

**THE AMERICAN FRIENDS OF BATSHEVA
DANCE COMPANY, INC.**

FINANCIAL STATEMENTS

December 31, 2022 and 2021

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The American Friends of Batsheva Dance Company, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The American Friends of Batsheva Dance Company, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Merodien, P.C.
Certified Public Accountants

November 10, 2023

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 682,791	\$ 1,054,705
Certificates of deposit	810,911	-
Current portion of unconditional promises to give	270,300	357,490
Prepaid expenses	26,602	-
Total current assets	<u>1,790,604</u>	<u>1,412,195</u>
Noncurrent portion of unconditional promises to give	<u>302,877</u>	<u>245,435</u>
Total Assets	<u><u>\$ 2,093,481</u></u>	<u><u>\$ 1,657,630</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 19,236	\$ 23,253
Deferred revenue	44,989	-
Grants payable	1,288,190	250,000
Total Liabilities	<u>1,352,415</u>	<u>273,253</u>
 Net Assets		
Without donor restrictions	166,079	182,889
With donor restrictions	574,987	1,201,488
Total Net Assets	<u>741,066</u>	<u>1,384,377</u>
Total Liabilities and Net Assets	<u><u>\$ 2,093,481</u></u>	<u><u>\$ 1,657,630</u></u>

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 316,303	\$ 708,553	\$ 1,024,856
Interest income	6,030	-	6,030
Net assets released from restrictions	1,335,054	(1,335,054)	-
Total support and revenues	<u>1,657,387</u>	<u>(626,501)</u>	<u>1,030,886</u>
Expenses			
Program services	1,531,326	-	1,531,326
General and administrative	23,557	-	23,557
Fundraising	119,314	-	119,314
Total expenses	<u>1,674,197</u>	<u>-</u>	<u>1,674,197</u>
Change in net assets	(16,810)	(626,501)	(643,311)
Net assets, beginning of year	<u>182,889</u>	<u>1,201,488</u>	<u>1,384,377</u>
Net assets, end of year	<u>\$ 166,079</u>	<u>\$ 574,987</u>	<u>\$ 741,066</u>

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 643,376	\$ 219,337	\$ 862,713
Interest income	1,277	-	1,277
Total support and revenues	<u>644,653</u>	<u>219,337</u>	<u>863,990</u>
Expenses			
Program services	775,750	-	775,750
General and administrative	23,360	-	23,360
Fundraising	79,107	-	79,107
Total expenses	<u>878,217</u>	<u>-</u>	<u>878,217</u>
Change in net assets	(233,564)	219,337	(14,227)
Net assets, beginning of year	<u>416,453</u>	<u>982,151</u>	<u>1,398,604</u>
Net assets, end of year	<u>\$ 182,889</u>	<u>\$ 1,201,488</u>	<u>\$ 1,384,377</u>

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,531,326	\$ -	\$ -	\$ 1,531,326
Professional services	-	19,550	89,450	109,000
Office expenses and supplies	-	2,324	-	2,324
Insurance	-	1,683	-	1,683
Special events	-	-	29,864	29,864
Total expenses	<u>\$ 1,531,326</u>	<u>\$ 23,557</u>	<u>\$ 119,314</u>	<u>\$ 1,674,197</u>

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 775,750	\$ -	\$ -	\$ 775,750
Professional services	-	17,545	53,000	70,545
Office expenses and supplies	-	4,219	-	4,219
Insurance	-	1,596	1,465	3,061
Special events	-	-	24,642	24,642
Total expenses	<u>\$ 775,750</u>	<u>\$ 23,360</u>	<u>\$ 79,107</u>	<u>\$ 878,217</u>

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (643,311)	\$ (14,227)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Increase (decrease) in cash from		
Unconditional promises to give	29,748	65,393
Prepaid expenses	(26,602)	-
Accounts payable	(4,017)	8,103
Deferred Revenue	44,989	-
Grants payable	1,038,190	94,500
Net cash from operating activities	<u>438,997</u>	<u>153,769</u>
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(810,911)	-
Net cash from investing activities	<u>(810,911)</u>	<u>-</u>
Cash and cash equivalents, beginning of year	<u>1,054,705</u>	<u>900,936</u>
Cash and cash equivalents, end of year	<u>\$ 682,791</u>	<u>\$ 1,054,705</u>
Supplemental Disclosure of Cash Flow Information:		
Donated securities	<u>\$ 20,893</u>	<u>\$ -</u>

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

The American Friends of Batsheva Dance Company, Inc. (the "Organization") is a not-for-profit organization incorporated under the laws of the State of New York founded in April 2002. The Organization supports the Batsheva Dance Company's continued artistic excellence and promotes the Batsheva Dance Company's exposure to international audiences.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

In accordance with the consistent practice of the Organization, payments for grants that are dependent on the availability of cash received from contributions are disbursed at the end of the fiscal year or immediately following the end of the fiscal year and are recorded in the current fiscal year.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time. Net assets with donor restrictions include donor-restricted endowment funds requiring investment of a gift in perpetuity or for a specified term as well as the investment return thereon until the returns are appropriated for expenditure.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and highly liquid debt instruments with original maturities of ninety days or less.

Certificates of Deposit

Certificates of deposit with original maturities in excess of ninety days are stated at fair value in the statements of financial position. All interest and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. There were no significant investment expenses incurred for the year ended December 31, 2022.

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

The Organization records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, donor-restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. It is the Organization's policy to record donor-restricted contributions as net assets without donor restrictions if they are received and expended in the same accounting period.

Contributed Nonfinancial Assets

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values based on the standard rates for those services provided charged to others in the period received.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such taxes have been recognized as of December 31, 2022 and 2021.

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of December 31, 2022 or 2021, or in the accompanying statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities. Accordingly, certain costs are allocated among program services and supporting services based on estimates of usage of resources.

Subsequent Events

Management has evaluated events for potential recognition and disclosure that occurred through November 10, 2023, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase the transparency regarding the measurement of contributed nonfinancial assets recognized by not-for-profit entities, as well as the amount of those contributions used in a not-for-profit entity's programs and other activities. The amendments in this update require that the Organization present contributed nonfinancial assets as a separate line item in the statement of activities that depicts the type of contributed nonfinancial assets. As there were no contributed nonfinancial assets to be presented on the consolidated statements of activities, the ASU did not have a material impact on the Organization's financial statements for the year ended December 31, 2022.

C. PROMISES TO GIVE

Unconditional promises to give are as follows:

	December 31,	
	2022	2021
Receivable in less than one year	\$ 270,300	\$ 357,490
Receivable in one to five years	310,000	250,000
Total unconditional promises to give	580,300	607,490
Less: discount to net present value	7,123	4,565
Net unconditional promises to give	<u>\$ 573,177</u>	<u>\$ 602,925</u>

Unconditional promises to give are primarily from individuals and foundations located in the United States, and are reflected at the present value of estimated future cash flows using discounted rates ranging from 1.86% to 4.73% for the year ended December 31, 2022, and a discount rate of 1.86% for the year ended December 31, 2021.

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

D. LIQUIDITY AND AVAILABILITY OF FUNDS

The following represents the Organization's financial assets at December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 682,791	\$ 1,054,705
Current portion of unconditional promises to give	270,300	357,490
Total financial assets at year end	<u>953,091</u>	<u>1,412,195</u>
Less:		
Amounts unavailable for general expenditures within one year, due to		
Net assets with donor restrictions, excluding those restricted long-term promises to give	<u>272,110</u>	<u>956,053</u>
Total amounts unavailable for general expenditures within one year	<u>272,110</u>	<u>956,053</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 680,981</u>	<u>\$ 456,142</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests excess cash in short-term time deposits. The Organization's most significant expenses are grants made to the related parties as discussed in Note I. The approval of grants is subject to the amount of cash available.

E. CERTIFICATES OF DEPOSIT

Fair value and unrealized appreciation of the Certificates of Deposit at December 31, 2022, is summarized below. There were no Certificates of Deposit at December 31, 2021.

	December 31, 2022		
	Cost	Fair Value	Unrealized Appreciation
Certificates of deposit	<u>\$ 805,000</u>	<u>\$ 810,911</u>	<u>\$ 5,911</u>
Total	<u>\$ 805,000</u>	<u>\$ 810,911</u>	<u>\$ 5,911</u>

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

F. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

The following is a description of the valuation methodology used for instruments measured at fair value:

Certificates of Deposit – The fair value of certificates of deposit is the market value based on quoted market prices of similar instruments when available. If listed prices of quotes are not available, fair value is based upon cost, stated interest rates, and maturity dates of the certificates of deposit in order to calculate the premium or discount.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Assets measured at fair value on a recurring basis as of December 31, 2022, are summarized below. There were no assets measured at fair value at December 31, 2021.

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 810,911	\$ -	\$ 810,911
Total	\$ -	\$ 810,911	\$ -	\$ 810,911

THE AMERICAN FRIENDS OF BATSHEVA DANCE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

G. NET ASSETS

With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2022	2021
Building of the Arts Campus in Tel Aviv	\$ 573,930	\$ 1,201,488
Gifts for dancers	1,057	-
	<u>\$ 574,987</u>	<u>\$ 1,201,488</u>

Net assets were released from donor restrictions as follows:

	Year Ended December 31,	
	2022	2021
Purpose restriction accomplished		
Expense incurred to satisfy donor restrictions	\$ 1,335,054	\$ -

H. CONCENTRATION OF RISK AND UNCERTAINTIES

The Organization maintains cash and cash equivalent balances which may, at times, exceed federally insured limits. The Organization historically has not experienced any credit related losses. Management believes that it is not subject to any significant credit risk on its cash and cash equivalent accounts.

For the year ended December 31, 2022, the Organization received 36% of its donations from two individuals and 99% of its unconditional promises to give were from two individuals. For the year ended 2021, the Organization received 23% of its donations from two individuals and 82% of its unconditional promises to give were from one individual.

I. GRANT EXPENSE

The Organization was formed to provide support in the form of grants to the Batsheva Dance Company (the "Dance Company"). Grants awarded to the Dance Company totaled \$1,531,326 and \$775,750 for the years ended December 31, 2022 and 2021, respectively. Grants payable to the Dance Company at December 31, 2022 and 2021, totaled \$1,288,190 and \$250,000, respectively.

The Organization started a capital campaign to raise funds for the purpose of constructing an Arts Campus in Tel Aviv. During the years ended December 31, 2022, and 2021, \$1,075,000 and \$0, respectively of total grants awarded were for the construction of the Arts Campus in Tel Aviv, respectively.