

# **Financial Statements**

## **The Boston Ballet, Incorporated**

**June 30, 2016 and 2015**



**Mayer Hoffman McCann P.C.**  
**Tofias New England Division**  
An Independent CPA Firm

# THE BOSTON BALLET, INCORPORATED

## *Financial Statements*

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## *Independent Auditors' Report*

Board of Trustees  
The Boston Ballet, Incorporated  
Boston, Massachusetts

We have audited the accompanying financial statements of The Boston Ballet, Incorporated (the "Ballet"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.



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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boston Ballet, Incorporated as of June 30, 2016 and 2015, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Heffman McCann P.C.*

October 21, 2016  
Boston, Massachusetts

# THE BOSTON BALLET, INCORPORATED

## *Statements of Financial Position*

	<i>June 30,</i>	
	<i>2016</i>	<i>2015</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 773,652	\$ 1,149,886
Short-term investments	744,026	1,641,395
Grants and pledges receivable, net	1,381,408	94,709
Accounts receivable, net	73,829	317,452
Prepaid expenses and other current assets	1,126,774	999,455
Investments	12,699,352	11,942,455
Charitable remainder trusts	261,724	284,386
Property and equipment, net	<u>11,697,665</u>	<u>12,329,175</u>
<b>Total assets</b>	<b>\$ <u>28,758,430</u></b>	<b>\$ <u>28,758,913</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 1,568,921	\$ 1,499,969
Advance tuition	2,728,362	3,147,985
Advance ticket sales and sponsorships	2,159,003	2,662,319
Line of credit	3,500,000	3,500,000
Capital lease	<u>-</u>	<u>114,316</u>
<b>Total liabilities</b>	<b><u>9,956,286</u></b>	<b><u>10,924,589</u></b>
Net assets:		
Unrestricted	3,726,238	5,038,696
Temporarily restricted	4,092,129	2,937,251
Permanently restricted	<u>10,983,777</u>	<u>9,858,377</u>
<b>Total net assets</b>	<b><u>18,802,144</u></b>	<b><u>17,834,324</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>28,758,430</u></b>	<b>\$ <u>28,758,913</u></b>

**THE BOSTON BALLET, INCORPORATED**

*Statements of Activities*

*Years Ended June 30,*

	2016						2015	
	<i>Unrestricted</i>			<i>Total</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
	<i>Operating</i>	<i>Board Designated</i>	<i>Plant</i>					
<b>Revenue:</b>								
Ticket sales	\$ 13,494,145	\$ -	\$ -	\$ 13,494,145	\$ -	\$ -	\$ 13,494,145	\$ 12,147,817
School income, tuition and fees	7,575,047	-	-	7,575,047	-	-	7,575,047	6,972,432
Contracted services, programs and other	508,282	-	3,993	512,275	-	-	512,275	692,619
Distribution from E. Virginia Williams Trust	87,434	-	-	87,434	-	-	87,434	89,030
Interest and dividend income, net of fees	41	2,509	-	2,550	239,995	-	242,545	231,323
<b>Total revenue</b>	<b>21,664,949</b>	<b>2,509</b>	<b>3,993</b>	<b>21,671,451</b>	<b>239,995</b>	<b>-</b>	<b>21,911,446</b>	<b>20,133,221</b>
<b>Expenses:</b>								
Production and programs:								
Dance school	6,587,770	-	28,755	6,616,525	-	-	6,616,525	6,127,058
Artistic department	17,015,525	-	1,066,073	18,081,598	1,500	-	18,083,098	17,380,622
Administrative expenses	2,868,613	-	673,418	3,542,031	-	-	3,542,031	3,634,313
Marketing	5,032,095	-	-	5,032,095	-	-	5,032,095	4,816,988
<b>Total expenses</b>	<b>31,504,003</b>	<b>-</b>	<b>1,768,246</b>	<b>33,272,249</b>	<b>1,500</b>	<b>-</b>	<b>33,273,749</b>	<b>31,958,981</b>
<b>Income (loss) from operations before support</b>	<b>(9,839,054)</b>	<b>2,509</b>	<b>(1,764,253)</b>	<b>(11,600,798)</b>	<b>238,495</b>	<b>-</b>	<b>(11,362,303)</b>	<b>(11,825,760)</b>
<b>Support:</b>								
Gifts and grants	11,941,176	-	-	11,941,176	2,058,330	1,125,400	15,124,906	13,154,200
Less: direct donor benefits	(687,868)	-	-	(687,868)	-	-	(687,868)	(679,317)
Net gifts and grants	11,253,308	-	-	11,253,308	2,058,330	1,125,400	14,437,038	12,474,883
Satisfaction of program restricted donations	1,012,028	-	-	1,012,028	(1,012,028)	-	-	-
<b>Total support</b>	<b>12,265,336</b>	<b>-</b>	<b>-</b>	<b>12,265,336</b>	<b>1,046,302</b>	<b>1,125,400</b>	<b>14,437,038</b>	<b>12,474,883</b>
Fundraising costs	(1,926,467)	-	-	(1,926,467)	-	-	(1,926,467)	(1,816,945)
<b>Total support, net</b>	<b>10,338,869</b>	<b>-</b>	<b>-</b>	<b>10,338,869</b>	<b>1,046,302</b>	<b>1,125,400</b>	<b>12,510,571</b>	<b>10,657,938</b>
<b>Income (loss) from operations</b>	<b>499,815</b>	<b>2,509</b>	<b>(1,764,253)</b>	<b>(1,261,929)</b>	<b>1,284,797</b>	<b>1,125,400</b>	<b>1,148,268</b>	<b>(1,167,822)</b>
<b>Non-operating activity:</b>								
Realized and unrealized losses on investments	(50,529)	-	-	(50,529)	(129,919)	-	(180,448)	(69,643)
Capital additions	(1,129,134)	-	1,129,134	-	-	-	-	-
Transfer from board designated fund	1,000,000	(1,000,000)	-	-	-	-	-	-
<b>Total non-operating activity</b>	<b>(179,663)</b>	<b>(1,000,000)</b>	<b>1,129,134</b>	<b>(50,529)</b>	<b>(129,919)</b>	<b>-</b>	<b>(180,448)</b>	<b>(69,643)</b>
<b>Change in net assets</b>	<b>320,152</b>	<b>(997,491)</b>	<b>(635,119)</b>	<b>(1,312,458)</b>	<b>1,154,878</b>	<b>1,125,400</b>	<b>967,820</b>	<b>(1,237,465)</b>
Net assets at beginning of year	(6,480,455)	1,700,824	9,818,327	5,038,696	2,937,251	9,858,377	17,834,324	19,071,789
<b>Net assets at end of year</b>	<b>\$ (6,160,303)</b>	<b>\$ 703,333</b>	<b>\$ 9,183,208</b>	<b>\$ 3,726,238</b>	<b>\$ 4,092,129</b>	<b>\$ 10,983,777</b>	<b>\$ 18,802,144</b>	<b>\$ 17,834,324</b>

See accompanying notes to the financial statements.

**THE BOSTON BALLET, INCORPORATED**

*Statement of Activities*

*Year Ended June 30, 2015*

	<i>Unrestricted</i>			<i>Total</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
	<i>Operating</i>	<i>Board Designated</i>	<i>Plant</i>				
<b>Revenue:</b>							
Ticket sales	\$ 12,147,817	\$ -	\$ -	\$ 12,147,817	\$ -	\$ -	\$ 12,147,817
School income, tuition and fees	6,972,432	-	-	6,972,432	-	-	6,972,432
Contracted services, programs and other	582,452	-	110,167	692,619	-	-	692,619
Distribution from E. Virginia Williams Trust	89,030	-	-	89,030	-	-	89,030
Interest and dividend income, net of fees	-	177	-	177	231,146	-	231,323
<b>Total revenue</b>	<b>19,791,731</b>	<b>177</b>	<b>110,167</b>	<b>19,902,075</b>	<b>231,146</b>	<b>-</b>	<b>20,133,221</b>
<b>Expenses:</b>							
Production and programs:							
Dance school	6,104,703	-	22,355	6,127,058	-	-	6,127,058
Artistic department	16,425,772	-	953,850	17,379,622	1,000	-	17,380,622
Administrative expenses	2,802,363	-	831,950	3,634,313	-	-	3,634,313
Marketing	4,816,988	-	-	4,816,988	-	-	4,816,988
<b>Total expenses</b>	<b>30,149,826</b>	<b>-</b>	<b>1,808,155</b>	<b>31,957,981</b>	<b>1,000</b>	<b>-</b>	<b>31,958,981</b>
<b>Income (loss) from operations before support</b>	<b>(10,358,095)</b>	<b>177</b>	<b>(1,697,988)</b>	<b>(12,055,906)</b>	<b>230,146</b>	<b>-</b>	<b>(11,825,760)</b>
<b>Support:</b>							
Gifts and grants	12,356,412	-	-	12,356,412	657,419	140,369	13,154,200
Less: direct donor benefits	(679,317)	-	-	(679,317)	-	-	(679,317)
Net gifts and grants	11,677,095	-	-	11,677,095	657,419	140,369	12,474,883
Satisfaction of program restricted donations	2,114,302	100,000	(110,167)	2,104,135	(2,204,135)	100,000	-
<b>Total support</b>	<b>13,791,397</b>	<b>100,000</b>	<b>(110,167)</b>	<b>13,781,230</b>	<b>(1,546,716)</b>	<b>240,369</b>	<b>12,474,883</b>
Fundraising costs	(1,816,945)	-	-	(1,816,945)	-	-	(1,816,945)
<b>Total support, net</b>	<b>11,974,452</b>	<b>100,000</b>	<b>(110,167)</b>	<b>11,964,285</b>	<b>(1,546,716)</b>	<b>240,369</b>	<b>10,657,938</b>
<b>Income (loss) from operations</b>	<b>1,616,357</b>	<b>100,177</b>	<b>(1,808,155)</b>	<b>(91,621)</b>	<b>(1,316,570)</b>	<b>240,369</b>	<b>(1,167,822)</b>
<b>Non-operating activity:</b>							
Realized and unrealized losses on investments	-	-	-	-	(69,643)	-	(69,643)
Capital additions	(1,556,681)	-	1,556,681	-	-	-	-
<b>Total non-operating activity</b>	<b>(1,556,681)</b>	<b>-</b>	<b>1,556,681</b>	<b>-</b>	<b>(69,643)</b>	<b>-</b>	<b>(69,643)</b>
<b>Change in net assets</b>	<b>59,676</b>	<b>100,177</b>	<b>(251,474)</b>	<b>(91,621)</b>	<b>(1,386,213)</b>	<b>240,369</b>	<b>(1,237,465)</b>
Net assets at beginning of year	(6,540,131)	1,600,647	10,069,801	5,130,317	4,323,464	9,618,008	19,071,789
<b>Net assets at end of year</b>	<b>\$ (6,480,455)</b>	<b>\$ 1,700,824</b>	<b>\$ 9,818,327</b>	<b>\$ 5,038,696</b>	<b>\$ 2,937,251</b>	<b>\$ 9,858,377</b>	<b>\$ 17,834,324</b>

See accompanying notes to the financial statements.

# THE BOSTON BALLET, INCORPORATED

## *Statements of Cash Flows*

	<i>Years Ended June 30,</i>	
	<i>2016</i>	<i>2015</i>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 967,820	\$ (1,237,465)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,748,104	1,658,180
Contributions restricted for long-term investment	(1,125,400)	(140,369)
Contributions for property and equipment	(143,016)	-
Realized and unrealized losses	180,448	69,643
Loss on sale and disposal of assets	8,547	26,531
Change in:		
Grants and pledges receivable, net	(1,286,699)	740,992
Accounts receivable	243,623	269,060
Prepaid expenses and other current assets	(127,319)	73,434
Accounts payable and accrued expenses	68,952	(1,153,979)
Advance tuition	(419,623)	445,667
Advance ticket sales and sponsorships	(503,316)	316,159
	<u>(387,879)</u>	<u>1,067,853</u>
<b>Net cash (used in) provided by operating activities</b>	<b>(387,879)</b>	<b>1,067,853</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(986,118)	(1,556,681)
Proceeds from sales of property and equipment	3,993	110,167
Proceeds from sales and maturities of investments	3,581,606	5,257,594
Purchases of investments	(3,598,920)	(5,213,005)
	<u>(999,439)</u>	<u>(1,401,925)</u>
<b>Net cash used in investing activities</b>	<b>(999,439)</b>	<b>(1,401,925)</b>
<b>Cash flows from financing activities:</b>		
Borrowings on line of credit	2,500,000	1,000,000
Payments on line of credit	(2,500,000)	(1,000,000)
Payments on capital lease	(114,316)	(141,194)
Proceeds from contributions restricted for long-term investment	1,125,400	140,369
	<u>1,011,084</u>	<u>(825)</u>
<b>Net cash provided by (used in) financing activities</b>	<b>1,011,084</b>	<b>(825)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(376,234)</b>	<b>(334,897)</b>
Cash and cash equivalents at beginning of year	<u>1,149,886</u>	<u>1,484,783</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>773,652</u></b>	<b>\$ <u>1,149,886</u></b>

See accompanying notes to the financial statements.



# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies*

The financial statements of The Boston Ballet, Incorporated (the “Ballet”) include the operations of its professional dance company as well as the operations of the Boston Ballet School (the “School”). The Ballet is dedicated to bring new levels of excellence to ballet, both on and off stage, through a process that is inclusive in scope, educational, and creative. The Ballet presents more than 100 performances annually of fully staged classical, neo-classical and contemporary works during its eight month season with a year-end roster of sixty four dancers. The School serves an associated imperative to provide a comprehensive dance education to students of all ages and inspire, nurture and sustain a life-long love of dance. The operations of the Ballet and the School are under the direction of the Board of Trustees of the Ballet. Revenue and support are primarily derived from ticket sales, school tuition and contributed support. Patrons, students and contributors are concentrated in eastern Massachusetts.

The accompanying financial statements have been prepared on the accrual basis of accounting and are in accordance with accounting principles generally accepted in the United States of America.

### *Operations and Financial Resources*

The Ballet’s activities, like other performing arts organizations, rely on the continued support of the donor community along with success in its box office and school operations. The Ballet has achieved this balance in recent years and seeks to continue to achieve a level of contributed support and earned revenue to fund operations given that there are a limited quantity of unencumbered resources otherwise available to fund operations into the future. Management believes that it can continue to perform at these levels so that the Ballet will continue to be one of the leading performing arts organizations in the community.

### *Classification of Net Assets*

In the accompanying financial statements, the Ballet’s net assets that have similar characteristics have been combined into the following three categories:

*Unrestricted net assets* are free of donor-imposed restrictions and are comprised of the following:

**Operating** – The operating fund represents the core operating activities of the Ballet. Revenue and expenses from performances, school, and the related fundraising and administrative support are earned and incurred within the operating fund.

**Board designated** – The board designated fund represents funds set aside by the Board of Trustees for strategic purposes to support operations. These amounts may only be used with the approval of the Board of Trustees.

**Plant** – The plant fund represents the value of long-lived assets acquired for programmatic or support services of the operating fund. Long-lived assets include buildings, equipment, leasehold improvements, artistic sets and costumes, net of depreciation.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)*

#### *Classification of Net Assets (Continued)*

*Temporarily restricted net assets* include gifts, grants, income and pledges for which donor-imposed restrictions have not yet been met (see Note 10). These restrictions can be satisfied by the passage of time and/or by meeting the purpose restrictions associated with the net asset. Also included in this category is unexpended appreciation associated with permanently restricted net assets.

*Permanently restricted net assets* include gifts which require that the corpus be invested in perpetuity in accordance with donor restrictions and gains which have been donor-stipulated to be permanently invested. Unexpended appreciation that is not required to be reinvested per the donor agreement is included in temporarily restricted net assets until appropriated by the Board.

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors such as the passage of time. Donor-restricted gifts that are received and expended within the same year are reported as unrestricted revenues.

#### *Gifts and Grants and Related Receivables*

Gifts and grants are recorded as support at fair value when verifiably committed. Such amounts are accounted for in the appropriate net asset category based on donor intent. Fair value is determined at the original date of recordation as further described in these notes using Level 2 fair value methods. Unconditional promises to give are included in the financial statements as pledges receivable and revenue at net realizable value. Gifts of non-cash assets are recorded at their fair value at the date of the contribution. Contributed services are recognized as gifts in kind if the services received create or enhance non-financial assets or require specialized skills.

#### *Cash and Cash Equivalents*

The Ballet considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents held within the Ballet's investment portfolio are considered part of investments given the expectation of near term reinvestment and donor restrictions that may affect such amounts held. The Ballet maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Ballet monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

#### *Short-Term Investments*

Short term investments include money market funds and certificates of deposit with original maturities greater than three months and less than one year and are reported at cost plus accrued interest. Certificates of deposit may at times exceed federal insured limits and thus are subject to similar risks as described above under cash and cash equivalents.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)*

#### *Grants and Pledges Receivable*

Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk-adjusted rate to account for the inherent risk associated with expected future cash flows. The initially recorded fair value is considered a Level 2 fair value approach. Amortization of the discount is included in gift and grant revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by review of historical experience and a specific review of collection trends that differ from plans on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

#### *Accounts Receivable*

Accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible, and recoveries of previously written off receivables are recorded as revenue when received.

#### *Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets consist of prepaid expenses for insurance premiums, artistic licenses, and residential housing for the School's summer dance program. In addition, prepaid expenses and other current assets include retail merchandise inventory and other assets used in the operations of the Ballet.

#### *Investments*

Investments are recorded at fair value. Fair value is determined per the fair value policies described later in this section.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses, or as additions to permanently restricted if such amounts are required to be added to such funds per the donor agreement or as increases or decreases in unrestricted net assets in all other cases.

#### *Charitable Remainder Trusts*

The Ballet is the beneficial owner of charitable remainder trusts. The assets are held and administered by independent trustees. Contribution revenue is recorded on new gifts at the estimated fair value on the date of the gift using Level 2 fair value inputs. Subsequent adjustments are made to the value over the term of the arrangement to deal with changes in life expectancy and other factors that could bear on the remainder value using the same discount rate over the term of the agreement. Gains or losses resulting from changes in value of the trusts are included in realized and unrealized gains (losses) on investments in the statement of activities.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)*

#### *Property and Equipment*

Property and equipment are recorded at cost if acquired by purchase and at fair value at the date of the gift if acquired by gift. Fair value of donated property and equipment is recorded using a Level 3 market approach when applicable. Depreciation is provided for using the straight-line method over the following useful lives:

Building and leasehold improvements	3 - 40 years
Production sets, costumes and recordings	5 - 15 years
Furniture and equipment	3 - 10 years

Repairs are charged against income as incurred; betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is credited to or charged against income.

#### *Advance Tuition and Advance Ticket Sales*

School income consisting of tuition and fees and ticket revenues are recognized as revenue when earned. School income recorded in advance of classes is deferred and is recognized as the classes are held. Tickets sold in advance of performances are deferred and are recognized after the related performances occur.

#### *Deferred Sponsorship Revenue*

Sponsorships are recorded as revenue in the period of the related sponsored productions. Deferred sponsorship revenue is recorded when received in advance of those sponsored productions.

#### *Distributions from E. Virginia Williams Fund*

The Ballet receives annual income distributions from the E. Virginia Williams Fund (the "Fund"), which was established in the early 1980's. The Ballet records these distributions as income upon receipt. The assets of the Fund are both held in trust and managed by The Boston Foundation. The Fund was established for the exclusive benefit of the Ballet in perpetuity, on the condition that the Ballet continues to operate as an exempt ballet company. If this condition was no longer being met by the Ballet, The Boston Foundation could redirect these resources; therefore, the Fund has not been recorded as an asset of the Ballet. The market value of the Fund as of June 30, 2016 and 2015 was approximately \$1,909,000 and \$2,050,000, respectively.

#### *Advertising*

Advertising costs are expensed as incurred. Advertising expense was approximately \$2,659,000 and \$2,367,000 for the years ended June 30, 2016 and 2015, respectively.

#### *Tax Status*

The Ballet is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)*

#### *Uncertain Tax Positions*

The Ballet accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Ballet has identified its tax status as a tax-exempt entity as a tax position; however, the Ballet has determined that such tax position does not result in an uncertainty requiring recognition. The Ballet is not currently under examination by any taxing jurisdiction. Its federal and state income tax returns are generally open for examination for three years after the date of filing the related return.

#### *Fair Value Measurements*

The Ballet reports required types of financial instruments in accordance with fair value standards. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards allow for certain investments to be valued at the net asset value per share if certain criteria are met. In addition, the fair value standards also require the Ballet to classify and report recurring fair values of financial instruments (but for those measured using NAV which are separately stated) into a three-level hierarchy, based on the priority of inputs to the valuation technique, as follows:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities actively traded on a public stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in the value of these instruments will occur in the near term and that such changes could materially affect amounts reported in the financial statements.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)*

#### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

#### *Operating and Non-operating Activities*

The statements of activities include both operating income and non-operating income. Operating income primarily includes revenue from ticket sales, school tuition, and contributions. Non-operating activities include returns associated with long-term investments, temporarily and permanently restricted contributions, capital additions, and certain other nonrecurring items as indicated in the statement of activities.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. Significant management estimates included in the financial statements relate to reserves for grants and pledges receivable, fair value of certain investments, useful lives of depreciable assets, deferred revenue, and the allocation of common expenses over program functions, and the satisfaction of donor restrictions.

#### *Reclassifications*

During 2016, the Ballet retrospectively adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2015-07, *Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and investments valued at net asset value (NAV) are now presented in a separate column in the related footnote disclosure for 2016 and 2015. In addition, certain amounts from the prior year’s financial statements were reclassified in order to conform to the current year’s financial statements.

#### *Subsequent Events*

The Ballet has evaluated subsequent events through October 21, 2016, the date that the financial statements were authorized to be issued. In August 2016, the Ballet entered into a termination agreement of its current Newton, Massachusetts dance studio accelerating the termination of the lease from December 2020 to December 2017 and simultaneously entered into a lease for a new dance studio in Newton, Massachusetts that expires in 2032 with options to extend through 2047 (see Note 7).

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 2 - Grants and Pledges Receivable*

Grants and pledges receivable are expected to be realized as follows as of June 30:

	<i>2016</i>	<i>2015</i>
Amounts due in:		
Less than one year	\$ 600,008	\$ 121,733
One to two years	327,300	48,556
Two to three years	515,000	10,000
<b>Total due</b>	<b>1,442,308</b>	<b>180,289</b>
Less:		
Allowance for doubtful accounts	55,000	85,080
Net present value discount	5,900	500
<b>Grants and pledges receivable, net</b>	<b>\$ 1,381,408</b>	<b>\$ 94,709</b>

### *Note 3 - Investments and Fair Value of Financial Instruments*

The following table represents financial assets at June 30, 2016 that the Ballet measures at fair value on a recurring basis, by level, within the fair value hierarchy:

<i>Description</i>	<i>Total Portion Carried at Fair Value</i>	<i>Investments Measured at NAV</i>	<i>Quoted Prices in Active Markets (Level 1)</i>
Long-term investments:			
Cash and cash equivalents	\$ 603,381	\$ -	\$ 603,381
Domestic equity	3,494,252	-	3,494,252
International equity	4,013,250	-	4,013,250
Short-term bonds	1,164,570	-	1,164,570
Intermediate bonds	1,263,939	-	1,263,939
Alternatives	2,159,960	2,159,960	-
<b>Total</b>	<b>\$ 12,699,352</b>	<b>\$ 2,159,960</b>	<b>\$ 10,539,392</b>

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 3 - Investments and Fair Value of Financial Instruments (Continued)*

The following table represents financial assets at June 30, 2015 that the Ballet measures at fair value on a recurring basis, by level, within the fair value hierarchy:

<i>Description</i>	<i>Total Portion Carried at Fair Value</i>	<i>Investments Measured at NAV</i>	<i>Quoted Prices in Active Markets (Level 1)</i>
Long-term investments:			
Cash and cash equivalents	\$ 627,794	\$ -	\$ 627,794
Domestic equity	3,146,692	-	3,146,692
International equity	3,580,250	-	3,580,250
Short-term bonds	1,799,880	-	1,799,880
Intermediate bonds	649,174	-	649,174
International bond	7,286	-	7,286
Alternatives	<u>2,131,379</u>	<u>2,131,379</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>11,942,455</u></b>	<b>\$ <u>2,131,379</u></b>	<b>\$ <u>9,811,076</u></b>

At June 30, 2016, \$2,159,960 of the investments measured at NAV have redemption periods of 90 days or less. At June 30, 2015, \$29,313 of the investments measured at NAV have redemption periods of 90 days or less and \$2,102,066 have redemption periods over 90 days.

Investment return consisted of the following for the years ended June 30:

	<i>2016</i>	<i>2015</i>
Interest and dividend income, net of fees of \$12,394 and \$21,481, respectively	\$ 242,545	\$ 231,323
Net realized gains (losses) on investments	(20,741)	610,786
Net unrealized depreciation of investments	<u>(159,707)</u>	<u>(680,429)</u>
<b>Net return</b>	<b>\$ <u>62,097</u></b>	<b>\$ <u>161,680</u></b>



# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 4 - Property and Equipment, Net*

Property and equipment consists of the following at June 30:

	<i>2016</i>	<i>2015</i>
Building and leasehold improvements	\$ 13,593,951	\$ 13,568,697
Production sets, costumes and recordings	9,046,379	8,812,511
Furniture, equipment and software	<u>4,864,437</u>	<u>4,018,977</u>
	27,504,767	26,400,185
Less: accumulated depreciation and amortization	<u>15,807,102</u>	<u>14,071,010</u>
<b>Property and equipment, net</b>	<b><u>\$ 11,697,665</u></b>	<b><u>\$ 12,329,175</u></b>

Building and leasehold improvements include the cost of constructing the Ballet's main facility in Boston, Massachusetts, any major renovations to the structure, and leasehold improvements made to the School facilities in Newton and Marblehead, Massachusetts.

The Ballet disposed of fixed assets summarized as follows at June 30:

	<i>2016</i>	<i>2015</i>
Cost basis	\$ 24,552	\$ 2,248,601
Accumulated depreciation	<u>(12,012)</u>	<u>(2,111,903)</u>
Net book value	12,540	136,698
Sale proceeds	<u>3,993</u>	<u>110,167</u>
<b>Loss on sale and disposal of assets</b>	<b><u>\$ (8,547)</u></b>	<b><u>\$ (26,531)</u></b>

### *Note 5 - Line of Credit*

The Ballet has a \$3.5 million secured revolving line of credit with a bank to support the Ballet's general business operations. The line is renewed annually at the bank's discretion and expires on August 15, 2017. The Ballet agrees that it shall maintain in the account at all times pledged securities with an aggregate gross value at least equal to \$3.5 million. Pledged securities were approximately \$4,727,000 and \$4,842,000 at June 30, 2016 and 2015, respectively. The interest rate is charged at the lender's prime rate or LIBOR plus two and a half percent with a floor of 3.00% (3.00% at June 30, 2016 and 2015). The line of credit is subject to certain non-financial covenants.

Interest expense was \$96,354 and \$97,941 for the years ended June 30, 2016 and 2015, respectively.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 6 - Capital Lease*

In 2016, the Ballet purchased the equipment under its capital lease at a cost of \$1. No future lease payments remain under this arrangement at June 30, 2016. The net book value of the asset was approximately \$70,000 and \$209,000 at June 30, 2016 and 2015, respectively.

### *Note 7 - Commitments and Contingencies*

#### *Leases*

The Ballet leases studio, office, warehouse and theater space as well as land on which its main operating facility is situated under operating leases. The Ballet also leases performance space to stage its ballets. The performance space rentals vary based on the number of performances and other factors as outlined in the lease. The leases expire at various dates through 2053. The leases provide for various escalations for operating costs. Lease expense is recorded on a straight-line basis over the lease term with deferred rent included in accounts payable and accrued expenses in the statements of financial position when straight-line rent exceeds the cumulative cash paid under the leases.

In January 2016, a developer purchased the property and buildings that the School leases for its Newton, Massachusetts dance studio. In August 2016, the Ballet entered into an agreement with the developer accelerating the termination date of the Newton studio lease from December 2020 to December 2017. The Ballet will receive \$1,257,000 of early termination payments and rent abatements if it vacates the Newton Studio between June 30, 2017 and December 31, 2017. The agreement provides for an additional \$195,000 in rent abatements if the Ballet vacates the Newton studio by June 30, 2017. In August 2016, the Ballet entered into a new lease for a studio in Newton, Massachusetts. The new lease will commence on or about June 1, 2017 and expires in 2032 with options to extend through 2047. The new lease provides for \$1,730,000 of tenant improvement allowances. The Ballet has also raised \$1,000,000 of contributions to be used in covering the cost in renovating the new studio.

Rent expense, including theater rent, was approximately \$2,232,000 and \$2,467,000 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease commitments applicable to operating leases, including the changes to the Newton Studio described above, were as follows at June 30, 2016:

2017	\$	2,486,358
2018		2,092,174
2019		1,968,391
2020		1,985,669
2021		1,866,753
Thereafter		<u>27,773,734</u>
	\$	<u><u>38,173,079</u></u>

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 7 - Commitments and Contingencies (Continued)*

#### *Legal*

The Ballet is subject to various claims and legal proceedings that may arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition of the Ballet.

#### *Union Contracts*

The Ballet's performers are primarily comprised of union employees. The Ballet's agreement with American Guild of Musical Artists expires on June 30, 2017. The agreement with Boston Musician's Association AFM Local 9-535 expires on August 31, 2019. The theatres at which the Ballet performs have collective bargaining agreements directly with IATSE Local #11 which expired on May 31, 2016, and the theaters are waiting for ratification of the new agreement.

#### *Employment Related Agreements*

The Ballet has an employment agreement with its artistic director effective through June 30, 2019.

#### *Charitable Gift Annuity*

The Ballet is a second obligator on a charitable gift annuity received as a donation. The annuity is the primary responsibility of an insurance company. In the event of default, the Ballet will be required to make such payments; however, as the Ballet believes this is remote, no liability has been recorded.

### *Note 8 - Defined Contribution Plans*

The Ballet has a voluntary tax-sheltered annuity program under Section 403(b) of the Internal Revenue Code (the Plan) covering substantially all non-union full-time employees. The Ballet has agreements with certain key employees to make annual contributions to the Plan totaling \$42,000 and \$38,900 for the years ended June 30, 2016 and 2015, respectively. Such contributions are immediately vested. The Ballet has not incurred or made any contributions to the Plan for all other non-union employees during the years ended June 30, 2016 or 2015.

The Ballet participates in various union administered defined contribution pension plans under the terms of collective bargaining agreements (CBA) that cover certain union-represented employees. Employees covered by one union CBA are permitted to direct the Ballet to make contributions to the Ballet's Plan in lieu of the union administered defined contribution plan. The expense of the union defined contribution pension plans was \$269,000 and \$261,000 for the years ended June 30, 2016 and 2015, respectively.

# THE BOSTON BALLET, INCORPORATED

## Notes to Financial Statements

### Note 9 - Multiemployer Retirement Plans

The Ballet contributes to two multiemployer defined benefit pension plans, under the terms of CBAs that cover certain union-represented employees. The risks of participating in multiemployer plans are different from single-employer plans 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.
- If the Organization chooses to stop participating in the multiemployer plan, the Organization may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Ballet's participation in these plans for the years ended June 30, 2016 and 2015 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 is for the respective plans' year-ends. The zone status is based on information that the Ballet 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 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which 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.

There have been no significant changes that affect the comparability of fiscal year 2016 and 2015 contributions.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of the Ballet		Surcharge Imposed	Plan's Year End	Expiration Date of Collective Bargaining Agreement
		2016	2015		2016	2015			
American Federation of Musicians and Employers' Pension Plan	51-6120204/001	Red	Red	Implemented	\$166,600	\$175,950	10%	3/31/2016	8/31/2019
Pension Fund of Local 11, I.A.T.S.E.	04-6211188/001	Green	Green	N/A	\$68,500	\$76,300	No	8/31/2015	N/A

The American Federation of Musicians and Employers' Pension Plan Form 5500 for the plan year 4/1/2015 - 3/31/2016 is not yet available.

Pursuant to the Preservation of Access to Care for Medicare Beneficiaries and the Pension Relief Act of 2010, the A.F. of M. Plan elected to 1) extend from 15 years to 29 years the amortization period for 2008 net investment losses (i.e., net investment losses for the plan year ended March 31, 2009); 2) smooth those net investment losses over 10 years in the actuarial value of assets; and 3) allow the actuarial value of assets used by the A.F. of M. Plan to be as much as 130% of the market value of assets for the plan years beginning April 1, 2009 and 2010.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 9 - Multiemployer Retirement Plans (Continued)*

No employer contributed more than 5 percent of the total contributions to the A.F. of M. Plan during plan year ended March 31, 2015. Seven employers contributed more than 5% of the total contributions to the I.A.T.S.E Local 11 Plan during the plan year ended August 31, 2015 representing 88% of the total contributions for the plan year. The Ballet's contribution was 5.6% for the plan year ended August 31, 2015.

### *Note 10 - Components of Temporarily Restricted Net Assets*

The following table presents temporarily restricted net assets as of June 30:

	<i>2016</i>	<i>2015</i>
Funds for donor-restricted initiatives	\$ 812,310	\$ 618,030
Funds to support subsequent years activities	119,074	104,874
Pledges receivable	1,381,408	94,709
Charitable remainder trusts	261,724	284,386
Accumulated appreciation of endowment funds not appropriated for expenditure	1,517,613	1,835,252
<b>Total temporarily restricted net assets</b>	<b>\$ 4,092,129</b>	<b>\$ 2,937,251</b>

The following table presents net assets released from temporarily restricted net assets as of June 30:

	<i>2016</i>	<i>2015</i>
Pledges receivable collections	\$ 116,283	\$ 967,190
Performance and venue	3,297	535,374
Endowment spending allowance	444,091	410,282
Endowment contribution	-	100,000
Education and community initiatives	1,600	26,500
Boston Ballet School	341,882	30,000
Other programmatic initiatives	-	23,853
Other time restricted gifts	104,875	110,936
	<b>\$ 1,012,028</b>	<b>\$ 2,204,135</b>

### *Note 11 - Endowment*

The Ballet's endowment consists of over fifteen individual funds established for a variety of purposes that align to the ongoing needs of the Ballet. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 11 - Endowment (Continued)*

#### *Interpretation of Relevant Law and Spending Policy*

The Ballet classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Ballet in a manner consistent with the standard of prudence prescribed by state law.

State law allows the Board of Trustees to appropriate a percentage of net asset appreciation as is prudent considering the Ballet's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends and general economic conditions. The Ballet employed a spending policy which bases 70% of its spending on the prior year amount adjusted for inflation and 30% on the beginning of year investments times 4.5% subject to further donor restrictions on spending.

Under the terms of the Beatrice H. Barrett Performance Fund (the "Barrett Fund"), the Ballet is allowed to withdraw up to 20% of the Barrett Fund at any time to fund current expenditures that further the expressed purposes of the bequest that established this Barrett Fund. Alternatively, the Ballet has the option of pledging 20% of the Barrett Fund as collateral for a loan or loans. Any amounts withdrawn from the Barrett Fund must be restored to the Barrett Fund as soon as practicable or there is to be a reduction in the amount of annual distributions from the fund, which is 4% of the average market value calculated over the twelve calendar quarters. At June 30, 2016 and 2015, the Ballet had withdrawn \$0 from the Barrett Fund. The Barrett Fund represents approximately 32% of endowed resources.

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Ballet to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. Deficits reported in unrestricted net assets were \$50,529 as of June 30, 2016. These deficits resulted from unfavorable market fluctuations and continued appropriation for certain programs and expenditures that were deemed prudent. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of June 30, 2015.

#### *Return Objectives and Risk Parameters*

The Ballet's investment portfolio is managed to provide for the long-term support of the Ballet. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet future cash flow needs and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return of at least 4.5%, which would meet the annual spending rate, and provide for inflation, fees and real growth.

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 11 - Endowment (Continued)*

#### *Strategies Employed for Achieving Objectives*

To satisfy its 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 an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Ballet seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets. Actual investment returns in any given year may vary from these objectives and may not be achievable during short-term periods.

Endowment net asset composition by type of fund as of June 30, 2016 consists of the following:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor restricted	\$ <u>(50,529)</u>	\$ <u>1,517,613</u>	\$ <u>10,983,777</u>	\$ <u>12,450,861</u>
<b>Total endowment funds</b>	<b>\$ <u>(50,529)</u></b>	<b>\$ <u>1,517,613</u></b>	<b>\$ <u>10,983,777</u></b>	<b>\$ <u>12,450,861</u></b>

Changes in endowment by net asset class for the year ended June 30, 2016 are as follows:

	<i>2016</i>			<i>Total</i>
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	
Endowment assets, beginning of year	\$ <u>-</u>	\$ <u>1,835,252</u>	\$ <u>9,858,377</u>	\$ <u>11,693,629</u>
Investment returns:				
Interest and dividends	-	244,690	-	244,690
Net realized and unrealized losses, net of investment management fees of \$10,000 for the year ended June 30, 2016	<u>(50,529)</u>	<u>(118,238)</u>	<u>-</u>	<u>(168,767)</u>
Total investment returns	<u>(50,529)</u>	<u>126,452</u>	<u>-</u>	<u>75,923</u>
Gifts and additions	-	-	1,125,400	1,125,400
Amounts appropriated for operations	<u>-</u>	<u>(444,091)</u>	<u>-</u>	<u>(444,091)</u>
Change in endowment assets and those functioning as endowment assets	<u>(50,529)</u>	<u>(317,639)</u>	<u>1,125,400</u>	<u>757,232</u>
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ <u>(50,529)</u></b>	<b>\$ <u>1,517,613</u></b>	<b>\$ <u>10,983,777</u></b>	<b>\$ <u>12,450,861</u></b>

# THE BOSTON BALLET, INCORPORATED

## *Notes to Financial Statements*

### *Note 11 - Endowment (Continued)*

Endowment net asset composition by type of fund as of June 30, 2015 consists of the following:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor restricted	\$ <u>          -</u>	\$ <u>      1,835,252</u>	\$ <u>      9,858,377</u>	\$ <u>     11,693,629</u>
<b>Total endowment funds</b>	<b>\$ <u>          -</u></b>	<b>\$ <u>      1,835,252</u></b>	<b>\$ <u>      9,858,377</u></b>	<b>\$ <u>     11,693,629</u></b>

Changes in endowment by net asset class for the year ended June 30, 2015 are as follows:

	<u>2015</u>			
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets, beginning of year	\$ <u>          -</u>	\$ <u>      2,080,169</u>	\$ <u>      9,618,008</u>	\$ <u>     11,698,177</u>
Investment returns:				
Interest and dividends	-	244,480	-	244,480
Net realized and unrealized losses, net of investment management fees of \$21,481 for the year ended June 30, 2015	<u>          -</u>	<u>      (79,115)</u>	<u>          -</u>	<u>      (79,115)</u>
Total investment returns	<u>          -</u>	<u>      165,365</u>	<u>          -</u>	<u>      165,365</u>
Gifts and additions	-	-	240,369	240,369
Amounts appropriated for operations	<u>          -</u>	<u>      (410,282)</u>	<u>          -</u>	<u>      (410,282)</u>
Change in endowment assets and those functioning as endowment assets	<u>          -</u>	<u>      (244,917)</u>	<u>      240,369</u>	<u>      (4,548)</u>
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ <u>          -</u></b>	<b>\$ <u>      1,835,252</u></b>	<b>\$ <u>      9,858,377</u></b>	<b>\$ <u>     11,693,629</u></b>

### *Note 12 - Cash Flows Information*

Cash paid for interest totaled \$103,956 and \$111,220 for the years ended June 30, 2016 and 2015, respectively.