



Houston Ballet Foundation and Houston Ballet Guild, Inc.

Combined Financial Statements
As of and for the Year Ended June 30, 2021

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



**Houston Ballet Foundation and
Houston Ballet Guild, Inc.**

Combined Financial Statements
As of and for the Year Ended June 30, 2021

Houston Ballet Foundation and Houston Ballet Guild, Inc.

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Independent Auditor's Report

To the Board of Trustees of the
Houston Ballet Foundation and Houston Ballet Guild, Inc.
Houston, Texas

Opinion

We have audited the accompanying combined financial statements of the Houston Ballet Foundation and its affiliate, Houston Ballet Guild, Inc. (collectively, the "Foundation"), which comprise the combined statement of financial position as of June 30, 2021, and the related combined statement of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the combined financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from



error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

October 13, 2021

Combined Financial Statements

**Houston Ballet Foundation and
Houston Ballet Guild, Inc.**

Combined Statement of Financial Position

<i>June 30, 2021</i>	General Fund	Endowment Fund	Plant Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 5,877,415	\$ 3,396,371	\$ 10,470,483	\$ 19,744,269
Pledges receivable	892,002	-	-	892,002
Grants receivable	1,074,589	-	-	1,074,589
Other receivables	12,476	-	-	12,476
Prepaid and deferred production expenses	880,995	-	-	880,995
Total Current Assets	8,737,477	3,396,371	10,470,483	22,604,331
Pledges receivable	-	35,000	-	35,000
Investments, at fair value	849,760	99,966,111	-	100,815,871
Fixed assets, net	-	-	41,792,635	41,792,635
Total Assets	\$ 9,587,237	\$ 103,397,482	\$ 52,263,118	\$ 165,247,837
Liabilities and Net Assets				
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 1,787,123	\$ -	\$ -	\$ 1,787,123
Deferred revenue	4,460,251	-	-	4,460,251
Due to (from) other funds	(2,242)	2,711	(469)	-
Total Current Liabilities	6,245,132	2,711	(469)	6,247,374
Commitments and Contingencies (Notes 12 and 13)				
Net Assets				
Without donor restrictions	899,691	67,905,145	52,263,587	121,068,423
With donor restrictions	2,442,414	35,489,626	-	37,932,040
Total Net Assets	3,342,105	103,394,771	52,263,587	159,000,463
Total Liabilities and Net Assets	\$ 9,587,237	\$ 103,397,482	\$ 52,263,118	\$ 165,247,837

See accompanying notes to combined financial statements.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Combined Statement of Activities

<i>Year Ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Income			
Performance	\$ 75,670	\$ -	\$ 75,670
Tuition	2,075,978	-	2,075,978
Special events	3,037,410	-	3,037,410
Investment	355,844	-	355,844
Other	66,657	-	66,657
Appropriations from endowment fund to general fund	1,331,340	-	1,331,340
Total Operating Income	6,942,899	-	6,942,899
Operating Expenses			
Production and company	7,954,638	-	7,954,638
Ballet academy	3,590,817	-	3,590,817
Marketing and public relations	1,944,350	-	1,944,350
Fund-raising	3,634,910	-	3,634,910
General and administrative	2,472,849	-	2,472,849
Total Operating Expenses	19,597,564	-	19,597,564
Decrease in Net Assets from Operating Activities Before Public and Private Support, Releases from Restrictions and Reclassifications	(12,654,665)	-	(12,654,665)
Public and Private Support Contributions	9,978,393	2,309,414	12,287,807
Gain on forgiveness of debt - Payroll Protection Program	3,506,723	-	3,506,723
Increase in Net Assets from Operating Activities Before Releases from Restrictions and Reclassifications	830,451	2,309,414	3,139,865
Net Assets Released from Restrictions	2,747,379	(2,747,379)	-
Increase (Decrease) in Net Assets from Operating Activities Before Interfund Reclassifications	3,577,830	(437,965)	3,139,865
Interfund Reclassifications	(3,575,000)	-	(3,575,000)
Increase (Decrease) in Net Assets from Operating Activities	2,830	(437,965)	(435,135)
Endowment Activities			
Contributions	-	200	200
Investment income, net	24,606,982	94	24,607,076
Endowment expenses	-	(4,597)	(4,597)
Amounts appropriated for general operating activities	(1,331,340)	-	(1,331,340)
Increase (Decrease) in Net Assets from Endowment Activities	23,275,642	(4,303)	23,271,339
Plant Activities			
Contributions	187,690	-	187,690
Interest and other income	2,750	-	2,750
Depreciation expense	(1,633,723)	-	(1,633,723)
Interfund reclassification	3,575,000	-	3,575,000
Increase in Net Assets from Plant Activities	2,131,717	-	2,131,717
Total Increase (Decrease) in Net Assets	25,410,189	(442,268)	24,967,921
Net Assets, beginning of year	95,658,234	38,374,308	134,032,542
Net Assets, end of year	\$ 121,068,423	\$ 37,932,040	\$ 159,000,463

See accompanying notes to combined financial statements.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Combined Statement of Cash Flows

<i>Year Ended June 30, 2021</i>	General Fund	Endowment Fund	Plant Fund	Total
Cash Flows from Operating Activities				
Total increase (decrease) in net assets	\$ (435,135)	\$ 23,271,339	\$ 2,131,717	\$ 24,967,921
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Net realized and unrealized gains on investments	-	-	-	-
Depreciation expense	(209,760)	(23,459,536)	-	(23,669,296)
Forgiveness of notes payable	228,784	-	1,633,723	1,862,507
Changes in operating assets and liabilities:	(3,466,803)	-	-	(3,466,803)
Pledges receivable	469,552	-	1,318,762	1,788,314
Grant receivables	(1,074,589)	-	-	(1,074,589)
Other receivables	70,180	48,000	-	118,180
Prepaid and deferred production expenses	(150,809)	-	-	(150,809)
Accounts payable and accrued liabilities	443,534	5,261	(4,926)	443,869
Deferred revenue	953,463	-	-	953,463
Net Cash Provided by (Used in) Operating Activities	(3,171,583)	(134,936)	5,079,276	1,772,757
Cash Flows from Investing Activities				
Capital expenditures	-	-	(454,272)	(454,272)
Purchase of investments	(559,270)	(59,915,682)	-	(60,474,952)
Proceeds from sales and maturities of investments	673,902	60,699,134	-	61,373,036
Net Cash Provided by (Used in) Investing Activities	114,632	783,452	(454,272)	443,812
Net Increase (Decrease) in Cash and Cash Equivalents	(3,056,951)	648,516	4,625,004	2,216,569
Cash and Cash Equivalents, beginning of year	8,934,366	2,747,855	5,845,479	17,527,700
Cash and Cash Equivalents, end of year	\$ 5,877,415	\$ 3,396,371	\$ 10,470,483	\$ 19,744,269

See accompanying notes to combined financial statements.

**Houston Ballet Foundation and
Houston Ballet Guild, Inc.**

Combined Statement of Functional Expenses

<i>Year Ended June 30, 2021</i>	Program Services		Support Services			Total
	Production and Company	Ballet Academy	Marketing and Public Relations	General and Administrative	Fund- Raising	
Advertising	\$ -	\$ 40,512	\$ 175,100	\$ -	\$ 54,537	\$ 270,149
Computer maintenance, software	81,978	121,645	121,645	121,647	81,978	528,893
Costumes, scenery and designers	59,939	-	-	-	-	59,939
Special event expenses	-	-	-	-	1,316,207	1,316,207
Equipment rentals	1,312	1,312	375	375	375	3,749
Insurance	100,030	100,030	28,580	28,579	28,580	285,799
Music and royalties	41,690	-	-	-	-	41,690
Office supplies	8,219	10,379	15,148	11,929	9,352	55,027
Postage and handling	2,189	675	1,227	1,217	5,557	10,865
Printing	-	-	305,991	-	672	306,663
Professional fees	-	-	-	224,828	-	224,828
Repairs and maintenance	165,621	153,478	43,851	43,850	43,851	450,651
Salaries, payroll taxes and employee benefits	6,910,142	1,997,685	1,093,875	1,702,527	1,949,567	13,653,796
Scholarships	-	659,997	-	-	-	659,997
Shipping and freight	50,661	-	-	-	-	50,661
Shoes and tights	47,557	-	-	-	-	47,557
Stage equipment and supplies	9,975	-	-	-	-	9,975
Stipends and subsidized housing	-	273,041	-	-	-	273,041
Summer housing	-	3,789	-	-	-	3,789
Telephone and utilities	161,890	161,890	46,254	46,251	46,254	462,539
Theater costs	9,052	-	-	-	-	9,052
Ticket service, booking fees	-	-	28,115	-	-	28,115
Travel and entertainment	2,508	2,610	819	6,423	13,061	25,421
Miscellaneous	73,091	63,774	83,370	289,820	84,919	594,974
Total expenses before depreciation	7,725,854	3,590,817	1,944,350	2,477,446	3,634,910	19,373,377
Depreciation of capitalized sets and costume:	228,784	-	-	-	-	228,784
Depreciation of plant assets	571,803	571,803	163,372	163,373	163,372	1,633,723
Total functional expenses	\$ 8,526,441	\$ 4,162,620	\$ 2,107,722	\$ 2,640,819	\$ 3,798,282	\$ 21,235,884

See accompanying notes to combined financial statements.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

1. Nature of Operations

The Houston Ballet Foundation was founded in 1955 for educational purposes, namely, spreading an appreciation of ballet in general. The Foundation created the Academy to provide professional ballet training for dancers and, subsequently, in 1969, created a resident professional ballet company.

The Houston Ballet Guild, Inc. (the "Guild") is a not-for profit corporations established in 1974 to provide aid and support to Houston Ballet Foundation. The Guild consists of members who volunteer their services to support the Houston Ballet Foundation.

The accompanying combined financial statements include the accounts of Houston Ballet Foundation and its affiliated support organization, Houston Ballet Guild, Inc. (collectively, the "Foundation"). The by-laws of the Guild provide that all funds raised be distributed to Houston Ballet Foundation. Each organization is operated by an independent board of directors.

2. Summary of Significant Accounting Policies

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Significant accounting policies followed by the Foundation are described below.

Basis of Presentation

The Foundation's net assets and its revenue, expenses, gains and losses are classified within the statements based on the existence or absence of donor-imposed restrictions. All significant interfund accounts between the Houston Ballet Foundation and the Guild have been eliminated.

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets - with donor restrictions and without donor restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or other removed by actions of the Foundation are classified as net assets with donor restrictions- perpetual in nature.

Without Donor Restrictions - This class consists of the part of net assets that is not restricted by donor-imposed stipulations.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Deferred Revenue and Prepaid and Deferred Production Expenses

Program revenues and expenses are recognized in the program year to which they apply. Ticket sales and preproduction costs for future season's programs are recorded as deferred revenue and deferred production expenses, respectively.

Pledges and Grants Receivable

Pledges made by donors are initially considered to be net assets with donor restriction and become net assets without donor restriction upon satisfaction of such restriction, which is typically a stipulated time restriction or purpose restriction. Pledges receivable are primarily from large foundations and corporations.

Pledges receivable represents unconditional promises to give and are monitored by the Foundation for potential losses.

Pledges deemed uncollectible are written off against related revenue or contributions. The Foundation has determined, through review of its donors' pledge payment history, that no allowance for uncollectible amounts is necessary as of June 30, 2021.

Grants receivable consists of amounts due from the Texas Division Of Emergency Management for Texas Hurricane Harvey related to the hurricane damage incurred during the year ended June 30, 2018. The Foundation has determined that no allowance for uncollectible amounts is necessary as of June 30, 2021.

Revenue Recognition

The Foundation recognizes exchange revenue under ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services (collectively codified in "ASC 606"). ASC 606 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process that are required under existing GAAP.

The Foundation made a number of practical expedient elections related to the adoption of ASC 606, including: (i) recognize revenue when the Foundation has the right to invoice, (ii) for incremental costs to obtain a contract that would be recognized over one year or less, the Foundation expenses those costs as incurred, and (iii) at the implementation date, new guidance was applied only to contracts that were not completed as of the date of initial application.

The Foundation's primary revenue streams are derived from providing ballet related programs to audiences and customers and training for students and dancers. See note 10.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Performance and Special Events

The Foundation provides ballet related programs to audiences and revenue is recognized at a point in time in which the performances are delivered. The prices of programs are based on the market rate at the time in which the performance are delivered to the audiences. Programs that are provided to audiences are distinct performance obligations and revenue is recognized when the programs are delivered.

Merchandise is sold to the customers during the programs and special events. Revenue is recognized at a point in time in which the merchandise are transferred to the customers. The prices of merchandise are based on market rate at the time in which the control transferred to customers. Merchandise that are provided to customers are distinct performance obligations and revenue is recognized when the merchandise are provided.

Tuition

The Foundation provides ballet related training to students and dancers and is recognized over time, for which the training is provided. The price of training is based on the market rate at the time in which the control transfers to the students and dancers. Training that is provided to students and dancers are distinct performance obligations and revenue is recognized over the period when the training is provided.

Contributions

The Foundation recognizes contributions under ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction.

The Foundation accounts for contributions received, including unconditional promises to give, as revenue in the period received at their fair values. The Foundation also distinguishes between contributions that increase net assets without donor restrictions and net assets with donor restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Fixed Assets

Fixed assets include land, building, equipment and costumes and sets related to full-length productions and are recorded at cost. Depreciation of building and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation of costumes and sets related to full-length productions is provided on a straight-line basis over three years, beginning in the year the production is initially performed. Depreciation expense for the year ended June 30, 2021 totaled \$1,862,507. The Foundation did not recognize any impairment charges in fiscal year ended June 30, 2021.

Production and Foundation Costs

Production costs for ballet performances include the salaries of performers, cost of costumes, stage sets, theater rental, orchestra fees and other related expenses. All such costume and stage set costs related to full-length productions are capitalized and depreciated as described above. All other production expenses such as the salaries of performers, theater rental and orchestra fees are expensed in the year of the performance. Foundation costs include salaries and benefits for dancers, artistic staff and music staff, costs for guest artists and guest music conductors and other miscellaneous expenses.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. These expenses include depreciation, salaries and payroll expenses of the artistic and executive directors, information technology and facilities. Depreciation and facilities are allocated based on square footage. Salaries and payroll expenses of the artistic and executive directors are allocated based on estimates of time and effort. Information technology is allocated based on the numbers of the computers. Allocations to special event expenses includes wages, supplies and other expenses specific to those events.

Advertising

All costs of advertising that relate to the current year are expensed as incurred. Costs related to productions or events in the subsequent year are recorded as prepaid expense and are expensed at the time the performance or event takes place.

Cash Equivalents

For purposes of the combined statement of cash flows, the Foundation considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Investments and Investment Income

The Foundation accounts for investments in equity securities with readily determinable fair market values and all investments in debt securities at fair market value with gains and losses included in the combined statement of activities.

Endowment funds, which consist primarily of marketable securities, are pooled for investment management purposes. Income from investments is allocated to each endowment based upon the relative market value and the type of endowment.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Investments and Investment Income (Continued)

Investment income, including realized and unrealized gains or losses on investments, is recorded as without donor restrictions for all funds because there are no donor-imposed restrictions. For the year ended June 30, 2021, as stipulated by the Foundation's investment policy, up to 5.5% of the market value of endowment investments and cash may be used for general operating activities. Realized and unrealized gains or losses on endowment investments were reinvested and recorded in endowment activities on the combined statement of activities.

Donated Services and Materials

A substantial number of volunteers have donated time in connection with program services and administration of the Foundation. No value has been reflected in the financial statements for these services because the services would not typically be purchased if they had not been provided by donation. When outside services are donated to the Foundation and the services received (a) create or enhance non-financial assets, or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, a contribution is recorded in the period received. Such contribution is valued at the estimated cost to the Foundation had the services and/or materials cost been purchased. The Foundation recorded \$1,009,131 in the General Fund for donated services and materials during the year ended June 30, 2021, including \$859,694 of donated services and materials for special events in the operating income and operating expense in the accompanying combined statement of activities.

Non-Monetary Transactions

During the year ended June 30, 2021, \$89,536 of Houston Ballet Foundation performance tickets were traded in exchange for marketing, public relations, production and development purposes. Such amounts are recorded as both performance income and operating expenses.

Concentrations of Credit Risk

The Foundation is subject to concentrations of credit risk relating primarily to cash, pledges receivable, and marketable securities. The Foundation's cash and cash equivalent deposits are held in major financial institutions in excess of the federally insured limit. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents. Pledges receivable represent unconditional promises to give and are monitored by the Foundation for potential losses. Marketable securities consist primarily of domestic corporate stocks, which could subject the Foundation to losses in the event of a general downturn in the stock market. The Foundation has reduced its risk relating to investment in corporate stocks and bonds through diversification into investments in a variety of industries.

Estimates

The preparation of the Foundation's 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 combined financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

Houston Ballet Foundation and Houston Ballet Guild, Inc. are both nonprofit organizations which have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and neither are private foundations. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The Foundation follows current guidance in accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. The Foundation had no uncertain tax positions as of June 30, 2021.

The income tax position taken by the Foundation, for any years open under the various statutes of limitations, is that the Foundation continues to be exempt from income taxes by virtue of being a nonprofit organization. Management believes this tax position meets the more-likely-than-not threshold and, accordingly, the tax benefit of this income tax position (no income tax liability) has been recognized for the years ended on or before June 30, 2021.

The Foundation will record income tax related interest and penalties, if applicable, as a component of the provision for income tax expense. However, there were no amounts recognized relating to interest and penalties in the statement of activities for the year ended June 30, 2021. The Foundation's federal exempt organization business tax returns (Form 990) for 2018 and later are subject to examination by the Internal Revenue Service.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2021 with early adoption permitted. The Foundation is currently evaluating the impact of this ASU on its financial statements.

3. Fair Value Disclosure

The Foundation follows current guidance on fair value measurements which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

3. Fair Value Disclosure (Continued)

Current guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The following table presents information about the Foundation's assets measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value:

	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Items (Level 2)	Significant Unobservable Items (Level 3)	Balance at June 30, 2021
General Fund				
Corporate stocks and mutual funds	\$ 849,760	\$ -	\$ -	\$ 849,760
Endowment Fund				
Corporate stocks and mutual funds	99,966,111	-	-	99,966,111
Total Fair Value of Investments	\$ 100,815,871	\$ -	\$ -	\$ 100,815,871

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

4. Investments

Investment returns for all funds are classified as without donor restrictions on the combined statement of activities. The components of investment returns for each fund for the year ended June 30, 2021 were as follows:

	General Fund	Endowment Fund	Plant Fund	Total
Interest and dividend income	\$ 146,082	\$ 1,331,434	\$ 2,750	\$ 1,480,266
Net realized gains	12,425	18,912,743	-	18,925,168
Net unrealized gains	197,337	4,546,791	-	4,744,128
Investment expenses	-	(183,892)	-	(183,892)
	355,844	24,607,076	2,750	24,965,670
Amounts appropriated for general operating activities	-	(1,331,340)	-	(1,331,340)
Total investment income, net	\$ 355,844	\$ 23,275,736	\$ 2,750	\$ 23,634,330

Total cumulative net unrealized gains on General Fund and Endowment Fund investments held at June 30, 2021 were \$375,544 and \$26,825,753, respectively.

Investments consisted of the following as of June 30, 2021:

	General Fund		Endowment Fund	
	Cost	Market	Cost	Market
Domestic Equity securities	\$ 474,216	\$ 849,760	\$ 32,645,385	\$ 56,224,910
Government bonds	-	-	12,665,872	12,846,482
International Equity securities	-	-	17,123,213	19,581,648
Hedged Equity securities	-	-	10,705,888	11,313,071
Total	\$ 474,216	\$ 849,760	\$ 73,140,358	\$ 99,966,111

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

5. Fixed Assets

The following components are included in land, building, equipment, and costumes and sets at June 30, 2021:

	Estimated Useful Life		
Buildings and improvements	15-39 years	\$	42,435,709
Office furniture and equipment	5-7 years		4,677,675
Costumes and sets	3 years		13,087,392
			60,200,776
Less: accumulated depreciation			(28,097,319)
			32,103,457
Land	N/A		9,689,178
Total			\$ 41,792,635

6. Special Events

The Guild is an affiliated, nonprofit organization that sponsors various fund-raising activities throughout the year for the benefit of the Foundation. The Guild's largest fund-raising event include operating the annual Nutcracker Market in November and the annual Nutcracker Market Spring Spectacular in April. The revenues and expenses of the Guild are presented as special events on the combined statement of activities. Total special event expenses was \$1,316,207 for the year ended June 30, 2021.

7. Pledges and Grant

The Foundation continues its pursuit of endowment funds to guarantee future financial security. Multi-year pledges receivable are recorded at present value on the date of the pledge for the amount of discounted cash flows using an interest rate of approximately .87%. For the year ended June 30, 2021, the discount recorded by the Foundation was minimal due to all material pledges being due within one year. The Foundation also receives pledges for annual operations, which are recorded in the General Fund.

As of June 30, 2021, pledges and grant receivables were:

	General Fund	Plant Fund	Endowment Fund	Total
Less than one year	\$ 1,966,591	\$ -	\$ -	\$ 1,966,591
One to five years	-	-	35,000	35,000
Total	\$ 1,966,591	\$ -	\$ 35,000	\$ 2,001,591

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

8. Endowments

The Foundation follows current guidance on net asset classification of endowments. This guidance clarifies the accounting for donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). This guidance also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Balances of the funds included in with donor restriction net assets for perpetual purposes at June 30, 2021 were as follows:

Endowment Funds:	
Use of income is without restrictions	\$ 35,293,430
Use of income is restricted for:	
Dancer Career Transition - Artists Reserve Fund	196,196
Total Endowment Funds	\$ 35,489,626

Endowment funds with unrestricted use of income are as follows:

- *The Endowed Artistic Positions Fund* - assists Houston Ballet in attracting talented artists.
- *The Fayez Sarofim & Co. Touring Fund* - sponsors Houston Ballet’s domestic and international tours.
- *The Carolyn Lee and Frederick Adrian Lee Production Fund* - supports the creation of new productions and the restoration of existing works.
- *The Margaret Wiess Elkins Young Artist Fund* - trains talented young people for careers in dance.
- *The AIG American General/ AIG VALIC Education and Community Outreach Programs Fund* - helps Houston Ballet reach a broad population of all ages and economic levels.
- The Albert and Margaret Alkek Foundation endowed the *Margaret Alkek Williams Jubilee of Dance*, Houston Ballet’s annual gala performance.
- *The Billie Bath Perlman Scholarship Fund; The Roy M. Huffington Scholarship Fund; The Ben Stevenson Scholarship Fund; The Winifred Wallace Scholarship Fund; The Anita Borges Stude Scholarship Fund; The C.C. Conner Scholarship Fund*- each provides the full cost for training one Houston Ballet II dancer each year.
- *The Ira and Myra Brown Young Dancer Scholarship Fund* - provides the full cost for training for five Academy students each year.

The Foundation’s endowments consist of funds established for a variety of purposes. Its endowments include donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

8. Endowments (Continued)

The Foundation's Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction for perpetual purposes, the original value of subsequent gifts to the perpetual endowment, and accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation, and the investment policies of the Foundation.

Board-designated funds are used to support program services and may be released for general operations when the Foundation approves the release.

The endowment net asset composition by type of fund as of June 30, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds:			
With donor restrictions			
Purpose restricted	\$ -	\$ 35,489,626	\$ 35,489,626
Total with donor restrictions	-	35,489,626	35,489,626
Without donor restrictions			
Unrestricted	62,901,811	-	62,901,811
Board-designated	5,003,334	-	5,003,334
Total without donor restrictions	67,905,145	-	67,905,145
Total Endowment Funds	\$ 67,905,145	\$ 35,489,626	\$ 103,394,771

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

8. Endowments (Continued)

The changes in endowment net assets for the year ended June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 44,629,503	\$ 35,493,929	\$ 80,123,432
Investment return:			
Investment income	1,331,340	94	1,331,434
Net realized and unrealized gains	23,459,534	-	23,459,534
Total investment return	24,790,874	94	24,790,968
Contributions	-	200	200
Investment expenses	(183,892)	(4,597)	(188,489)
Amount appropriated for general operating activities	(1,331,340)	-	(1,331,340)
Endowment net assets, end of year	\$ 67,905,145	\$ 35,489,626	\$ 103,394,771

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature as of June 30, 2021.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

9. Note Payable

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act”. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, and appropriated funds for SBA Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

9. Note Payable (Continued)

In April 2020, the Foundation entered into a promissory note agreement of \$3,466,803 with a bank with maturity date of April 5, 2022 under PPP loans. The loan bears interest rate of 0.98%. The application for these funds requires the Foundation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Foundation. This certification further requires the Foundation to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business.

The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Foundation having initially qualified for the loan and qualifying for the forgiveness of such loan is based on the Foundation's future adherence to the forgiveness criteria. The Foundation met the forgiveness requirements of the PPP loan and received full forgiveness of the PPP loan, including accrued interest as of June 10, 2021.

The Foundation continues to examine the other impacts that the CARES Act may have on its business.

10. Description of Program and Supporting Services

The following program and supporting services are included in the accompanying combined statements of activities:

Program Services

Production and Company

The Foundation supports a professional company of dancers and engages audiences throughout the city of Houston and the world with its performances and programs each year. Production and Company program services include expenditures for salaries of performers, production of stage sets and costumes, theater rental and other related expenses in connection with producing and staging ballet performances and programs locally, nationally and internationally.

Ballet Academy

The Foundation's Ballet Academy trains over 1,000 unique students each year. The artistic team includes many teaching artists and live accompanists that work to conduct a variety of weekly classes for all levels, ranging from pre-school students to Houston Ballet II dancers, the Foundation's second company, as well as adult students. The Foundation's Education and Community Engagement programs captivate the imagination of kindergarten-12th grade students, adults and children living with disabilities, and unite communities through a multitude of school and community programs.

Supporting Services

General and Administrative

General and Administrative expenditures include those related to other areas and departments that ensure the success of the Foundation's performances, programs, professional company, Academy, and community outreach efforts.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

10. Description of Program and Supporting Services (Continued)

Supporting Services (Continued)

Marketing and Public Relations

Marketing and Public Relations services provides support in all brand identity and consistency matters including marketing, advertising and other promotional collateral designed to promote the activities, performances and programs of the Foundation. These services also promote media and public relations by managing campaigns through production of video, television, radio, and print media and overseeing all activities relating to ticket sales and promotion of the Foundation's production performances.

Fundraising

Fundraising supporting services include expenditures which provide the structure necessary to encourage and secure both public and private financial support. Fundraising activities include expenses towards donor cultivation activities and donor benefits for their support as well as benefits for corporate sponsors of production performances and education and community engagement programs. Fundraising supporting services both promote the Foundation and provide important support toward operations.

Special Events

This supporting service category includes expenditures for special events which both promote the Foundation and provide support for operations. These events help grow the Foundation's donor base, promote the Foundation's operations, and engage the Foundation's constituents and stakeholders in activities outside of performances.

11. Net Assets - General and Plant Funds

Net assets - general and plant funds consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
General Fund:			
With donor restrictions			
Time restricted only, for periods after June 30, 2021	\$ -	\$ 2,442,414	\$ 2,442,414
Without donor restrictions	899,691	-	899,691
Total General Fund	\$ 899,691	\$ 2,442,414	\$ 3,342,105
Plant Fund:			
Without donor restrictions	\$ 52,263,587	\$ -	\$ 52,263,587
Total Plant Fund	\$ 52,263,587	\$ -	\$ 52,263,587

When the donor-imposed stipulations are either expired by passage of time or fulfilled by actions of the Foundation, pursuant to those stipulations, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

12. Employee Benefits

The Foundation contributes to a defined contribution retirement plan represented by American International Group, Inc. (“AIG”) for the benefit of all dancers and all qualified, nonunion employees. This plan is administered by AIG. Contributions were suspended during the fiscal year ended June 30, 2021 and will resume in fiscal 2022.

The Foundation contributes to a defined contribution retirement plan for the benefit of all musicians represented by American Federation of Musicians (“AFM”). Contributions to this plan, administered by AFM, aggregated \$46,577.

The Foundation has a tax-sheltered annuity program for the benefit of its employees. Participating employees may contribute up to 20% of their annual income to one of the programs. All contributed amounts are managed by an independent trustee and are exempt from federal income taxes until such time as they are withdrawn.

The Foundation provides health insurance for all union dancers and qualified, nonunion employees through American Guild of Musical Artists (“AGMA”). Premiums paid by the Foundation for such insurance were \$1,559,728 for the year ended June 30, 2021.

The Foundation provides dental insurance for qualified nonunion employees. Premiums paid by the Foundation for such insurance were \$34,056 for the year ended June 30, 2021.

The Foundation had an agreement to pay a retirement benefit of \$55,000 per year, to a former employee. The actuarially determined liability for this obligation was recalculated assuming a life expectancy of 18.4 years and an investment return of 7.5%. There is no remaining liability balance as of June 30, 2021 for this obligation. The employee retired and was vested in the plan as of July 1, 2003. Distributions in the aggregate amount of \$19,199, net of tax, were paid during the year ended June 30, 2021.

The Foundation has an agreement to pay a current employee deferred compensation of \$20,000 per annum plus interest beginning July 1, 2010 over the duration of employment. The deferred compensation amounts will vest at 75% four years after the effective date and payments began on July 1, 2014. If the employee is still employed on his 60th birthday or acting in his service capacity with the Foundation on either his retirement date or on his involuntary termination date, all amounts will vest 100%. In addition, all amounts will become 100% vested on date of death or disability, as applicable. The balance of the liability of \$156,908 for this obligation is included in the combined statement of financial position as of June 30, 2021 and the vested amounts will be paid out of general assets of the Foundation.

The Foundation entered into an agreement to pay a 15-year retirement benefit of \$30,000 per year, cost of living adjusted annually at a rate of 3.0%, beginning in March 2015 to a former employee. The actuarially determined liability for this obligation was calculated using an investment return of 4.5%. The balance of the liability of \$168,014 for this obligation is included in the combined statements of financial position as of June 30, 2021 and will be paid out of general assets of the Foundation.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

12. Employee Benefits (Continued)

The Foundation has an agreement to pay a current employee deferred compensation of \$46,500 per annum plus interest beginning September 1, 2020 over the duration of employment. The deferred compensation amounts will vest at 75% four years after the effective date and payments begin on July 1, 2021. If the employee is still employed on his 60th birthday or acting in his service capacity with the Foundation on either his retirement date or on his involuntary termination date, all amounts will vest 100%. In addition, all amounts will become 100% vested on date of death or disability, as applicable. The balance of the liability of \$46,500 for this obligation is included in the combined statement of financial position as of June 30, 2021 and the vested amounts will be paid out of general assets of the Foundation.

The Foundation entered into an agreement to contribute to a section 457(b) “top hat” plan on behalf of three current employees in an amount up to or equal to the maximum amount allowed by IRS guidelines, currently \$19,500 per calendar year. Additionally, one current employee remains in the plan although, effective July 31, 2020, no future contributions on behalf of that employee will be made by the Foundation. The net balance of the liability for these obligations as of June 30, 2021 is \$872,760 and is included in the combined statement of financial position and will be paid out of general assets of the Foundation.

13. Commitments and Contingencies

Grants, bequests and endowments require the fulfillment of certain conditions as set forth in the instructions of the gift. The Foundation intends to fulfill the conditions of all bequests, grants and endowments, recognizing that failure to fulfill the conditions could result in the return of the funds to donors. The Foundation, by accepting the gifts and their terms, has agreed to the conditions of the donor. Management believes that the Foundation has complied with all donors’ conditions.

The Foundation entered into a lease agreement with the Wortham Theater Foundation in May 1987, and the Foundation has the right to terminate the lease at any time, after giving six months written notice. Box office space is also leased. Rent expense for the year ended June 30, 2021 for these leases was \$7,512.

In June 2016, the Foundation entered into an agreement to lease 10 apartments to use as subsidized housing for upper level students at Houston Ballet. The 56-month lease term began in November 2016. Lease payments relating to these leases were \$231,069 and the related rent expense, recognized on a straight-line basis, was \$214,675 during the fiscal year ended June 30, 2021.

In January 2021, the Foundation entered into an agreement to renew the leases for the 10 apartments used as subsidized housing for upper level students at Houston Ballet. The 60-month lease term will begin on July 1, 2021. The lease renewal obligation is reflected in the table below.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

13. Commitments and Contingencies (Continued)

The scheduled future minimum lease payments under the operating leases that begin July 1, 2021 are:

Year Ending June 30,

2022	\$	118,636
2023		243,786
2024		248,438
2025		254,021
2026		259,604
Total	\$	<u>1,124,485</u>

General Liability Claims

The Foundation is, from time to time, subject to claims and suits arising in the ordinary course of business, including claims for damages for personal injuries and employment related claims. In certain of these actions, plaintiffs request punitive or other damages against the Foundation which may be covered by insurance. The Foundation is currently not a party to any proceeding which, in management's opinion, would have a material adverse effect on the Foundation's business, financial condition or results of operations.

14. Liquidity

Due to the COVID-19 outbreak, the Foundation followed the recommendations established by the Centre for Disease Control and Prevention and has postponed or cancelled previously-scheduled events and activities during the year ended June 30, 2020, during the fiscal year ended June 30, 2021 and possibly falling in the next fiscal year ending June 30, 2022. The postponement and cancellation of the events continues to have a material adverse effect on revenue, and the Foundation has experienced a significant decline in revenue for the fiscal year ended June 30, 2021 and is likely to experience a decline in revenue for fiscal year 2022 when compared to fiscal years prior to the COVID-19 outbreak. The Foundation's operations are dependent on private and public donations from individuals, foundations, and corporations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of national economic slowdown. This situation is expected to continue to depress donations during fiscal year 2022. As such, this may hinder our ability to advance our mission. As such, our financial condition and liquidity may be negatively impacted for the fiscal year 2022.

The outbreak may have a material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which could impair the Foundation's asset values, including investments and long-lived assets. The Foundations expects the decline in the Foundation's asset values to be temporary.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

14. Liquidity (Continued)

The Foundation plans each year to provide funding for operating expenditures through a combination of earned income, special events net income, investment income and interfund transfers, including an annual allocation from its Endowment Fund. The Foundation's investment policy allows a withdrawal for any fiscal year not to exceed 5.5% of the trailing three-year average of the total value of the Endowment Fund. The Foundation maintains high liquidity and low risk through cash and cash equivalents and longer-term investments in the General Fund, maintains cash and cash equivalents in the Plant Fund and maintains cash and cash equivalents as well as longer-term investments in the Endowment Fund.

Financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 16,347,898
Other receivables	12,476
Amounts due to general and plant funds	2,711
Contributions receivable	892,002
Grant receivable	1,074,589
Investments appropriated for current use - general fund	849,760
Investments appropriated for current use - endowment fund	4,330,986

Financial assets available within one year of the statement of financial position date for general expenditure	\$ 23,510,422
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The investments appropriated for current use - endowment fund represent 5.5% of the trailing three-year average of cash and investments (net of due to/from other funds).

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Financial assets at June 30, 2021	\$ 122,574,207
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(35,000)
Subject to appropriation and satisfaction of donor restrictions	(94,025,451)
Board designations:	
Endowment funds	(5,003,334)

Financial assets available to meet cash needs for general expenditures within one year	\$ 23,510,422
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The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations.

Houston Ballet Foundation and Houston Ballet Guild, Inc.

Notes to Combined Financial Statements

15. Employee Retention Credits

The Foundation is eligible for the Employee Retention Credit (“ERC”) under the CARES Act. \$2,007,027 was received prior to June 30, 2021 in a combination of unpaid employment taxes for the quarters ending March 31, 2021 and June 30, 2021 and 2021 Form 941 Employer Quarterly Federal Tax Return refund payments for the quarter ending March 31, 2021. Grants receivable for the ERC at June 30, 2021 are \$1,074,589 which represents refunds due on the 2021 Form 941 Employer Quarterly Federal Tax Return for the quarter ended June 30, 2021 and 2020 Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended June 30, 2020, September 30, 2020 and December 31, 2020.

16. Subsequent Events

The Foundation has evaluated subsequent events through October 13, 2021 for recognition or disclosure, which is the date these combined financial statements were available for issuance. Subsequent to year end the Foundation was awarded a Shuttered Venue Operators Grant (“SVOG”) in the amount of \$9,794,842. \$6,529,895 of the awarded amount was received on July 6, 2021.

