384,733			1,384,733
Education and outreach income	110,098			110,098	124,302			124,302
Contributed materials and services	530,870			530,870	115,870			115,870
Change in beneficial interest, net	247,305	193,318		440,623	121,257	352,802		474,059
Special events (net of related expenses of \$515,527 and \$414,428 as of June 30, 2017 and 2016, respectively)	629,489			629,489	477,955			477,955
Miscellaneous	91,056			91,056	79,948			79,948
Reclassifications:								
Contributions released from restrictions	694,169	(694,169)		-	673,461	(673,461)		-
Permanently restricted contributions received		(200,000)	200,000	-		(160,000)	160,000	-
Total revenue, support and reclassifications	<u>7,560,170</u>	<u>(293,211)</u>	<u>200,000</u>	<u>7,466,959</u>	<u>7,567,708</u>	<u>(127,236)</u>	<u>160,000</u>	<u>7,600,472</u>
EXPENSES:								
Program services:								
Production costs	4,520,194			4,520,194	4,216,983			4,216,983
Education and teaching	1,788,772			1,788,772	1,670,108			1,670,108
Supporting services:								
Management and general	812,168			812,168	591,602			591,602
Fundraising	400,088			400,088	490,850			490,850
Depreciation	516,000			516,000	467,658			467,658
Total expenses	<u>8,037,222</u>	<u>-</u>	<u>-</u>	<u>8,037,222</u>	<u>7,437,201</u>	<u>-</u>	<u>-</u>	<u>7,437,201</u>
CHANGE IN NET ASSETS	(477,052)	(293,211)	200,000	(570,263)	130,507	(127,236)	160,000	163,271
NET ASSETS, BEGINNING OF YEAR	<u>12,235,108</u>	<u>2,267,937</u>	<u>3,980,459</u>	<u>18,483,504</u>	<u>12,104,601</u>	<u>2,395,173</u>	<u>3,820,459</u>	<u>18,320,233</u>
NET ASSETS, END OF YEAR	<u>\$ 11,758,056</u>	<u>\$ 1,974,726</u>	<u>\$ 4,180,459</u>	<u>\$ 17,913,241</u>	<u>\$ 12,235,108</u>	<u>\$ 2,267,937</u>	<u>\$ 3,980,459</u>	<u>\$ 18,483,504</u>

See notes to financial statements.

CHARLOTTE BALLET

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (570,263)	\$ 163,271
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in allowance for bad debt and present value of unconditional promises to give	(595)	(14,093)
Change in fair value of beneficial interests in endowments	(438,318)	(512,769)
Depreciation	516,000	463,810
Loss on disposal of property	-	1,917
Changes in operating assets and liabilities:		
Unconditional promises to give	85,893	694,462
Other receivables	(13,135)	111,118
Prepaid expenses	44,409	(27,292)
Accounts payable and accrued expenses	146,323	(61,618)
Deferred revenue	(10,922)	81,461
Net cash provided by (applied to) operating activities	<u>(240,608)</u>	<u>900,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of and improvements to property	<u>(440,739)</u>	<u>(1,052,219)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(681,347)	(151,952)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>807,973</u>	<u>959,925</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 126,626</u>	<u>\$ 807,973</u>

See notes to financial statements.

CHARLOTTE BALLET

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Charlotte Ballet (the "Ballet") is a nonprofit organization, incorporated in North Carolina, whose mission is to provide artistically excellent programming to diverse audiences in its home city of Charlotte, the Southeast region, and to the varied communities it serves while on tour across the nation. The Ballet has received critical recognition nationally for excellence in programming, education and outreach, and dance training.

Financial Statement Presentation - The Ballet reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily restricted net assets - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently restricted net assets - Net assets that contain donor-imposed restrictions stipulating that the amounts be maintained by the Ballet in perpetuity. The Ballet may expend part or all of the income earned according to donor stipulations.

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and Cash Equivalents - The Ballet considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Ballet maintains cash deposits with financial institutions that at times may exceed federally insured limits.

Unconditional Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value. The discounts on those amounts are computed using a discount rate applicable to the year in which the promise is received. Subsequent amortization of the discount is included in contribution revenue.

Investments - Investments are recorded at fair value with realized and unrealized gains and losses included in the statements of activities.

Property - Property is recorded at cost, if purchased, or at an estimated fair value on the date of receipt, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Donated property is reported as unrestricted support unless the donor restricts the donated asset to a specific purpose. (See Note 3.) The Ballet has determined that items purchased with a value exceeding \$2,500, and a lifetime of more than 1 year, are to be treated as capitalized assets.

Donated Services and Materials - A number of volunteers, including members of the Board of Directors and its committees as well as various volunteer assistants, contribute significant amounts of time to the Ballet. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected as support in the accompanying financial statements. Donated services that do meet the criteria for recognition, along with donated materials, are recorded at the estimated fair value as revenue and expense. (See Note 8.)

Revenue Recognition - Deferred revenue represents prepayments for tickets and sponsorships to shows that have not been performed and tuition for summer and fall classes. The Ballet recognizes these amounts as revenue when the events and programs are held.

The Ballet recognizes contributions that are given unconditionally in the period the contributions are received or promised, whichever is earlier. Promises to give are recorded net of estimated uncollectible amounts. Conditional promises to give and sponsorship agreements are not included as support until such time as the conditions or requirements are substantially met. (See Note 2.)

Contributions containing donor-imposed restrictions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable that are restricted for a permanent purpose are transferred to permanently restricted net assets from temporary restricted net assets when they are collected. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized.

Advertising - The Ballet's policy is to expense the cost of advertising as it is incurred. Advertising expense totaled approximately \$473,000 and \$472,000 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes - The Ballet is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements.

The Ballet records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of June 30, 2018 and 2017.

Functional Expense Classification - The Ballet's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Subsequent Events - In preparing its financial statements, the Ballet has evaluated subsequent events through November 14, 2018, which is the date the financial statements were available to be issued.

2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Promises to give due in less than one year	\$ 467,372	\$ 580,267
Promises to give due in one to five years	<u>25,000</u>	<u>27,354</u>
Total promises to give	492,372	607,621
Less: Discount to net present value	-	596
Less: Allowance for uncollectible promises to give	<u>4,309</u>	<u>33,664</u>
Promises to give, net	488,063	573,361
Current portion, net	<u>463,063</u>	<u>546,603</u>
Long-term portion, net	<u>\$ 25,000</u>	<u>\$ 26,758</u>

As of June 30, 2018 and 2017, approximately \$117,000 and \$23,000, respectively, of the unconditional promises to give are due from members of the Ballet's Board of Directors. Total contributions from the Board of Directors was approximately \$185,000 for the year ended June 30, 2018.

The Ballet has entered into a five year sponsorship agreement with Bank of America. The sponsorship totals \$550,000, with \$110,000 due by the close of each fiscal year on or before June 30, 2017 through June 30, 2021. As the agreement is considered an exchange transaction, in accordance with GAAP, each year's payment will be recognized as income following the completion of sponsorship requirements. This agreement is not recognized as a promise to give.

3. PROPERTY

Property as of June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Sets, props, and costumes	\$ 2,592,641	\$ 2,267,712
Furniture, fixtures, and equipment	960,901	919,688
Building	7,952,437	7,952,437
Land	<u>4,380,250</u>	<u>4,380,250</u>
Total	15,886,229	15,520,087
Less accumulated depreciation	<u>(3,635,813)</u>	<u>(3,194,410)</u>
Property, net	<u>\$ 12,250,416</u>	<u>\$ 12,325,677</u>

Continued ownership of the land and building is conditional on use for not-for-profit purposes.

4. BENEFICIAL INTERESTS IN ENDOWMENTS

As a result of a community wide cultural fund drive, various donors designated the Ballet as the beneficiary of gifts to a cultural endowment established by the Charlotte Mecklenburg Arts and Science Council (the "ASC"). By the terms of the endowment, the Ballet annually receives a portion of the income but only so long as the Ballet continues to operate. The ASC has contracted with The Greater Charlotte Cultural Trust (the "Cultural Trust"), an unrelated organization, to manage the endowment. There are no restrictions on the usage of income or appreciation.

The Joan H. Hanes Fund Endowment was established for the benefit of the Ballet by Mrs. Hanes upon her death and is being administered by the Winston-Salem Foundation. There are no restrictions on the usage of income or appreciation.

The Donald H. and Barbara K. Bernstein NCDT Continuity Fund Endowment (Bernstein Endowment) is managed by the Foundation for the Charlotte Jewish Community.

The terms of the foregoing endowments allow the Ballet to draw 4% of the funds' average market value for the three previous years; however, the Ballet will not receive the endowed principal, which is invested in perpetuity. The beneficial interests in endowments are valued at the fair value of the underlying assets. Changes in the fair value of the endowed assets are reflected in temporarily restricted revenue in accordance with donor stipulations. Reclassifications into unrestricted net assets are made as distributable income is released from restriction in accordance with the 4% spending policy.

In connection with the construction of new administrative offices, dance studios and theatre (the "Facility"), the Ballet established a Building Fund. Earnings from the Building Fund are restricted for the purpose of funding operations of the Facility, as well as maintenance and replacement capital expenditures. The Ballet has a contract with the Cultural Trust to manage the Building Fund, however, the principal amount of the Building Fund is owned and controlled by the Ballet. There is no restriction on the amount of income or appreciation that may be distributed for the intended purpose.

The Knight Foundation established an endowment which is managed by the Miami Foundation for the benefit of the Ballet. Contributions of \$200,000 per year from the Knight Foundation will be made to the endowment for a period of 5 years. Each year the Knight Foundation will instruct the Miami Foundation to make grants, net of all its administrative costs, that equal no less than 5% of the total value of the fund, subject to cumulative income limitations. As of June 30, 2018, all payments have been received. Funds will support increased audience engagement through the creation and acquisition of contemporary dance works.

The Bretscher Family Foundation established the Charlotte Ballet Pre-Professional Fund endowment for the benefit of the Ballet. The endowment is managed by the Cultural Trust. Total contributions of \$200,000 from the Bretscher Family Foundation have been made to the endowment. The Foundation's Board of Directors establishes the annual spendable amount which is available for distribution from the endowment each year. Currently, the spendable amount is 5% of the average daily value of the endowment for the prior three calendar years, subject to cumulative income limitations. Funds will support recruitment efforts by offering partial scholarships, recruitment expenses, and enabling the Academy to be more competitive with offers of non-tuition financial assistance.

The fair values of the beneficial interests endowed assets as of June 30, 2018 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cultural Trust - ASC Fund	\$ 193,117	\$ 964,610	\$ 1,157,727
Joan H. Hanes Fund	161,058	150,000	311,058
Donald H. & Barbara K. Bernstein NCDT Continuity Fund	7,933	70,000	77,933
Cultural Trust -Building Fund	1,249,897	1,795,849	3,045,746
Knight Foundation Fund	110,360	1,000,000	1,110,360
Charlotte Ballet Pre-Professional Fund	<u>10,527</u>	<u>200,000</u>	<u>210,527</u>
Total	<u>\$ 1,732,892</u>	<u>\$ 4,180,459</u>	<u>\$ 5,913,351</u>

The fair values of the beneficial interests endowed assets as of June 30, 2017 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cultural Trust - ASC Fund	\$ 139,327	\$ 964,610	\$ 1,103,937
Joan H. Hanes Fund	155,208	150,000	305,208
Donald H. & Barbara K. Bernstein NCDT Continuity Fund	5,734	70,000	75,734
Cultural Trust -Building Fund	1,123,747	1,795,849	2,919,596
Knight Foundation Fund	66,992	800,000	866,992
Charlotte Ballet Pre-Professional Fund	<u>3,566</u>	<u>200,000</u>	<u>203,566</u>
Total	<u>\$ 1,494,574</u>	<u>\$ 3,980,459</u>	<u>\$ 5,475,033</u>

The following represents the changes in the beneficial interests in endowment net assets for the years ended June 30, 2018 and 2017:

<u>Year Ended June 30, 2018</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,494,574	\$ 3,980,456	\$ 5,475,033
Investment return:			
Contributions	45,000	200,000	245,000
Distributions	(248,186)		(248,186)
Net appreciation	<u>441,504</u>		<u>441,504</u>
Endowment net assets, end of year	<u>\$ 1,732,892</u>	<u>\$ 4,180,459</u>	<u>\$ 5,913,351</u>

<u>Year Ended June 30, 2017</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,141,805	\$ 3,820,459	\$ 4,962,264
Investment return:			
Contributions	85,000	160,000	245,000
Distributions	(196,336)		(196,336)
Net appreciation	<u>464,105</u>	<u> </u>	<u>464,105</u>
Endowment net assets, end of year	<u>\$ 1,497,574</u>	<u>\$ 3,980,459</u>	<u>\$ 5,475,033</u>

5. INVESTMENTS

The Board of Directors of the Ballet has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 classifies as permanently restricted net assets (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 donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Ballet in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Ballet considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Ballet has beneficial interests in endowments that are reported at fair value in the accompanying statements of financial position. (See Note 4.)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The inputs used for valuing the Ballet's investments are summarized in the three broad levels listed below:

- Level 1 - quoted prices in active markets for identical assets
- Level 2 - other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.)
- Level 3 - significant unobservable inputs

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

- Beneficial Interests in Endowments: Valued at the fair value of the underlying assets using unobservable inputs.

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

The following table sets forth by level, within the fair value hierarchy, the Ballet's assets at fair values as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interests in Endowments (See Note 4)	\$ _____ -	\$ _____ -	\$ 5,913,351	\$ 5,913,351
Total Assets at Fair Value	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 5,913,351</u>	<u>\$ 5,913,351</u>

The following table sets forth by level, within the fair value hierarchy, the Ballet's assets at fair values as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interests in Endowments (See Note 4)	\$ _____ -	\$ _____ -	\$ 5,475,033	\$ 5,475,033
Total Assets at Fair Value	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 5,475,033</u>	<u>\$ 5,475,033</u>

The following table sets forth a summary of changes in the fair value of the pooled assets for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 5,475,033	\$ 4,962,264
Unrealized gains and losses, net	441,504	464,105
Grants	(248,186)	(196,336)
Purchases	<u>245,000</u>	<u>245,000</u>
Balance, end of year	<u>\$ 5,913,351</u>	<u>\$ 5,475,033</u>

6. LINE OF CREDIT

The Ballet has a line of credit with a bank that provides for maximum unsecured borrowings of \$500,000. Interest on outstanding advances is payable monthly and accrues at the bank's prime rate (5% as of June 30, 2018) plus .5% or the Floor Rate of 5%. The line of credit is scheduled to expire in March 2019. As of June 30, 2018 and 2017, there were no borrowings outstanding. Maximum borrowings during was \$150,000 for the years ending June 30, 2018 and 2017. Average borrowings during the years ending June 30, 2018 and 2017 were approximately \$39,000 and \$22,000, respectively.

7. NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 included the following:

	<u>2018</u>	<u>2017</u>
Time restrictions:		
Beneficial interests in endowments	\$ 1,732,892	\$ 1,494,574
Contributions receivable - annual fund	132,613	285,871
Contributions receivable - capital campaign	20,691	16,742
Contributions receivable - donor-restricted fund	-	200,000
Purpose restrictions:		
Grants receivable	<u>8,540</u>	<u>270,750</u>
Total temporarily restricted net assets	<u>\$ 1,974,726</u>	<u>\$ 2,267,937</u>

Temporarily restricted net assets in the amount of \$694,169 and \$673,691 were released from restrictions into unrestricted net assets due to satisfaction of time restrictions during the years ended June 30, 2018 and 2017, respectively.

Permanently restricted net assets consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beneficial interests in endowments - principal	\$ 4,180,459	\$ 3,980,459

Unrestricted net assets were reduced by \$516,000 and \$463,810 for the years ended June 30, 2018 and 2017, respectively, related to the depreciation of property.

8. DONATED SERVICES AND MATERIALS

The Ballet records the estimated fair value of contributed materials and services provided as revenue and expense. During the years ended June 30, 2018 and 2017, the Ballet recognized \$530,870 and \$115,870, respectively, as contributed revenue for consulting services, special event expenses, marketing expense and legal services.

9. BARTER TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Ballet received services and other benefits as a result of barter transactions. Revenue and expenses recorded as a result of barter transactions were as follows for the years ended June 30, 2018 and 2017:

	<u>2018</u>		
	<u>Ticket Revenue</u>	<u>Advertising Revenue</u>	<u>Total</u>
Program expenses:			
Marketing benefits	\$ <u>4,403</u>	\$ <u>4,403</u>	\$ <u>8,806</u>
	<u>2017</u>		
	<u>Ticket Revenue</u>	<u>Advertising Revenue</u>	<u>Total</u>
Program expenses:			
Marketing benefits	\$ 15,610	\$ -	\$ 15,610
Employee benefits		<u>15,610</u>	<u>15,610</u>
Total	<u>\$ 15,610</u>	<u>\$ 15,610</u>	<u>\$ 31,220</u>