

SPANISH DANCE ARTS CO., INC.



FLAMENCO VIVO CARLOTA SANTANA

Financial Statements
and
Supplementary Information
(Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SPANISH DANCE ARTS CO., INC.

Financial Statements and Supplementary Information

Years Ended June 30, 2017 and 2016

(Together with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Spanish Dance Arts Co., Inc.
New York, NY

We have audited the accompanying financial statements of Spanish Dance Arts, Co., Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spanish Dance Arts Co., Inc. as of June 30, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2017 on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Mark Paneth CPA". The signature is written in a cursive style.

New York, NY
December 14, 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SPANISH DANCE ARTS CO., INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 25,511	\$ 12,149
Grants and other receivables	85,897	80,671
Inventory	7,145	7,145
Security deposits	7,930	6,554
Prepaid expenses	9,874	10,119
Property and equipment (net)	95	201
	TOTAL ASSETS	TOTAL ASSETS
	\$ 136,452	\$ 116,839
 LIABILITIES:		
Accounts payable	\$ 3,219	\$ 1,142
Line of credit	50,000	50,000
	TOTAL LIABILITIES	TOTAL LIABILITIES
	53,219	51,142
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Unrestricted	76,733	65,697
Temporarily restricted	6,500	-
	TOTAL NET ASSETS	TOTAL NET ASSETS
	83,233	65,697
	TOTAL LIABILITIES AND NET ASSETS	TOTAL LIABILITIES AND NET ASSETS
	\$ 136,452	\$ 116,839

The accompanying notes are an integral part of these financial statements.

SPANISH DANCE ARTS CO., INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>Years ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUE		
Contributions:		
Foundations	\$ 66,551	\$ 65,132
Corporations	10,000	5,400
Individuals	103,941	47,244
Total Contributions	<u>180,492</u>	<u>117,776</u>
Admissions, education and performance fees	633,726	615,106
Government grants	142,820	152,875
	<u>776,546</u>	<u>767,981</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>3,000</u>
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	<u>957,038</u>	<u>888,757</u>
EXPENSES:		
Program	765,437	706,407
General and administrative	121,169	118,820
Fundraising	59,396	54,848
TOTAL EXPENSES	<u>946,002</u>	<u>880,075</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>11,036</u>	<u>8,682</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	6,500	-
Net assets released from restrictions	-	(3,000)
Increase (decrease) in temporarily restricted net assets	<u>6,500</u>	<u>(3,000)</u>
INCREASE IN RESTRICTED NET ASSETS	17,536	5,682
NET ASSETS - BEGINNING OF YEAR	<u>65,697</u>	<u>60,015</u>
NET ASSETS - END OF YEAR	<u>\$ 83,233</u>	<u>\$ 65,697</u>

The accompanying notes are an integral part of these financial statements.

SPANISH DANCE ARTS CO., INC.

STATEMENTS OF CASH FLOWS

	<u>Years ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 17,536	\$ 5,682
Adjustments to reconcile increase in net assets to net cash provided by (used) in operating activities:		
Depreciation	106	685
Changes in assets and liabilities:		
Grants and other receivables	(5,226)	(28,387)
Inventory	-	(159)
Prepaid expenses	245	(549)
Security deposits	(1,376)	
Deferred income	-	(136)
Accounts payable	2,077	(23,620)
	<u>13,362</u>	<u>(46,484)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	50,000	50,000
Payments of line of credit	(50,000)	-
	<u>-</u>	<u>50,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,362	3,516
Cash and cash equivalents, beginning of year	<u>12,149</u>	<u>8,633</u>
Cash and cash equivalents, end of year	<u>\$ 25,511</u>	<u>\$ 12,149</u>
SUPPLEMENTAL DISCLOSURES:		
CASH PAID - INTEREST	<u>\$ 2,105</u>	<u>\$ 2,543</u>

The accompanying notes are an integral part of these financial statements.

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

1. Organization

Spanish Dance Arts Co., Inc. (the "Organization") is a not-for-profit organization incorporated in New York City, New York. Its stated purpose is to conduct cultural, charitable and education activities. The Organization's support comes primarily from individuals, corporations, foundations, government grants and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income taxes

The Organization is exempt from federal taxes under Internal Revenue Service Code Section 501(c) (3).

The Organization believes it has no uncertain tax positions as of June 30, 2017 that would require adjustment or disclosure in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes") which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

Financial statement presentation

In accordance with FASB Accounting Standards Codification ("FASB ASC") 958-310, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

In accordance with FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets as indicated above.

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 disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contributions

The Organization 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 by the passage of time or its restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributions (Cont'd)

Grants receivable represent amounts committed by donors that have not been received by the Organization.

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets. Fixed assets are capitalized by the Organization for all items of \$1,000 or more with a useful life greater than one year.

Advertising

The Organization expenses advertising costs in accordance with FASB ASC 340-20. No expenses were deferrable at June 30, 2017. Advertising expense was \$4,469 in 2017 and \$6,163 in 2016.

Inventory Valuation

Inventories are stated at the lower cost determined by the first-in, first-out method, or market.

Reclassification

Certain items in the June 30, 2016, financial statements have been reclassified to conform with the June 30, 2017 presentation. These reclassifications had no impact on the change in net assets for the year ended June 30, 2016.

3. PROPERTY AND EQUIPMENT

Property and equipment is capitalized and carried at cost less accumulated depreciation.

Depreciation is computed on the straight line basis over the estimated useful lives. A summary of property and equipment is as follows:

	June 30,	
	2017	2016
Theatrical equipment	\$ 6,119	\$ 6,119
Office furniture and equipment	75,232	75,232
	81,351	81,351
Less accumulated depreciation	(81,256)	(81,150)
	\$ 95	\$ 201

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

4. COMMITMENTS AND CONTINGENCIES

Lease

The Organization has an office lease ending March 31, 2018. Rent expense was \$90,428 in 2017 and \$91,922 in 2016.

Future minimum payments under the lease agreement for periods ending subsequent to June 30, 2017 are as follows:

2018	\$ 57,728
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5. CONCENTRATIONS

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with various financial institutions that may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of June 30, 2017 and 2016, the Organization had cash accounts which did not exceed the FDIC insurance limits.

The Organization receives a majority of its government grants from three agencies. The Organization received approximately 15% and 17% of its revenue from government grants for the years ended June 30, 2017 and 2016.

6. LINE OF CREDIT

The Organization has a \$75,000 line of credit with Signature Bank. Interest is payable monthly at Prime Rate plus 1%. The outstanding balance at June 30, 2017 was paid in full in August 2017 when amounts due under government and Department of Education contracts carried as receivables at year end had been paid in full. The line of credit is collateralized by substantially all assets of the Organization.

7. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, Spanish Dance Arts Co., Inc. has reviewed events that have occurred after June 30, 2017 through the date the financial statements were available to be issued, December 14, 2017.

SPANISH DANCE ARTS CO., INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program	General & Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 367,650	\$ 49,062	\$ 41,132	\$ 457,844
Artist and professional fees	131,290	18,289	-	149,579
Booking agent	32,022	-	-	32,022
Office supplies and computer expenses	-	7,252	-	7,252
Utilities and telephone	1,199	1,236	1,199	3,634
Postage and shipping	2,029	2,029	1,740	5,798
Rent	73,046	17,382	-	90,428
Costumes, materials and supplies	2,398	-	-	2,398
Production	12,489	-	-	12,489
Maintenance, repairs and equipment rentals	-	1,926	-	1,926
Insurance	10,268	10,268	-	20,536
Marketing and promotions	28,267	-	-	28,267
Dues and subscriptions	-	4,361	-	4,361
Travel, lodging and entertainment	104,779	-	-	104,779
Interest expense	-	2,605	-	2,605
Depreciation and amortization	-	106	-	106
Fundraising	-	-	15,325	15,325
Miscellaneous	-	6,653	-	6,653
Total functional expenses	\$ 765,437	\$ 121,169	\$ 59,396	\$ 946,002