

SCHOOL OF AMERICAN BALLET, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2021



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
School of American Ballet, Inc.

We have audited the accompanying financial statements of School of American Ballet, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit 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 the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 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 School of American Ballet, Inc. as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited School of American Ballet, Inc.'s 2020 financial statements, and our report dated April 19, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
April 27, 2022

SCHOOL OF AMERICAN BALLET, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents (Notes 1c and 4)	\$ 2,949,826	\$ 1,914,381
Tuition, interest and other receivables	24,339	84,543
Unconditional promises to give (Notes 1d and 5)	2,238,038	2,188,362
Prepaid expenses and other current assets	<u>212,054</u>	<u>199,841</u>
Total Current Assets	5,424,257	4,387,127
Other Assets		
Investments, at fair value (Notes 1e, 1f and 6)	90,118,276	79,465,251
Unconditional promises to give (Notes 1d and 5)	247,344	1,552,630
Property, equipment and land, at cost, less accumulated depreciation (Notes 1g, 7, 8 and 9)	<u>15,247,558</u>	<u>16,344,258</u>
Total Assets	<u><u>\$111,037,435</u></u>	<u><u>\$101,749,266</u></u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and other liabilities	\$ 2,390,113	\$ 1,719,519
Deferred income (Note 1h)	<u>1,014,590</u>	<u>655,556</u>
Total Current Liabilities	3,404,703	2,375,075
Financing obligation payable, net of deferred financing costs (Notes 1i and 9)	8,628,274	8,613,338
Loans payable - Paycheck Protection Program (Note 10)	<u>1,176,832</u>	<u>1,189,700</u>
Total Liabilities	<u>13,209,809</u>	<u>12,178,113</u>
Commitments and Contingencies (Notes 6, 7, 15 and 16)		
Net Assets (Note 3)		
Without donor restrictions	46,352,141	43,942,143
With donor restrictions	<u>51,475,485</u>	<u>45,629,010</u>
Total Net Assets	<u>97,827,626</u>	<u>89,571,153</u>
Total Liabilities and Net Assets	<u><u>\$111,037,435</u></u>	<u><u>\$101,749,266</u></u>

See notes to financial statements.

SCHOOL OF AMERICAN BALLET, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Tuition, room and board and related fees	\$ 3,854,356	\$ -	\$ 3,854,356	\$ 4,406,773
Scholarships applied (Note 12)	(1,098,949)	-	(1,098,949)	(1,336,866)
Net tuition, room and board and related fees	2,755,407	-	2,755,407	3,069,907
Other fees and earned income	254,643	11,945	266,588	507,062
Total Revenue	3,010,050	11,945	3,021,995	3,576,969
Support				
Contributions (Note 7)	3,249,804	2,280,515	5,530,319	4,739,952
Special events revenue (Note 13)	1,497,308	-	1,497,308	1,916,913
Less: Special events direct expenses (Note 13)	(128,266)	-	(128,266)	(252,386)
Reversal of a prior year pledge	-	(73,280)	(73,280)	-
Net assets released from restrictions				
Satisfaction of time and program restrictions (\$407,502 in 2020)	738,685	(738,685)	-	-
Total Support	5,357,531	1,468,550	6,826,081	6,404,479
Investment Income Available for Operations				
Appropriation of endowment and other investment earnings for expenditure (Note 11)	3,964,031	-	3,964,031	3,251,164
Total Revenue, Support and Investment Income Available for Operations	12,331,612	1,480,495	13,812,107	13,232,612
Expenses				
Program Services				
Teaching and other artistic programs	7,065,343	-	7,065,343	5,714,665
Student services and residence	3,538,766	-	3,538,766	3,758,784
Supporting Services				
General administration	1,891,337	-	1,891,337	1,942,701
Development	1,686,095	-	1,686,095	1,860,463
Total Expenses	14,181,541	-	14,181,541	13,276,613
Increase (Decrease) in Net Assets Before Non-Operating Activities (carried forward)	(1,849,929)	1,480,495	(369,434)	(44,001)

See notes to financial statements.

SCHOOL OF AMERICAN BALLET, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Without Donor Restrictions	2021 With Donor Restrictions	Total	2020 Total
Increase (Decrease) in Net Assets Before Non-Operating Activities (brought forward)	\$ (1,849,929)	\$ 1,480,495	\$ (369,434)	\$ (44,001)
Non-Operating Activities				
Net investment income (Notes 1e and 6)	5,769,865	5,658,349	11,428,214	9,751,010
Loan forgiveness (Note 10)	1,189,700	-	1,189,700	-
Capital campaign expenses	-	-	-	(11,722)
Gift annuity expense	(27,976)	-	(27,976)	(10,492)
	<u>6,931,589</u>	<u>5,658,349</u>	<u>12,589,938</u>	<u>9,728,796</u>
Appropriation of endowment and other investment earnings for expenditure (Note 11)				
Board designated endowment earnings	(2,523,857)	-	(2,523,857)	(2,109,956)
Other investment earnings without donor restrictions	(147,805)	-	(147,805)	(138,072)
Donor restricted endowment earnings	-	(1,292,369)	(1,292,369)	(1,003,136)
	<u>4,259,927</u>	<u>4,365,980</u>	<u>8,625,907</u>	<u>6,477,632</u>
Increase in Non-Operating Activities				
Increase in net assets	2,409,998	5,846,475	8,256,473	6,433,631
Net assets, beginning of year	43,942,143	45,629,010	89,571,153	83,137,522
Net Assets, End of Year	<u><u>\$46,352,141</u></u>	<u><u>\$51,475,485</u></u>	<u><u>\$97,827,626</u></u>	<u><u>\$89,571,153</u></u>

See notes to financial statements.

SCHOOL OF AMERICAN BALLET, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021				2020	
	Program Services		Supporting Services		Total Expenses	Total Expenses
	Teaching and Other Artistic Programs	Student Services and Residence	General Administration	Development		
Operating Expenses						
Personnel Expenses						
Faculty/pianists	\$3,537,991	\$ -	\$ -	\$ -	\$ 3,537,991	\$ 2,484,543
Administrative staff	719,498	817,214	870,449	928,831	3,335,992	3,349,975
Total Salaries	<u>4,257,489</u>	<u>817,214</u>	<u>870,449</u>	<u>928,831</u>	<u>6,873,983</u>	<u>5,834,518</u>
Personnel benefits	635,780	149,757	78,259	169,217	1,033,013	1,221,486
Non-Personnel Expenses						
Rose Building expenses	911,495	1,347,860	163,602	186,974	2,609,931	2,630,540
Academic scholarships and other student aid	-	189,938	-	-	189,938	229,073
Special events indirect expenses	-	-	-	86,903	86,903	224,387
Meal plans	-	290,023	-	-	290,023	330,963
Workshop performance	200,885	-	-	-	200,885	31,711
Summer course room rental	-	49,164	-	-	49,164	-
Other operating expenses	598,745	151,128	376,739	219,617	1,346,229	1,232,187
	<u>6,604,394</u>	<u>2,995,084</u>	<u>1,489,049</u>	<u>1,591,542</u>	<u>12,680,069</u>	<u>11,734,865</u>
Plant Expenses						
Depreciation	460,949	543,682	82,733	94,553	1,181,917	1,223,390
Bond interest and related expenses	-	-	319,555	-	319,555	318,358
	<u>460,949</u>	<u>543,682</u>	<u>402,288</u>	<u>94,553</u>	<u>1,501,472</u>	<u>1,541,748</u>
Total Operating Expenses	<u>7,065,343</u>	<u>3,538,766</u>	<u>1,891,337</u>	<u>1,686,095</u>	<u>14,181,541</u>	<u>13,276,613</u>
Expenses Shown Separately in the Statement of Activities						
Expenses - Non-Operating						
Capital campaign expenses	-	-	-	-	-	11,722
Gift annuity expense	-	-	-	27,976	27,976	10,492
	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,976</u>	<u>27,976</u>	<u>22,214</u>
Total Expenses, 2021	<u>\$7,065,343</u>	<u>\$3,538,766</u>	<u>\$ 1,891,337</u>	<u>\$ 1,714,071</u>	<u>\$14,209,517</u>	
Total Expenses, 2020	<u>\$5,714,665</u>	<u>\$3,758,784</u>	<u>\$ 1,942,701</u>	<u>\$ 1,882,677</u>		<u>\$13,298,827</u>

See notes to financial statements.

SCHOOL OF AMERICAN BALLET, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Teaching and Other Artistic Programs</u>	<u>Student Services and Residence</u>	<u>General Administration</u>	<u>Development</u>	
Operating Expenses					
Personnel Expenses					
Faculty/pianists	\$2,484,543	\$ -	\$ -	\$ -	\$ 2,484,543
Administrative staff	693,315	782,531	901,186	972,943	3,349,975
Total Salaries	<u>3,177,858</u>	<u>782,531</u>	<u>901,186</u>	<u>972,943</u>	<u>5,834,518</u>
Personnel benefits	681,955	175,256	160,633	203,642	1,221,486
Non-Personnel Expenses					
Rose Building expenses	918,693	1,358,504	164,893	188,450	2,630,540
Academic scholarships and other student aid	-	229,073	-	-	229,073
Special events indirect expenses	-	-	-	224,387	224,387
Meal plans	-	330,963	-	-	330,963
Workshop performance	31,711	-	-	-	31,711
Summer course room rental	-	-	-	-	-
Other operating expenses	427,325	319,698	311,994	173,170	1,232,187
	<u>5,237,542</u>	<u>3,196,025</u>	<u>1,538,706</u>	<u>1,762,592</u>	<u>11,734,865</u>
Plant Expenses					
Depreciation	477,123	562,759	85,637	97,871	1,223,390
Bond interest and related expenses	-	-	318,358	-	318,358
	<u>477,123</u>	<u>562,759</u>	<u>403,995</u>	<u>97,871</u>	<u>1,541,748</u>
Total Operating Expenses	<u>5,714,665</u>	<u>3,758,784</u>	<u>1,942,701</u>	<u>1,860,463</u>	<u>13,276,613</u>
Expenses Shown Separately in the Statement of Activities					
Expenses - Non-Operating					
Capital campaign expenses	-	-	-	11,722	11,722
Gift annuity expense	-	-	-	10,492	10,492
	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,214</u>	<u>22,214</u>
Total Expenses	<u>\$5,714,665</u>	<u>\$3,758,784</u>	<u>\$ 1,942,701</u>	<u>\$ 1,882,677</u>	<u>\$13,298,827</u>

See notes to financial statements.

SCHOOL OF AMERICAN BALLET, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 8,256,473	\$6,433,631
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	1,181,917	1,223,390
Amortized interest	14,936	14,936
Net realized and unrealized gains on investments	(11,863,850)	(9,669,766)
Contributions for investment in perpetuity and other income	(1,881,302)	(739,234)
Write-off of unconditional promises to give	253,782	15,250
Loan forgiveness	(1,189,700)	-
(Increase) decrease in:		
Tuition, interest and other receivables	57,804	44,015
Unconditional promises to give	613,690	19,532
Prepaid expenses and other current assets	(12,213)	64,404
Increase (decrease) in:		
Accounts payable and other liabilities	670,594	(966,642)
Deferred income	359,034	(69,885)
Net Cash Used By Operating Activities	<u>(3,538,835)</u>	<u>(3,630,369)</u>
Cash Flows From Investing Activities		
Sales (purchases) of investments, net	1,210,825	1,547,780
Disbursements for property and equipment	(85,217)	(57,674)
Cash received from contributions for investment in perpetuity and other income	<u>2,271,840</u>	<u>1,109,595</u>
Net Cash Provided By Investing Activities	<u>3,397,448</u>	<u>2,599,701</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	<u>1,176,832</u>	<u>1,189,700</u>
Net increase in cash and cash equivalents	1,035,445	159,032
Cash and cash equivalents, beginning of year	<u>1,914,381</u>	<u>1,755,349</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,949,826</u></u>	<u><u>\$1,914,381</u></u>
Supplemental Disclosure		
Interest paid (bond issue)	<u>\$ 264,551</u>	<u>\$ 265,276</u>

See notes to financial statements.

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The School of American Ballet, Inc. (the "School") was founded in 1934 by George Balanchine and Lincoln Kirstein, with 2020-2021 its 87th year of operation. The School is incorporated in the State of New York as a not-for-profit institution. It is the preeminent classical dance academy in the United States, known both nationally and internationally for its professional training curriculum.

b - Financial Statement Presentation

The financial statements of the School have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the School 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 School. These net assets may be used at the discretion of the School's management and 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 School or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

c - Cash and Cash Equivalents

The School considers all short-term highly liquid investments, such as money market funds and certificates of deposit with maturities of six months or less, to be cash equivalents, except for cash and short-term investments managed by the School as part of its long-term investment strategies.

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, time and purpose restrictions or perpetual in nature, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant and equipment with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed into service.

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 1 - Organization and Summary of Significant Accounting Policies****d - Contributions and Unconditional Promises to Give (continued)**

Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future, are not recognized until the conditions on which they depend have been met.

The School uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. No reserve for uncollectible amounts was required at August 31, 2021 or 2020.

e - Investments

The School reflects investments at fair value in the statement of financial position. Interest, dividends and realized and unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized.

The fair values of investment funds and limited partnership investments not publicly traded on national security exchanges represent the School's pro rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers, subject to review, evaluation, and adjustment by the management of the School or on the basis of other information developed, obtained, and evaluated periodically by the School. Because of inherent uncertainties in the valuation of certain alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed.

f - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the School. Unobservable inputs reflect the assumptions developed by the School based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**f - Fair Value Measurements (continued)

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Establishing the value of Level 3 assets and liabilities involves greater judgment than Level 1 or Level 2 assets or liabilities.

g - Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

h - Revenue Recognition

The School has multiple revenue streams that are accounted for as exchange transactions including tuition, room and board, and related fees, and other fees and earned income.

Tuition income is collected prior to the start of the class or on a payment plan during the course of the class. Tuition, room and board, and related fees are recorded as revenue in the period the class takes place. Tuition, room and board, and related fees relating to future periods are recorded as deferred income.

Other earned income consists of rentals and other service agreements. Revenue is recognized in the period the rental or services are provided.

i - Deferred Financing Costs

The School incurred financing costs in connection with the long-term financing obligation. These costs are recorded as a reduction in the financing obligation payable and amortization of the costs is reported as interest expense over the life of the obligation.

j - Estimates

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

k - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the School's expenses are directly related to program activities. Certain salaries and personnel benefits are allocated based on an estimate of employee time and effort. Rose Building, other operating and depreciation expense are allocated based on estimated usage, square footage and other appropriate measures.

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****l - Tax Status**

The School is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a corporation which is not a private foundation. Contributions to the School are tax deductible to contributors as provided by law.

m - Subsequent Events

The School has evaluated subsequent events through April 27, 2022, the date that the financial statements are considered available to be issued.

n - New Accounting Standard

The School adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers ("Topic 606")*, which required entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligation(s), determination of the transaction price, allocation of the transaction price to the performance obligations, and recognition of revenue as the School satisfies the performance obligation. The adoption of this ASU had no impact on the School's financial statements.

Note 2 - Information Regarding Liquidity and Availability

The School operates with a balanced budget for each fiscal year based on anticipated revenues and expenses. Revenue is received throughout the year, principally from tuition, room and board and related fees and contributions. The School considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The School regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and to maintain liquid financial assets on an ongoing basis sufficient to cover general expenditures.

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

The School's financial assets as of August 31, 2021 and 2020 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,949,826	\$ 1,914,381
Tuition, interest and other receivables	24,339	84,543
Unconditional promises to give	2,485,382	3,740,992
Investments	<u>90,118,276</u>	<u>79,465,251</u>
Total Financial Assets	95,577,823	85,205,167
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(660,946)	(988,473)
Plus: Net assets with donor restrictions expected to be met in less than one year	555,710	783,599
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(50,814,539)	(44,640,537)
Net assets without donor restrictions - board designated endowment and operating reserve	(36,829,523)	(33,308,786)
Plus: Amounts appropriated for use within one year	3,820,659	3,964,031
Net assets without donor restrictions - other	<u>(3,459,824)</u>	<u>(3,459,732)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 8,189,360</u>	<u>\$ 7,555,269</u>

At August 31, 2021, in addition to these financial assets available within one year, the School maintains a board designated endowment and operating reserve of approximately \$34,527,000 (excluding \$1,890,000 already appropriated for expenditure), and other board designated funds totaling approximately \$3,460,000 which could be made available to meet cash needs for general expenditures at the discretion of the Board of Directors.

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

	2021	2020
Operating	\$ 17,790	\$ 17,553
Property and equipment	6,045,004	7,156,072
Board designated endowment	35,998,523	32,889,786
Operating reserve	831,000	419,000
Other	3,459,824	3,459,732
	\$46,352,141	\$43,942,143

Board Designated

The School's Board of Directors has directed that certain unrestricted funds be treated as funds functioning as endowment to support the School's ongoing programs and ensure its ability to meet future needs. Following the School's spending policy, as described in Note 11, a portion of the income from the board designated endowment is applied to scholarships, faculty salaries and other operating expenses.

In addition, the School's Board has designated funds as an operating reserve, to provide for operating and capital contingencies.

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 3 - Net Assets (continued)**b - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at August 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Scholarships	\$ 187,000	\$ -
Diversity Initiative	53,500	413,484
Other programs	<u>328,072</u>	<u>80,000</u>
	<u>568,572</u>	<u>493,484</u>
Subject to passage of time:		
Future periods	<u>92,374</u>	<u>494,989</u>
Endowment subject to spending policy and appropriation:		
Accumulated investment income above (below) original gift amount:		
Scholarships	4,098,564	2,139,080
Diversity	871,007	429,858
Artistic salaries	712,204	278,858
General operations and other programs	<u>553,289</u>	<u>152,227</u>
	<u>6,235,064</u>	<u>3,000,023</u>
Restricted in perpetuity:		
Scholarships	17,739,207	17,230,240
Diversity	3,330,876	2,972,737
Artistic salaries	9,944,681	9,574,224
General operations and other programs	9,919,185	8,534,999
Workshops	<u>3,645,526</u>	<u>3,328,314</u>
	<u>44,579,475</u>	<u>41,640,514</u>
Total Endowments	<u>50,814,539</u>	<u>44,640,537</u>
Total Net Assets With Donor Restrictions	<u>\$51,475,485</u>	<u>\$45,629,010</u>

Note 4 - Concentration of Credit Risk

The School maintains significant cash balances at two financial institutions, which at times exceed federally insured limits.

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	2021		2020			
	Without Donor Restrictions	With Donor Restrictions		2020		
	General Operations	Board Designated	Time and Purpose Restrictions	Perpetual in Nature	Total	Total
Due in less than one year	\$ 647,859	\$ 55,250	\$332,000	\$1,202,929	\$2,238,038	\$2,188,362
Due in one to five years	-	85,000	100,000	82,000	267,000	1,581,310
Less: Discount to present value	-	<u>(5,978)</u>	<u>(8,971)</u>	<u>(4,707)</u>	<u>(19,656)</u>	<u>(28,680)</u>
	-	<u>79,022</u>	<u>91,029</u>	<u>77,293</u>	<u>247,344</u>	<u>1,552,630</u>
Total 2021	<u>\$ 647,859</u>	<u>\$134,272</u>	<u>\$423,029</u>	<u>\$1,280,222</u>	<u>\$2,485,382</u>	
Total 2020	<u>\$1,058,480</u>	<u>\$276,478</u>	<u>\$679,643</u>	<u>\$1,726,391</u>		<u>\$3,740,992</u>

Unconditional promises to give due after one year have been discounted to net present value using a discount rate of 3% per annum.

Note 6 - Investments

Investments are reflected at fair value and are summarized as follows:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash held for investment	\$ 2,458,424	\$ 2,458,424	\$ 2,592,328	\$ 2,592,328
Investment Funds:				
Equity	19,735,553	28,440,874	19,681,960	26,047,025
Fixed income	7,091,392	7,463,137	5,704,484	5,694,280
Alternative Investments:				
Hedge fund investments	42,157,678	50,144,232	36,413,271	44,083,188
Real estate	396,667	335,873	396,667	340,972
Private secondary funds	<u>804,887</u>	<u>1,275,736</u>	<u>548,165</u>	<u>707,458</u>
	<u>\$72,644,601</u>	<u>\$90,118,276</u>	<u>\$65,336,875</u>	<u>\$79,465,251</u>

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 6 - Investments (continued)

Included in alternative investments are investment funds and limited partnerships which hold investments in domestic and international equities, debt securities and real estate. The operating activities of some of these limited partnerships and investment funds may involve trading, directly or indirectly, in derivative financial investments that involve varying degrees of market and credit risk.

The following summarizes the fair value of the investments measured at August 31:

	2021			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments Measured at Fair Value				
Cash held for investment	\$ 2,458,424	\$ 2,458,424	\$ -	\$ -
Investment Funds:				
Equity	28,440,874	28,440,874	-	-
Fixed income	7,463,137	7,463,137	-	-
Total Assets in Fair Value Hierarchy	38,362,435	<u>\$38,362,435</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value	<u>51,755,841</u>			
Total Investments	<u>\$90,118,276</u>			
	2020			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments Measured at Fair Value				
Cash held for investment	\$ 2,592,328	\$ 2,592,328	\$ -	\$ -
Investment Funds:				
Equity	26,047,025	26,047,025	-	-
Fixed income	5,694,280	5,694,280	-	-
Total Assets in Fair Value Hierarchy	34,333,633	<u>\$34,333,633</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value	<u>45,131,618</u>			
Total Investments	<u>\$79,465,251</u>			

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 6 - Investments (continued)

The investments measured at net asset value included in the School's investment portfolios are redeemable based upon the following terms and conditions at August 31, 2021:

Daily redemption	\$ 4,926,523
Monthly redemption	15,571,265
Quarterly redemption	28,884,229
No opportunity for discretionary redemption	<u>2,373,824</u>
	<u>\$51,755,841</u>

Management estimates that the majority of the alternative investments for which there is no opportunity for discretionary redemption could be liquidated within five years.

The following summarizes investment income in the statement of activities as of August 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 476,816	\$ 588,381
Net realized gains	<u>8,518,551</u>	<u>1,076,710</u>
Investment Income	8,995,367	1,665,091
Net unrealized gains on investments	3,345,299	8,593,056
Direct investment expenses	<u>(912,452)</u>	<u>(507,137)</u>
Total Investment Income	<u>\$11,428,214</u>	<u>\$9,751,010</u>

The School has committed to invest \$6,850,000 in six investment funds that make periodic capital calls. Investment in these funds cannot be withdrawn except on consent of the fund itself. As of August 31, 2021, \$4,460,458 of these commitments remain outstanding.

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 6 - Investments (continued)**

The School's alternative investments are diversified across three basic investment strategies as follows:

Hedge Fund Investments

The School invests in a range of hedge fund strategies that encompass both direct fund investments as well as fund of funds investments. The underlying investments of this alternative asset category encompass a broad spectrum of strategies primarily involving marketable securities and with an ultimate objective of taking advantage of market mispricings to generate attractive risk-adjusted returns with limited market sensitivity. The mix of underlying investments includes event-driven strategies seeking to exploit mispricings driven by shorter term market events such as a merger, spinoff, corporate reorganization or transition. Underlying investments also include strategies seeking to benefit from providing capital to companies in distress, working through bankruptcy or requiring short term infusions of liquidity. Further, the hedge funds' strategies also incorporate long/short equity investments in which managers seek to generate returns on both long and short positions in marketable equities, thereby seeking equity-like returns with reduced volatility and greater downside protection.

Real Estate

The School invests in illiquid, limited partnership investments in real estate opportunities via funds of funds. The underlying partnerships invest in the debt and equity of real estate investments focused on the purchase and development, improvement, and management of residential, commercial and industrial real estate. Value added is sought through improvements in rental income and gains from the eventual property sales.

Private Secondary Funds

The School invests in illiquid, limited partnership investments in private equity and venture capital opportunities via fund of funds. The underlying partnerships invest in companies expected to grow in value and return capital to the School. Additional value is created by purchasing these partnership investments at a discount.

Note 7 - Constituency Agreements

- a - The School of American Ballet, Inc. is an official Constituent of Lincoln Center for the Performing Arts, Inc. ("Lincoln Center"). As a Constituent, the School remains independent but is entitled to representation on various Lincoln Center boards and councils and may use the Lincoln Center name. Lincoln Center, in turn, is allowed to name the School as a Constituent. The School participates in the Lincoln Center Corporate Fund drive. In fiscal years 2021 and 2020, the Corporate Fund drive paid \$96,835 and \$129,113, respectively, to the School for operating support and, in return, the School solicited corporate contributions only for special purposes.

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 7 - Constituency Agreements (continued)

b - The School entered into an agreement (the "Agreement") with various institutions and Lincoln Center (the "Participants") whereby they participated in the construction of The Samuel B. and David Rose Building at Lincoln Center, which is owned by Lincoln Center, and used for educational, performing and residential purposes. Each Participant was responsible for its agreed-upon share of design and construction costs. The School occupies educational and residential space in the Rose Building under the terms of a proprietary lease with Lincoln Center. The initial lease term will expire on December 31, 2085 and may be renewed at the lessee's option for any number of 99-year terms.

Rose Building operating expenses for fiscal years 2021 and 2020 were \$2,609,931 and \$2,630,540, respectively. The charges are based on the School's share of the costs to operate the facility. This amount is allocated to the appropriate departments to represent normal operating usage patterns partially based on cubic feet and partially based on additional building projects undertaken, relating directly to specific departments. The totals per department were:

	2021	2020
1) Teaching and other artistic programs	\$ 911,495	\$ 918,693
2) Student services and residence	1,347,860	1,358,504
3) General administration	163,602	164,893
4) Development	186,974	188,450
	\$2,609,931	\$2,630,540

Note 8 - Property, Equipment and Land

Property, equipment and land consist of the following:

	Life	2021	2020
Furniture, equipment and computers	3-10 years	\$ 3,665,825	\$ 3,598,434
Capitalized Construction Costs:			
Interior costs	20 years	14,481,618	14,463,792
Core and shell costs	20-40 years	20,250,104	20,250,104
Studio construction costs	30 years	7,307,784	7,307,784
		45,705,331	45,620,114
Less: Accumulated depreciation		(32,524,820)	(31,342,903)
		13,180,511	14,277,211
Land		2,067,047	2,067,047
		\$15,247,558	\$16,344,258

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 9 - Financing Obligation

In 2016, the School refinanced bonds payable that had been issued in 2006 to finance construction of studios and other capital improvements. On March 3, 2016, The Trust for Cultural Resources of the City of New York (the "Trust") issued Revenue Bonds ("Bonds") in the amount of \$8,845,000. The bonds refinanced previously issued bonds by the Trust in the amount of \$8,600,000. The balance of the new bond proceeds were used for transaction costs. The Bonds were purchased by a bank and mature July 1, 2036. Interest is due monthly at a rate of 2.95% per annum. Bond interest expense for the years ended August 31, 2021 and 2020 on the refinanced bonds was \$264,551 and \$265,276, respectively.

The Bonds are secured with the School's assets except for those assets specifically limited by donor restrictions or other agreements.

The financing obligation payable is reduced by deferred financing costs. At August 31, 2021 and 2020, the deferred financing costs have a balance of \$216,726 and \$231,662, net of accumulated amortization of \$81,996 and \$67,060, respectively. The amortization, which is reported as interest expense, was \$14,936 for each of the years ended August 31, 2021 and 2020.

At August 31, 2021 and 2020, the financing bond payables are as follows:

	<u>2021</u>	<u>2020</u>
Bond principal as issued	\$8,845,000	\$8,845,000
Less: Unamortized deferred financing costs	<u>(216,726)</u>	<u>(231,662)</u>
Financing Obligation Payable, Net of Unamortized Deferred Financing Costs	<u>\$8,628,274</u>	<u>\$8,613,338</u>

Note 10 - Loans Payable

In April 2020, the School received a \$1,189,700 Paycheck Protection Program loan with an interest rate of 1% and a maturity of two years. The loan and any accrued interest was eligible to be forgiven in its entirety if the loan proceeds were applied towards applicable payroll and occupancy costs, as defined by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). In June 2021, the School was notified that the loan was fully forgiven, and accordingly recognized \$1,189,700 as income during the year ended August 31, 2021.

In May 2021, the School received a \$1,176,832 Paycheck Protection Program loan having an interest rate of 1% and a maturity of five years. The loan and any accrued interest can be forgiven in its entirety if the loan proceeds are applied towards applicable payroll and occupancy costs, as defined by the CARES Act. Management expects the full amount of the loan to be forgiven.

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 11 - Endowment Funds**

The School's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the School classifies as net assets with donor restrictions, perpetual in nature, the original value of gifts donated to the endowment. In addition, certain gifts specify that realized and unrealized gains and losses be retained in net assets with donor restrictions, perpetual in nature.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, perpetual in nature, is classified as net assets with donor restrictions, subject to spending policy and appropriation until those amounts are appropriated for expenditure by the School.

The income earned on donor-restricted endowment funds is used for the general operations of the School or the restricted purposes designated by the donor. Such restricted purposes include: scholarships, apprentice support, faculty chairs, Workshop performance, diversity program, pianist positions and music program.

In accordance with NYPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the School and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the School;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the School; and
- (viii) the investment policy of the School

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 11 - Endowment Funds (continued)

The composition of the School's invested endowment funds, by type of fund and net asset classification, is summarized as follows:

	<u>2021</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	
Donor-restricted endowment funds	\$ -	\$6,235,064	\$42,961,663	\$49,196,727
Board designated endowment funds	<u>35,998,523</u>	<u>-</u>	<u>-</u>	<u>35,998,523</u>
Total Endowment Funds	<u>\$35,998,523</u>	<u>\$6,235,064</u>	<u>\$42,961,663</u>	<u>\$85,195,250</u>

	<u>2020</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	
Donor-restricted endowment funds	\$ -	\$3,000,023	\$39,889,686	\$42,889,709
Board designated endowment funds	<u>32,889,786</u>	<u>-</u>	<u>-</u>	<u>32,889,786</u>
Total Endowment Funds	<u>\$32,889,786</u>	<u>\$3,000,023</u>	<u>\$39,889,686</u>	<u>\$75,779,495</u>

Changes in the School's invested endowment funds are summarized as follows:

	<u>2021</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	
Endowment funds, beginning of year	\$32,889,786	\$3,000,023	\$39,889,686	\$75,779,495
Net investment income	5,356,105	4,527,410	1,130,939	11,014,454
Contributions, royalties and payments on pledges	210,370	-	1,941,038	2,151,408
Appropriation of endowment earnings for expenditure	(2,523,857)	(1,292,369)	-	(3,816,226)
Transfer in	<u>66,119</u>	<u>-</u>	<u>-</u>	<u>66,119</u>
Endowment Funds, End of Year	<u>\$35,998,523</u>	<u>\$6,235,064</u>	<u>\$42,961,663</u>	<u>\$85,195,250</u>

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 11 - Endowment Funds (continued)

	<u>2020</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	
Endowment funds, beginning of year	\$29,991,451	\$ 192,216	\$37,473,130	\$67,656,797
Net investment income	4,326,849	3,810,943	1,323,588	9,461,380
Contributions, royalties and payments on pledges	640,067	-	1,092,968	1,733,035
Appropriation of endowment earnings for expenditure	(2,109,956)	(1,003,136)	-	(3,113,092)
Transfer in	<u>41,375</u>	<u>-</u>	<u>-</u>	<u>41,375</u>
Endowment Funds, End of Year	<u>\$32,889,786</u>	<u>\$3,000,023</u>	<u>\$39,889,686</u>	<u>\$75,779,495</u>

The permanently restricted endowment is comprised of a significant number of donor funds. Some of these funds reflect an excess of earnings over appropriations, some reflect deficits of earnings over appropriations.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level required to be retained as a fund of perpetual duration. The deficiencies of this nature in the amount of \$436,923 with respect to the School's endowment funds with an original gift value of \$6,942,030, are reported as part of the net assets with donor restrictions at August 31, 2020. There are no deficiencies as of August 31, 2021.

The School utilizes a Board-approved spending policy providing income for operations. It is calculated using a twenty-quarter average of the total market value of investments as of the last day of February of the preceding fiscal year. The School's draw of investment income for operations has been set by the School's Board of Directors at 5% based on this formula, which is consistent with NYPMIFA guidelines. The Board approved the transfer to operations of \$3,251,164 for the year ended August 31, 2020. Pursuant to this policy, for the year ended August 31, 2021, the Board approved a transfer of \$3,964,031, based on 6% of the average fair market value.

The School has adopted investment and spending policies for endowment assets that endeavor to provide a stream of funding for the School's operations while seeking to preserve the purchasing power of the endowment's assets.

All of the School's investments are pooled to facilitate their management. The School manages its pooled investments on a total return basis. The School's investment guidelines anticipate allocation of funds across a number of asset classes. Dividends, interest and net realized and unrealized gains (losses) are allocated to the various funds.

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 12 - Student Financial Aid

Of the combined tuition and room and board fees (Statement of Activities - Revenues and Support), approximately 29% and 31% represents financial aid in fiscal years 2021 and 2020, respectively.

In addition, the School provided cash support for certain external academic expenses and other student aid in the amounts of \$189,938 and \$229,073 in fiscal years 2021 and 2020, respectively.

Note 13 - Special Events

The following is a summary of the net income generated by fundraising events held in fiscal years 2021 and 2020:

	2021	2020
Gross event income	\$1,497,308	\$1,916,913
Direct expenses	<u>(128,266)</u>	<u>(252,386)</u>
	1,369,042	1,664,527
Indirect expenses	<u>(86,903)</u>	<u>(224,387)</u>
Net Income from Events	<u>\$1,282,139</u>	<u>\$1,440,140</u>

Note 14 - Interfund Appropriations

Interfund appropriations for the years ended August 31, 2021 and 2020 are as follows:

	2021			2020		
	General Operations	Board Designated and Other	Plant	General Operations	Board Designated and Other	Plant
Transfer for:						
Financing obligation fees	\$(304,620)	\$ -	\$304,620	\$(303,422)	\$ -	\$303,422
Board designated operating reserve	(412,000)	412,000	-	51,000	(51,000)	-
Other capital expenditure	<u>(85,218)</u>	<u>-</u>	<u>85,218</u>	<u>(57,675)</u>	<u>-</u>	<u>57,675</u>
	<u>\$(801,838)</u>	<u>\$412,000</u>	<u>\$389,838</u>	<u>\$(310,097)</u>	<u>\$(51,000)</u>	<u>\$361,097</u>

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 15 - Retirement and Pension Plans****a - Retirement Plan**

The School has a retirement plan established for all full-time staff members to which the School, after one year of service, contributes a discretionary amount on behalf of eligible employees toward the purchase of annuity contracts. The School's contributions vest to employees over a period of three years. The retirement plan expense amounted to \$226,611 during fiscal year 2020. This contribution was based on a contribution rate of 5% of each participant's regular annual compensation. There were no retirement plan expenses during fiscal year 2021.

b - Union Pension Plan

The School contributes to a multiemployer defined benefit pension plan benefitting unionized employees. The School employs orchestra members generally for a week or less. This orchestra accompanies the School's annual workshop performance at the end of the Winter Term. Orchestra personnel are union represented under a collective-bargaining agreement. The risks of participating in this multiemployer plan are:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the School chooses to stop participating in its multiemployer plan, the School may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The School's participation in this plan is summarized below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2021 and 2020 is for the plan's year end at March 31, 2021 and 2020, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject, as applicable.

SCHOOL OF AMERICAN BALLET, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

Note 15 - Retirement and Pension Plans (continued)

b - Union Pension Plan (continued)

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/ Implemented</u>	<u>Contributions of the School</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2019</u>	<u>2018</u>		<u>2021</u>	<u>2020</u>		
Associated Musicians of Greater New York Local 802, American Federation of Musicians AFL-CIO	51-6120204/001	Yellow	Red	Implemented	\$ -	\$2,536	Yes	December 31, 2021

The School's contributions to this plan listed above are not greater than 5% of the total plan contributions.

Note 16 - Risks and Uncertainties

The global pandemic novel coronavirus COVID-19 outbreak continued to affect School of American Ballet operations in fiscal year 2021.

The School held classes in-person and in a hybrid (in-person/online) model from September 2020 through mid-November 2020, with numerous COVID protocols for students and employees onsite. It moved to online classes and operations from mid-November 2020 through April 2021 due to rising infection rates in New York City. In April 2021, classes/operations have returned to in-person and will be hybrid for the remainder of the Winter Term through June 2021. The five-week Summer Course in June/July 2021 was fully in person and the August Young Dancer Workshop was held online.

All student programs were adapted for pandemic conditions: student life programs were held virtually and the June public performances were done both outside at Lincoln Center and in a digital version.

Enrollment was lower for Winter Term and Summer Course due to reduced capacity required by social distancing in the ballet studios, resulting in less tuition income. Two of the School's three benefits events were moved to a virtual format, resulting in less contributed income. Expenses increased because of added class sections (and thus increased artistic pay) to ensure social distancing and regular COVID testing for students and employees. The special fundraising "Response Fund" started in April 2020 to cover these increased expenses and continued in fiscal year 2021 to raise a total of \$1 million. Management continued to make budget modifications to reduce expenses and enhance lost revenue streams to enable the School to continue operations in a steady mode.

SCHOOL OF AMERICAN BALLET, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021****Note 16 - Risks and Uncertainties (continued)**

In April 2020, the School obtained a Payroll Protection Program loan in the amount of \$1,189,700 under the federal CARES Act program, which was forgiven in June 2021. Additionally, the School obtained a second Payroll Protection Program loan in May 2021 in the amount of \$1,176,832, and plans to submit a loan forgiveness application.

Since the beginning of the pandemic, the School's Budget, Audit and Compensation Committee has been engaged in discussion of anticipated budget changes. Management continues to evaluate the potential impact that economic uncertainties resulting from the pandemic may have on the School of American Ballet and continues to develop both operational and financial plans to mitigate the impact of the pandemic. With these steps, and ongoing oversight, management believes that its current financial assets and continuing income sources are sufficient to support the School's operations.