

PITTSBURGH BALLET THEATRE, INC.  
Pittsburgh, Pennsylvania

Financial Statements  
and  
Supplementary Information  
For the years ended June 30, 2021 and 2020  
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR’S REPORT

Board of Directors  
Pittsburgh Ballet Theatre, Inc.  
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the Pittsburgh Ballet Theatre, Inc. (Ballet) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

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

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 auditor’s 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 the Ballet as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
November 5, 2021

PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,445,982	\$ 1,342,222
Accounts receivable	48,524	62,180
Pledges receivable	481,290	449,043
Government grant receivable	612,678	-
Prepaid expenses and other current assets	298,683	455,792
Total Current Assets	3,887,157	2,309,237
ENDOWMENT ASSETS		
Cash and cash equivalents	256,775	349,873
Investments	10,343,518	8,419,259
	10,600,293	8,769,132
INVESTMENT HELD BY TRUST	434,139	354,035
PLEDGES RECEIVABLE	332,500	268,650
FIXED ASSETS, net	9,856,170	9,033,777
PRODUCTION ASSETS (less accumulated amortization of \$823,123 in 2021 and 2020)	191,668	191,668
Total Assets	<u>\$ 25,301,927</u>	<u>\$ 20,926,499</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payments due within one year on long-term debt	\$ 4,271	-
Line of credit	835,286	\$ 319,330
Accounts payable and accrued expenses	281,654	122,998
Deferred revenue	1,271,392	930,051
Deferred grant revenue	-	1,085,400
Total Current Liabilities	2,392,603	2,457,779
LONG TERM DEBT	145,729	-
OTHER LONG-TERM LIABILITIES	120,000	-
NET ASSETS:		
Without Donor Restrictions	5,589,699	5,468,451
With Donor Restrictions	17,053,896	13,000,269
Total Net Assets	<u>22,643,595</u>	<u>18,468,720</u>
Total Liabilities And Net Assets	<u>\$ 25,301,927</u>	<u>\$ 20,926,499</u>

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE	\$ 1,261,804	-	\$ 1,261,804	\$ 5,628,580	-	\$ 5,628,580
OPERATING EXPENSES	(8,475,732)	-	(8,475,732)	(10,749,265)	-	(10,749,265)
Changes In Net Assets Before Public And Private Support, Releases From Restrictions And Depreciation On Leaseholds, Machinery And Equipment And Land Improvements	(7,213,928)	-	(7,213,928)	(5,120,685)	-	(5,120,685)
PUBLIC AND PRIVATE SUPPORT	6,888,934	\$ 2,937,737	9,826,671	3,106,419	\$ 2,134,536	5,240,955
Changes In Net Assets Before Releases From Restrictions And Depreciation On Leaseholds, Machinery And Equipment And Land Improvements	(324,994)	2,937,737	2,612,743	(2,014,266)	2,134,536	120,270
NET ASSETS RELEASED FROM OPERATING RESTRICTIONS						
Investment income spending	425,000	(425,000)	-	454,000	(454,000)	-
Other support	741,343	(741,343)	-	1,638,143	(1,638,143)	-
Total Net Assets Released From Operating Restrictions	1,166,343	(1,166,343)	-	2,092,143	(2,092,143)	-
Changes In Net Assets From Operations	841,349	1,771,394	2,612,743	77,877	42,393	120,270
Net realized and unrealized gains, interest and dividends	-	2,282,233	2,282,233	-	147,166	147,166
Depreciation on leaseholds, machinery and equipment and land improvements	(720,101)	-	(720,101)	(651,710)	-	(651,710)
Changes In Net Assets	121,248	4,053,627	4,174,875	(573,833)	189,559	(384,274)
NET ASSETS						
Beginning of year	5,468,451	13,000,269	18,468,720	6,042,284	12,810,710	18,852,994
End of year	\$ 5,589,699	\$ 17,053,896	\$22,643,595	\$ 5,468,451	\$ 13,000,269	\$18,468,720

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	Program Activities			Supporting Activities			Totals	
	Performances	School	Arts Education	Total Program Activities	Management and General	Fundraising and Special Events	Total Supporting Activities	2021
Salaries, wages, fees and fringe benefits	\$ 3,382,720	\$ 705,002	\$ 319,242	\$ 4,406,964	\$ 992,160	\$ 493,117	\$ 1,485,277	\$ 5,892,241
Production costs	1,119,723	250,853	8,829	1,379,405	-	-	-	1,379,405
Depreciation/amortization	467,661	232,945	5,228	705,834	28,458	20,309	48,767	754,601
Marketing	90,082	-	-	90,082	10,329	-	10,329	100,411
Occupancy	155,495	86,115	-	241,610	11,572	9,359	20,931	262,541
Development and special events	-	-	-	-	-	83,526	83,526	83,526
Professional fees and other	250,401	-	-	250,401	85,943	63,724	149,667	400,068
In-kind	261,728	-	-	261,728	59,315	1,997	61,312	323,040
<b>Total Functional Expenses</b>	<b>\$ 5,727,810</b>	<b>\$ 1,274,915</b>	<b>\$ 333,299</b>	<b>\$ 7,336,024</b>	<b>\$ 1,187,777</b>	<b>\$ 672,032</b>	<b>\$ 1,859,809</b>	<b>\$ 9,195,833</b>

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

	Program Activities			Supporting Activities			Totals	
	Performances	School	Arts Education	Total Program Activities	Management and General	Fundraising and Special Events	Total Supporting Activities	2020
Salaries, wages, fees and fringe benefits	\$ 3,774,760	\$ 883,357	\$ 325,973	\$ 4,984,090	\$ 1,002,560	\$ 559,306	\$ 1,561,866	\$ 6,545,956
Production costs	1,451,441	515,428	37,966	2,004,835	-	-	-	2,004,835
Depreciation/amortization	518,356	221,749	4,406	744,511	25,806	18,164	43,970	788,481
Marketing	611,603	-	-	611,603	33,869	-	33,869	645,472
Occupancy	147,384	88,411	-	235,795	11,294	9,134	20,428	256,223
Development and special events	-	-	-	-	-	366,495	366,495	366,495
Professional fees and other	274,576	-	-	274,576	165,435	78,939	244,374	518,950
Inkind	271,122	-	-	271,122	669	2,772	3,441	274,563
<b>Total Functional Expenses</b>	<b>\$ 7,049,242</b>	<b>\$ 1,708,945</b>	<b>\$ 368,345</b>	<b>\$ 9,126,532</b>	<b>\$ 1,239,633</b>	<b>\$ 1,034,810</b>	<b>\$ 2,274,443</b>	<b>\$ 11,400,975</b>

See notes to financial statements.



PITTSBURGH BALLET THEATRE, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 4,174,875	\$ (384,274)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	754,601	788,481
Net realized and unrealized gains on investments	(2,154,674)	18,907
Contributions restricted for investment in endowment	(5,000)	(1,000)
Changes in assets and liabilities:		
Accounts receivable	14,306	(51,572)
Pledges receivable	(196,005)	212,706
Government grant receivable	(612,678)	-
Prepaid expenses	157,109	(53,496)
Accounts payable and accrued expenses	158,656	(212,834)
Deferred revenue	341,341	(559,817)
Deferred grant revenue	(1,085,400)	1,085,400
Other long-term liabilities	120,000	-
Net Cash Provided By Operating Activities	<u>1,667,131</u>	<u>842,501</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and production assets	(1,576,994)	(624,143)
Proceeds from sale of investments	2,756,387	4,401,221
Purchase of investments	(2,606,076)	(4,376,404)
Net Cash Used In Investing Activities	<u>(1,426,683)</u>	<u>(599,326)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Line of credit, net	515,956	119,330
Proceeds from long-term debt	150,000	-
Contributions restricted for investment in endowment	104,258	315,383
Net Cash Provided By Financing Activities	<u>770,214</u>	<u>434,713</u>
Net Increase In Cash And Cash Equivalents	1,010,662	677,888
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,692,095</u>	<u>1,014,207</u>
End of year	<u>\$ 2,702,757</u>	<u>\$ 1,692,095</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 19,887</u>	<u>\$ 32,928</u>

See notes to financial statements.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - ORGANIZATION

The Pittsburgh Ballet Theatre, Inc. (Ballet) is committed to being Pittsburgh's source and ambassador for extraordinary ballet experiences that give life to the classical tradition, nurture new ideas and, above all, inspire. The Ballet relies principally on contributions, ticket sales, tour performances, boutique sales, special events and the operation of a ballet school to fund its operating costs.

The Ballet has multiple collective bargaining agreements covering costume dressers, which expired June 30, 2021 and is currently under negotiation to renew; orchestra musicians of the work force, which expires June 30, 2022; stagehands, which expires June 30, 2025; and dancers, which expires June 30, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

**Basis of Accounting** - The financial statements are prepared on the accrual basis of accounting.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts of the Ballet are organized on the basis of net assets. Net assets without donor restrictions account for all resources over which there are no donor restrictions or stipulations, and the Ballet's Board of Trustees (Board) has discretionary control to use in carrying out the operations of the Ballet. Net assets with donor restrictions are those resources expendable only for purposes specified by the donor or grantor. Some donor-imposed stipulations are temporary in nature, such as those that may or will be satisfied by actions of the Ballet and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that the assets be maintained in perpetuity by the Ballet.

Contributions without donor restrictions are recorded as revenue when received or pledged. Contributions with donor restrictions are reclassified to contributions without donor restrictions and reported in the statement of activities as revenues if a restriction is met in the same period the revenue is recognized. Net assets with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restriction when a stipulated time restriction ends or purpose restriction is accomplished. Conditional promises to give are not included as support until the conditions are substantially met.

Ticket and advertising sales collected for performances of the upcoming season are included in deferred revenue and recognized as revenue in the year such performances are completed. Deferred revenues also are composed of tuition and housing revenues for amounts received in advance of the period in which they relate.

The Ballet evaluates the need for an allowance for doubtful accounts based on historical collection, experience, a review of current status of the receivables and judgment. Decisions to charge off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. Management has determined that an allowance is not necessary at either June 30, 2021 or 2020. It is reasonably possible that the Ballet's estimate of uncollectible receivables could change.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows, the Ballet considers all interest-bearing money market funds and noninterest-bearing accounts to be cash or cash equivalents. The Ballet maintains, at various financial institutions, cash that may exceed federally insured amounts at times. In accordance with a grant agreement, the Ballet is required to maintain a cash reserve fund, which is to be fully funded at the conclusion of each fiscal year or for a period of 30 consecutive days during the fiscal year. The Ballet has met the requirements of this covenant for the years ended June 30, 2021 and 2020.

Investments are recorded at fair value. The change in unrealized appreciation on investments is the difference between the excess of fair market value over the cost of the portfolio at the end of the current period and the difference at the end of the prior period. Realized gains on security transactions are the result of all gains and losses realized in the current period using the specific identification method. Investments received by gift are recorded at market value on the date of the donation.

Investments are exposed to various risks, such as interest rates and credit conditions. Due to the level of risk associated with investments and the level of uncertainty related to the change in the value of investments, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the statement of financial position.

The cost of costumes, sets and props and production costs for major, recurring ballets are capitalized and depreciated on a units-of-performance basis. All other costs are charged to operations as incurred.

Furniture and fixtures and machinery and equipment are recorded at cost or, with respect to acquisition by gift, at market value at the date of acquisition, and are depreciated on the straight-line basis over the estimated useful life of the assets ranging from three to 15 years.

Leasehold and land improvements are recorded at cost and are amortized over the remaining life of the lease or the estimated useful life of the improvements, whichever is less.

The costs of providing the Ballet's various programs and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Salaries, wages, fees and fringe benefits are allocated on the basis of time and effort. All other expenses are allocated based on actual usage. These expenses are allocated on a reasonable basis that is consistently applied.

The Ballet is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the financial statements. The Ballet's statements of financial position at June 30, 2021 and 2020 do not include any liabilities associated with uncertain tax positions; further, the Ballet has no unrecognized tax benefits. There were no interest or penalties recognized in the statements of activities for the years ended June 30, 2021 and 2020. The Ballet is no longer subject to examinations of its tax returns for years before 2018.

Generally, advertising costs are expensed in the period incurred; however, the Ballet may from time to time defer advertising costs related to specific productions and expense such costs in the period in which the productions take place. Advertising expense for the fiscal years 2021 and 2020 approximated \$45,000 and \$408,000, respectively.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Effective July 1, 2020, the Ballet adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606), and, as such, follows the revised revenue recognition accounting policy below.

The Ballet adopted Topic 606 using the modified retrospective method. Under this approach, rather than restating the comparative year, the Ballet recognizes the cumulative effect of applying ASC 606 as an adjustment (if any) to opening net assets in the period of the initial application (July 1, 2020). Based on the analysis performed by the Ballet, there was no material effect on net assets as of July 1, 2020. Under ASC Topic 606, revenue is recognized in accordance with a five-step model, which includes: identifying the contracts with customers; identifying the separate performance obligations; determining the transaction price; allocating the transaction price to the separate performance obligations; and recognizing revenue when (or as) each performance obligation is satisfied.

Revenue reported on the statement of changes in net assets that was derived from contracts with customers primarily includes ticket and tour sales, school revenue, special event revenue, boutique sales and program advertising. Revenue from contributions, grants, investment income, and net realized and unrealized gains on investments is not derived from contracts with customers.

Revenues derived from the sale of tickets to attend performances, either through subscription (group) or single ticket sales, are recognized when the Ballet satisfies its performance obligation under the contract by transferring the promised service (performance) to its customer. Ticket sales are recognized at the point in time in which the related performance occurs. Revenue is measured as the amount of consideration the Ballet expects to receive in exchange for transferring the services to the customer. Payment terms are either payment in advance or immediate payment. Ticket purchases and season subscriptions for the upcoming season are considered a contract liability and are included in deferred revenue in the statement of financial position upon receipt and recognized as revenue at a point in time when the event satisfying the performance obligation occurs.

Revenues derived from tuition, housing and other services offered by the school are recognized over time when the Ballet satisfies its performance obligation under the contract by delivering the promised service (academic programs, housing and other services) to the students. Tuition, housing and other services are recognized over time as the programs are delivered to students, because the students simultaneously receive and consume the benefits provided by the Ballet's performance as it performs. Tuition and housing payments received in advance of the period in which they relate are considered a contract liability and are included in deferred revenue in the statement of financial position upon receipt and recognized as revenue over time when the events occur satisfying the performance obligation. The Ballet has elected to use an input measure of progress to recognize revenue based on time elapsed.

Revenues derived from special events are recognized when the Ballet satisfies its performance obligation under the contract by transferring the promised service (the special event) to its customer. Special event revenue is recognized at the point in time in which the related event occurs. Payments received for an upcoming event are considered a contract liability and are included in deferred revenue in the statement of financial position upon receipt and recognized as revenue over time when the events occur satisfying the performance obligation.

Boutique sales are derived from sales of merchandise related to the Ballet. These sales are recognized at a point in time upon payment because the customers simultaneously receive and consume the benefits provided by the Trust upon payment, which is when the Ballet satisfies its performance obligation.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program advertising revenue is derived from customers' advertising during the Ballet's programs. This revenue is recognized as revenue over time throughout the period of the advertisement, which is when the Ballet satisfies its performance obligation. The Ballet has elected to use an output measure of progress to recognize revenue based on time elapsed.

Revenue recognized over and at a point in time for the year ended June 30, 2021 is as follows:

Revenue recognized at a point in time	\$	137,792
Revenue Recognized over time		<u>1,124,012</u>
	\$	<u>1,261,804</u>

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Ballet's financial statements, since the Ballet has certain operating lease arrangements for which it is the lessee and others for which it is the lessor. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Ballet is assessing the impact that ASU 2016-02 will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958) (ASU 2020-07), related to Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to improve financial reporting by providing new presentation and disclosure requirements on contributed nonfinancial assets. The Ballet will be required to create a separate line item on the statement of activities to include contributed nonfinancial items, separated from contributions of cash and other financial assets. Enhanced disclosures will include disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial asset and further information about each category of contributed nonfinancial asset recognized. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021 and early adoption is permitted. The Ballet is currently assessing the impact that ASU 2020-07 will have on its financial statements and related disclosures.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date without donor or other restrictions limiting their use include the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,445,982	\$ 1,342,222
Accounts receivable	48,524	62,180
Pledges receivable without donor restrictions	207,940	94,872
Government grant receivable	612,678	-
Endowment appropriated for current use	<u>468,569</u>	<u>430,953</u>
	<u>\$ 3,783,693</u>	<u>\$ 1,930,227</u>

As part of the Ballet's liquidity management, it has two line-of-credit agreements with maximum borrowings of \$1,000,000 and \$1,500,000. (See Note 9.) At June 30, 2021, there was approximately \$835,000 of outstanding borrowings. The Ballet has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Ballet's funds include net assets with donor restrictions that are subject to expenditure for specific purposes, and, therefore, are not available for general expenditure.

The Ballet's endowment consists of various investment funds established or designated primarily for support of the organization's mission. As described in Note 4, the Ballet annually elects a spending rate of between 2% and 7% for use in current and future operations.

For purposes of analyzing resources available to meet general expenditures, the Ballet considers all expenditures related to ongoing activities of the Ballet's program implementation, general and administrative functions and fundraising to be general expenditures.

NOTE 4 - ENDOWMENT

The Ballet's endowment consists of donor-restricted investment funds established for perpetual support of the organization's mission. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Ballet to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 4 - ENDOWMENT (Continued)

Interpretation of Relevant Law - The Board has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141), a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's donor-restricted investments as income each year. The long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board must elect a spending rate of between 2% and 7%. In accordance with Act 141, and to comply with a donor-imposed restriction, the Ballet usually transfers no more than 5% of the previous three years' market value average of the endowment fund. For the year ended June 30, 2016, the Ballet obtained the donor's permission to increase the maximum investment draw percentage to 7%. Starting for the year ended June 30, 2017, the Ballet began a gradual reduction in draw over five years to return to 5% in 2021. The maximum investment draw percentage for the years ended June 30, 2021 and 2020 was 5.0% and 5.4%, respectively. This percentage is applied to a three-year average market value of the investments at June 30 of the previous year. The Ballet classifies as net assets with donor restrictions the original and subsequent value of gifts donated to the endowment with donor restrictions. In accordance with Act 141, the Ballet has adopted a written investment policy, of which a section specifically relates to the endowment fund. The Ballet considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund.
2. Preserving the spending power of the assets.
3. Obtaining maximum investment return with reasonable risk and operational consideration.
4. Complying with applicable laws and donor-imposed restrictions.

The donor-restricted endowment funds of \$10,758,728 and \$8,946,495 as of June 30, 2021 and 2020, respectively, are included in net assets with donor restrictions.

The changes in donor-restricted endowment funds for the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 9,300,530	\$ 9,606,364
Contributions	5,000	1,000
Investment return:		
Investment income	188,240	219,013
Net appreciation (depreciation)	2,093,993	(71,847)
	<u>2,282,233</u>	<u>147,166</u>
Transfers - donor change of restriction	(50,000)	-
Appropriation of endowment assets for expenditure	<u>(425,000)</u>	<u>(454,000)</u>
Endowment net assets, end of year	<u>\$ 11,112,763</u>	<u>\$ 9,300,530</u>

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 4 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The Ballet has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment, while seeking to enhance the purchasing power of the fund's corpus. These policies are geared toward long-term growth that will enable the Ballet to continue to operate at an elite level. Under this policy, as approved by the Board, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed-income peer groups.

Strategies Employed for Achieving Objectives - To satisfy long-term rate-of-return objectives, the Ballet relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Ballet targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - In accordance with Act 141, the Ballet annually transfers no more than 7% of the previous three years' market value average of the donor restricted endowment fund to net assets without donor-restrictions for use in current and future operations. For the years ended June 30, 2021 and 2020, the spendable return totaled \$425,00 and \$454,000, respectively, all of which was expended. The Ballet believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Ballet's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Annually, the Ballet is required to maintain, among other things, certain stipulated ratios and cash reserve requirements in accordance with a grant agreement. The Ballet was in compliance with all stipulations as of June 30, 2021.

NOTE 5 - INVESTMENTS WITH DONOR RESTRICTIONS

Donor-restricted investments consist of pooled investment funds and securities, which are presented at their aggregate market value. Carrying values and unrealized appreciation at June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Equity funds and securities	\$ 7,330,116	\$ 5,472,194
Bond funds	<u>3,013,402</u>	<u>2,947,065</u>
Total market value	<u>\$ 10,343,518</u>	<u>\$ 8,419,259</u>
Cost or donated value	<u>\$ 7,760,826</u>	<u>\$ 7,651,389</u>
Unrealized appreciation	<u>\$ 2,582,692</u>	<u>\$ 767,870</u>



PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 6 - INVESTMENT HELD BY TRUST

The Ballet is a partial beneficiary of the trust of Pauline Beamer Pickens, and the trustee holds title to the assets. This is included within net assets with donor restrictions.

Distributions are made at the discretion of the trustee in accordance with the trust agreement and are without donor restrictions. Distributions approximated \$19,000 and \$20,000 for fiscal years 2021 and 2020, respectively. Carrying values and unrealized appreciation at June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cost or donated value	\$ <u>401,023</u>	\$ <u>322,786</u>
Market value	\$ <u>434,139</u>	\$ <u>354,035</u>
Unrealized appreciation	\$ <u>33,116</u>	\$ <u>31,249</u>

NOTE 7 - PLEDGES RECEIVABLE

The Ballet has recorded pledges receivable at June 30 consisting of the receipt of unconditional promises to give, which are summarized as follows:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Due in less than one year	\$ <u>207,490</u>	\$ <u>94,872</u>
With donor restrictions:		
Due in less than one year	273,800	354,171
Due in one to five years	<u>332,500</u>	<u>268,650</u>
	<u>606,300</u>	<u>622,821</u>
Total	\$ <u>813,790</u>	\$ <u>717,693</u>

The discount to present value of these future receipts is not material.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 8 - FIXED ASSETS

Fixed assets at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Building and leasehold improvements	\$ 15,258,965	\$ 14,506,485
Costumes, sets and props	5,064,204	4,291,923
Machinery and equipment	319,984	267,751
Land improvements	127,618	127,618
	<u>20,770,771</u>	<u>19,193,777</u>
Less - Accumulated depreciation	(11,972,636)	(11,218,035)
	<u>8,798,135</u>	<u>7,975,742</u>
Land	1,058,035	1,058,035
	<u>\$ 9,856,170</u>	<u>\$ 9,033,777</u>

The Ballet previously leased a portion of its facilities from a related party, the Pittsburgh Ballet Theatre Charitable Foundation (Foundation), a charitable trust. The term of the lease provided for rental payments of \$1 per year. In September 2019, the lease was terminated, the Foundation ceased operations and the Trust was terminated. As part of this, the Foundation transferred ownership of the building to the Ballet under a deed dated September 25, 2019. Due to the related-party relationship, the transfer has been recorded on the Ballet's financial statements at the Foundation's carrying value of the asset. The original purchase price of the building was \$300,000 and was fully depreciated at the time of the transfer. During 2020, the Ballet obtained an appraisal on the building that was transferred, which suggested a fair value of approximately \$3,875,000.

NOTE 9 - LINES OF CREDIT

In January 2021, the Ballet entered into a revolving line-of-credit note with a financial institution. The maximum borrowings available under the agreement are \$1,500,000 with interest on any unpaid balance accruing at the bank's prime lending rate (3.25% at June 30, 2021). The line is collateralized through a blanket lien on all of the Ballet's assets without donor restrictions. For the year ended June 30, 2021, there were no borrowings outstanding on the line of credit. All outstanding amounts are due no later than the agreement's expiration date, November 30, 2021.

The Ballet maintains a line of credit with a financial institution. The maximum borrowings available under the agreement are \$1,000,000 with interest on any unpaid balance accruing at the bank's prime lending rate (3.25% at June 30, 2021). The line is collateralized through a blanket lien on all of the Ballet's assets without donor restrictions. As of June 30, 2021 and 2020, there were \$835,286 and \$319,000, respectively, of borrowings outstanding on the line of credit. All outstanding amounts are due no later than the agreement's expiration date, November 30, 2021.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 10 - LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

The Ballet entered into a term loan with the U.S. Small Business Administration in July 2020, with a principal amount of \$150,000, bearing interest at a fixed annual rate of 2.75%, collateralized by certain property, and a 30-year maturity. Monthly installment payments, including principal and interest, of \$641 will begin in July 2021.

Future maturities of long-term debt are as follows:

Year Ending June 30		Long-Term Debt
2022	\$	4,271
2023		3,731
2024		3,835
2025		3,942
2026		4,052
Thereafter		<u>130,169</u>
	\$	<u><u>150,000</u></u>

The Ballet also has a long-term severance agreement with a former employee. Over the next four years, under the agreement, the Ballet will make payments of \$40,000 annually. The discount to present value of these future payments is not material.

NOTE 11 - GOVERNMENT GRANTS

The Ballet is a recipient of a Paycheck Protection Program (PPP) loan with a bank of approximately \$1,085,000 granted by the Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following the receipt of the loan. In January 2021, the Ballet received notice that the loan was fully forgiven and recognized the grant revenue at that time. This loan was recorded in deferred revenue at June 30, 2020.

The Ballet has claimed the Employee Retention Tax Credit (ERC), which is a refundable payroll tax credit that encouraged businesses to keep employees on the payroll during the COVID-19 pandemic. The ERC provided qualifying employers up to \$5,000 of credit for each employee based on certain wages paid after March 12, 2020, and before January 1, 2021. In December 2020, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act) increased the credit for each employee to \$7,000 per calendar quarter after December 31, 2020, through June 30, 2021. Based on the Ballet's evaluation, ERCs of approximately \$1,375,000 were recognized during the year ended June 30, 2021, as public and private support in the statement of activities. As of June 30, 2021, approximately \$613,000 has yet to be received, and is recorded as a government grant receivable.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Ballet's financial instruments consist primarily of cash and cash equivalents, accounts receivable, pledges receivable, investments, investment held by trust, accounts payable and accrued expenses, line of credit and long-term debt.

The carrying amount of cash and cash equivalents, accounts receivable, pledges receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term nature of such instruments.

The carrying value of the Ballet's revolving line of credit note, line of credit, and long-term debt approximates fair value at June 30, 2021 and 2020, since the interest rates were either market-based and adjusted periodically, or reflect current market rates available to the Ballet.

The valuation of the Ballet's investments and investment held in trust at June 30 according to the fair value hierarchy is summarized as follows:

		2021			
		Level 1	Level 2	Level 3	Total
Mutual funds and securities	\$	10,343,518	-	-	\$ 10,343,518
Investment held in trust		-	-	\$ 434,139	434,139
	\$	<u>10,343,518</u>	<u>-</u>	<u>\$ 434,139</u>	<u>\$ 10,777,657</u>
		2020			
		Level 1	Level 2	Level 3	Total
Mutual funds and securities	\$	8,419,259	-	-	\$ 8,419,259
Investment held in trust		-	-	\$ 354,035	354,035
	\$	<u>8,419,259</u>	<u>-</u>	<u>\$ 354,035</u>	<u>\$ 8,773,294</u>

The fair value of the mutual funds categorized as Level 1 is based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Ballet.

Investment held in trust includes underlying investments that are primarily based on readily quoted active markets. Since the investment held in trust is not readily tradable, but significant inputs are observable in active markets, the trust uses primarily Level 1 and Level 2 inputs valuing its own investments.

The Ballet's ownership in this trust is represented by an undivided interest in these investments, not in the underlying assets themselves. The undivided interests are not traded themselves, and they cannot be valued based on observable direct or indirect inputs. Accordingly, it is classified as Level 3.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The changes in those items measured at fair value for which the Ballet has used Level 3 inputs to determine fair value are as follows:

Balance, June 30, 2019	\$	372,162
Distributions		(20,356)
Unrealized appreciation		2,229
Balance, June 30, 2020		<u>354,035</u>
Distributions		(19,420)
Unrealized appreciation		<u>99,524</u>
Balance, June 30, 2021	\$	<u><u>434,139</u></u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. There were no transfers between levels during the years ended June 30, 2021 and 2020.

NOTE 13 - NET ASSETS

Net assets with donor restrictions at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Subject to passage of time	\$ 606,000	\$ 256,000
Subject to expenditure for specified purpose:		
Capital projects	592,009	629,322
Future production support	4,504,609	2,547,006
Scholarships	238,515	267,411
	<u>5,335,133</u>	<u>3,443,739</u>
Restriction in perpetuity (including approximately \$12,000 and \$111,000 of pledges receivable at June 30, 2021 and 2020, respectively)	<u>11,112,763</u>	<u>9,300,530</u>
	<u><u>\$ 17,053,896</u></u>	<u><u>\$ 13,000,269</u></u>

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 13 - NET ASSETS (Continued)

Net assets were released from donor restrictions at June 30 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and grantors as follows:

	<u>2021</u>	<u>2020</u>
Subject to passage of time	\$ 210,000	\$ 210,000
Subject to expenditure for specified purpose:		
Capital projects	37,313	74,742
Production support	420,494	1,245,954
Scholarships	73,536	107,447
	<u>531,343</u>	<u>1,428,143</u>
	<u>\$ 741,343</u>	<u>\$ 1,638,143</u>

NOTE 14 - DONATED SERVICES

The Ballet receives certain donated professional services that assist in accomplishing its goals. The Ballet assigns values to such services based on rates commensurate with the type of services performed. Such expenses are reflected in the accompanying financial statements as both revenue and expense.

Though Board members have donated a substantial amount of time to the operation of the Ballet, no amounts have been reflected in the accompanying financial statements for donated services because no objective basis is available to measure the value of such services.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Ballet has a 15-year lease agreement with the City of Pittsburgh for the use of a parking facility across the street from its dance studios, which expires in December 2025. The lease provides for the maintenance costs of the parking facility to be the sole cost to the Ballet.

NOTE 16 - EMPLOYEE BENEFIT PLANS

The Ballet participates in a multiemployer pension plan under a union agreement. Contributions to the plan can vary significantly year to year, and the plan listed below may not be indicative of all plans the Ballet has contributed to in the past.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 16 - EMPLOYEE BENEFIT PLANS (Continued)

The Ballet does not control this plan. Generally, the plan provides defined benefits to substantially all employees covered by the stagehand collective bargaining agreement. The risks of participating in this multiemployer plan are different from a single-employer plan in the following aspects:

- 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.
- Under the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006, a contributor to a multiemployer plan may be liable, upon termination or withdrawal from a plan, for its proportionate share of a plan’s unfunded vested liability. However, such potential liability, if any, would be determined by the plan’s trustee at the point of termination or withdrawal and not necessarily tied to the Ballet’s level of contributions to the plan.

The following table presents information as of June 30, 2021 and 2020 concerning the Ballet’s participation in significant multiemployer defined benefit pension plans:

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status (a)		FIP/RP Status Pending/ Implemented (b)	Trust Contributions (in thousands)		Expiration Date of Collective-Bargaining Labor Agreement
		2021	2020		2021	2020	
International Alliance of Theatrical Stage Employees (IATSE) Local 3 Pension Plan	25-6073053/001	Red	Red	Yes	\$41,437	\$38,768	6/30/25
International Alliance of Theatrical Stage Employees (IATSE) National Pension Fund	13-1849172/001	Green	Green	N/A	\$429	\$2,115	6/30/21

(a) The requirement for financial improvement plans, “FIP,” or rehabilitation plans, “RP,” is determined by the funding level or zone of the applicable plan.

(b) As defined by the Pension Protection Act, “PPA,” the zone status indicates the percent the plan is funded for plan years presented. Red Zone: plans generally funded less than 65%; Yellow Zone: plans generally funded less than 80%; Green Zone: at least 80% funded.

The Ballet’s contributions to the IATSE Local 3 Pension Plan (Plan) exceeded 5% of the total contributions to the Plan for the plan year ended June 30, 2021 and did not exceed 5% of the total contributions to the Plan for the plan year ended June 30, 2020.

PITTSBURGH BALLET THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 16 - EMPLOYEE BENEFIT PLANS (Continued)

The information required to determine the total amount of the contingent obligation is not readily available. However, none of the plans in which the Ballet has participated have asserted entitlement to a withdrawal liability payment, and the Ballet has not been notified by any multiemployer plan of a claim for any unfunded liability.

In addition to the multiemployer plan, the Ballet also contributes to a union-sponsored defined benefit pension plan covering the musicians. The contribution was based on 6% of gross compensation. For the fiscal years 2021 and 2020, the Ballet contributed \$1,000 and \$7,000, respectively, to the plan covering the musicians.

The Ballet also contributes to a defined contribution plan covering the staff employees and dancers. The Ballet's contributions are based on weekly salaries at amounts and percentages set by the Ballet's Board each fiscal year. The contribution was based on 5% of gross compensation for the dancers and 3% for the staff employees for fiscal year 2021 and 3% for both the staff employees and dancers for fiscal year 2020. For fiscal years 2021 and 2020, the Ballet contributed approximately \$125,000 and \$145,000, respectively, to this plan.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through November 5, 2021, the date that the financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustments to the disclosures in the financial statements except for the matter described in the following paragraph.

In October 2021, the Ballet received approximately \$4,033,000 as part of the Shuttered Venue Operators Grant through the U.S. Small Business Administration.



SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

Board of Trustees  
Pittsburgh Ballet Theatre, Inc.  
Pittsburgh, Pennsylvania

We have audited the financial statements of the Pittsburgh Ballet Theatre, Inc. as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon dated November 5, 2021, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities without donor restrictions are presented for the purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
November 5, 2021

PITTSBURGH BALLET THEATRE, INC.

SCHEDULES OF ACTIVITIES WITHOUT DONOR RESTRICTIONS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUE</b>		
School	\$ 1,124,012	\$ 2,056,623
Tour	58,141	146,500
Rentals, sales and other income	26,471	53,947
Special events	26,158	786,956
Investment income	19,420	20,356
Boutique	7,602	90,151
Ticket sales	-	2,445,388
Program advertising	-	28,659
	<u>                    </u>	<u>                    </u>
Total Operating Revenue	<u>\$ 1,261,804</u>	<u>\$ 5,628,580</u>
<b>OPERATING EXPENSES</b>		
Salaries, wages and fringe benefits	\$ 4,034,691	\$ 4,098,553
School	1,419,708	1,894,257
Direct production costs	461,747	1,664,372
General and administrative	422,105	407,649
Arts education	328,073	363,940
In-kind	323,040	274,563
General production	296,580	301,972
Occupancy	208,206	197,971
Marketing	108,516	652,503
Fund-raising	81,856	122,250
Tour	738,616	226,172
Depreciation and amortization from operations	34,500	136,771
Boutique	7,749	83,614
Ball/special events	6,946	279,250
Debt service	2,749	32,928
Bad debts	650	12,500
	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$ 8,475,732</u>	<u>\$ 10,749,265</u>
<b>PUBLIC AND PRIVATE SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
Government	\$ 3,100,515	\$ 649,537
Special projects	1,736,926	713,926
Foundations	873,250	716,500
Individuals	760,914	609,136
In-kind contributions	323,041	274,563
Corporations	94,288	142,757
	<u>                    </u>	<u>                    </u>
Total Public And Private Support	<u>\$ 6,888,934</u>	<u>\$ 3,106,419</u>
<b>NET ASSETS RELEASED FROM OPERATING RESTRICTIONS</b>		
Investment income spending	\$ 425,000	\$ 454,000
Other support	741,343	1,638,143
	<u>                    </u>	<u>                    </u>
Total Surplus Before Depreciation	<u>\$ 841,349</u>	<u>\$ 77,877</u>

The independent auditor's report on supplementary information should be read with these schedules.