



FLAMENCO VIVO
CARLOTA SANTANA

**Spanish Dance Arts Co., Inc.
Financial Statements
(Together with Independent Auditors' Report)**

Years Ended June 30, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SPANISH DANCE ARTS CO., INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Spanish Dance Arts Co., Inc.

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, Spanish Dance Arts Co., Inc. ("the Organization") adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, statement of functional expenses were added, as well as new disclosures regarding liquidity and the availability of resources. There is no change in the previously reported change in net assets as a result of the adoption of the ASU. Our conclusion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "Mark Paneth CPA". The signature is fluid and cursive, with the letters "CPA" written in a slightly larger, more distinct font at the end.

New York, NY
December 12, 2019

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

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 63,358	\$ 41,906
Grants and other receivables	53,455	68,975
Inventory	4,064	-
Security deposits	7,930	7,930
Prepaid expenses	18,446	10,574
Property and equipment (net)	-	-
	\$ 147,253	\$ 129,385
LIABILITIES:		
Accounts payable	\$ 19,700	\$ 500
Line of credit	-	25,000
	19,700	25,500
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	127,553	96,385
With donor restrictions	-	7,500
	127,553	103,885
	\$ 147,253	\$ 129,385

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

SPANISH DANCE ARTS CO., INC.
STATEMENTS OF ACTIVITIES

	Years ended June 30,	
	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE		
Contributions:		
Foundations	\$ 124,500	\$ 116,448
Corporations	700	10,000
Individuals	99,447	84,546
Total contributions	224,647	210,994
Admissions, education and performance fees	601,967	784,657
Government grants	146,025	195,200
	747,992	979,857
NET ASSETS RELEASED FROM RESTRICTIONS	7,500	6,500
TOTAL REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	980,139	1,197,351
EXPENSES:		
Program	707,186	951,803
General and administrative	180,594	165,578
Fundraising	61,191	60,318
TOTAL EXPENSES	948,971	1,177,699
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	31,168	19,652
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Admissions, education and performance fees	-	7,500
Net assets released from restrictions	(7,500)	(6,500)
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(7,500)	1,000
INCREASE IN NET ASSETS	23,668	20,652
NET ASSETS - BEGINNING OF YEAR	103,885	83,233
NET ASSETS - END OF YEAR	\$ 127,553	\$ 103,885

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

SPANISH DANCE ARTS CO., INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 361,833	\$ 74,844	\$ 38,861	\$ 475,538
Artist and professional fees	114,111	38,537	7,076	159,724
Booking agent	22,686	-	-	22,686
Office supplies and computer expenses	-	10,809	-	10,809
Utilities and telephone	1,245	1,281	1,244	3,770
Postage and shipping	778	778	667	2,223
Rent	87,079	19,194	-	106,273
Costumes, materials and supplies	1,652	-	-	1,652
Production	6,444	-	-	6,444
Maintenance, repairs and equipment rentals	-	8,846	-	8,846
Insurance	6,785	8,482	1,696	16,963
Marketing and promotions	20,705	-	-	20,705
Dues and subscriptions	-	4,482	-	4,482
Travel, lodging and entertainment	83,868	9,319	-	93,187
Interest expense	-	351	-	351
Hospitality	-	-	11,647	11,647
Miscellaneous	-	3,671	-	3,671
Total functional expenses	<u>\$ 707,186</u>	<u>\$ 180,594</u>	<u>\$ 61,191</u>	<u>\$ 948,971</u>

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

SPANISH DANCE ARTS CO., INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 425,240	\$ 69,062	\$ 33,535	\$ 527,837
Artist and professional fees	196,225	40,282	6,460	\$ 242,967
Booking agent	30,058	-	-	\$ 30,058
Office supplies and computer expenses	-	6,831	-	\$ 6,831
Utilities and telephone	1,226	1,262	1,226	\$ 3,714
Postage and shipping	1,473	1,474	1,263	\$ 4,210
Rent	75,423	18,077	-	\$ 93,500
Costumes, materials and supplies	3,168	-	-	\$ 3,168
Production	9,579	-	-	\$ 9,579
Maintenance, repairs and equipment rentals	-	1,627	-	\$ 1,627
Insurance	11,217	11,217	-	\$ 22,434
Marketing and promotions	41,799	-	-	\$ 41,799
Merchandise	7,145	-	-	\$ 7,145
Dues and subscriptions	-	6,264	-	\$ 6,264
Travel, lodging and entertainment	149,250	-	-	\$ 149,250
Interest expense	-	3,894	-	\$ 3,894
Depreciation and amortization	-	# 95	-	\$ 95
Hospitality	-	-	17,834	\$ 17,834
Miscellaneous	-	5,493	-	\$ 5,493
Total functional expenses	<u>\$ 951,803</u>	<u>\$ 165,578</u>	<u>\$ 60,318</u>	<u>\$ 1,177,699</u>

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

SPANISH DANCE ARTS CO., INC.
STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 23,668	\$ 20,652
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	-	95
Changes in assets and liabilities:		
Grants and other receivables	15,520	16,922
Inventory	(4,064)	7,145
Prepaid expenses	(7,872)	(700)
Accounts payable	19,200	(2,719)
	46,452	41,395
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	25,000
Payments of line of credit	(25,000)	(50,000)
	(25,000)	(25,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,452	16,395
Cash and cash equivalents, beginning of year	41,906	25,511
Cash and cash equivalents, end of year	\$ 63,358	\$ 41,906
SUPPLEMENTAL DISCLOSURES:		
CASH PAID - INTEREST	\$ 351	\$ 1,686

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

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America. This basis of accounting includes the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

In accordance with Financial Accounting Standards Board Accounting Standards Codification "FASB ASC" 958-310, the Organization is required to report information regarding its net assets and revenues on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to explicit donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Income Taxes

The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as a Section 501(c)(3) organization.

The Organization believes it has no uncertain tax positions as of June 30, 2019 that would require adjustment or disclosure in accordance with ASC Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

Cash and Cash Equivalents

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

Functional Allocation of Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function.

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2019. Advertising expense was \$6,106 in 2019 and \$4,993 in 2018.

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.

Inventory Valuation

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

New Accounting Standard

During the year ended June 30, 2019, the Organization adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, a statement of functional expenses was added, as well as new disclosures regarding liquidity and the availability of resources.

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform with current year presentation. These changes did not affect total net assets or total changes in net assets.

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,	
	2019	2018
Theatrical equipment	\$ 6,119	\$ 6,119
Office furniture and equipment	<u>75,232</u>	<u>75,232</u>
	81,351	81,351
Less: accumulated depreciation	<u>(81,351)</u>	<u>(81,351)</u>
	<u>\$ -</u>	<u>\$ -</u>

4. COMMITMENTS AND CONTINGENCIES

Lease

The Organization has an office lease ending December 31, 2020. Rent expense was \$106,273 in 2019 and \$93,500 in 2018.

Future minimum payments under the lease agreement for periods ending subsequent to June 30, 2019 are as follows:

2020	\$ 83,796
2021	\$ 42,720

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, 2019, and 2018, the Organization had cash accounts which did not exceed the FDIC insurance limits.

For the years ended June 30, 2019 and 2018, the Organization receives a majority of its government grants from two and four agencies, respectively. The Organization received approximately 15% and 16% of its revenue from government grants for the years ended June 30, 2019 and 2018, respectively.

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. LINE OF CREDIT

The Organization has a \$75,000 line of credit with Signature Bank. Interest is payable monthly at the Prime Rate plus 1%. The outstanding balance at June 30, 2018 was paid in full in July 2018 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. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions amount to \$0 and \$7,500 at June 30, 2019 and 2018, respectively. The amount represents payment received from Clermont Parks & Rec to be distributed as revenue in the following fiscal year.

8. LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL PURPOSES

The Organization regularly monitors liquidity required to meet its operating needs. In addition to financial assets available to meet expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources. As of June 30, 2019, the Organization's financial assets were as follows:

Cash and cash equivalents	\$ 63,358
Grants and other receivables	<u>53,455</u>
	<u>\$ 116,813</u>

All financial assets are available to meet expenditures over the next 12 months.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, Spanish Dance Arts Co., Inc. has reviewed events that have occurred after June 30, 2019 through the date the financial statements were available to be issued, December 12, 2019.