



FLAMENCO VIVO
CARLOTA SANTANA

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

Years Ended June 30, 2020 and 2019

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, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.



New York, NY
December 9, 2020

SPANISH DANCE ARTS CO., INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30,

	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 252,792	\$ 63,358
Grants and other receivables	95,010	53,455
Inventory	3,763	4,064
Security deposits	7,930	7,930
Prepaid expenses	11,269	18,446
Property and equipment (net)	11,641	-
	TOTAL ASSETS	TOTAL ASSETS
	\$ 382,405	\$ 147,253
 LIABILITIES:		
Accounts payable	\$ 46,332	\$ 19,700
Paycheck protection program loan	75,000	-
	TOTAL LIABILITIES	TOTAL LIABILITIES
	121,332	19,700
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Without donor restrictions	201,473	127,553
With donor restrictions	59,600	-
	TOTAL NET ASSETS	TOTAL NET ASSETS
	261,073	127,553
	\$ 382,405	\$ 147,253

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

SPANISH DANCE ARTS CO., INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE		
Contributions:		
Foundations	\$ 383,400	\$ 124,500
Corporations	10,500	700
Individuals	53,937	99,447
	447,837	224,647
Total contributions		
Admissions, education and performance fees	504,557	601,967
Government grants	190,145	146,025
	694,702	747,992
NET ASSETS RELEASED FROM RESTRICTIONS	-	7,500
TOTAL REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	1,142,539	980,139
EXPENSES:		
Program	829,335	707,186
General and administrative	187,606	180,594
Fundraising	51,678	61,191
	1,068,619	948,971
TOTAL EXPENSES		
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	73,920	31,168
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Grants - foundation	30,600	-
Grants - government	29,000	-
Net assets released from restrictions	-	(7,500)
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	59,600	(7,500)
INCREASE IN NET ASSETS	133,520	23,668
NET ASSETS - BEGINNING OF YEAR	127,553	103,885
NET ASSETS - END OF YEAR	\$ 261,073	\$ 127,553

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, 2020

	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 360,770	\$ 78,698	\$ 34,975	\$ 474,443
Artist and professional fees	176,048	53,016	7,563	236,627
Booking agent	24,875	-	-	24,875
Office supplies and computer expenses	-	3,321	-	3,321
Utilities and telephone	1,286	1,325	1,286	3,897
Postage and shipping	1,891	1,891	1,621	5,403
Rent	101,055	19,552	-	120,607
Costumes, materials and supplies	2,949	-	-	2,949
Production	150	-	-	150
Maintenance, repairs and equipment rentals	-	5,124	-	5,124
Insurance	7,828	7,827	-	15,655
Marketing and promotions	39,197	-	-	39,197
Dues and subscriptions	-	9,095	-	9,095
Travel, lodging and entertainment	108,912	-	-	108,912
Interest expense	-	132	-	132
Depreciation and amortization	-	2,910	-	2,910
Hospitality	-	-	6,233	6,233
Miscellaneous	4,374	4,715	-	9,089
Total functional expenses	<u>\$ 829,335</u>	<u>\$ 187,606</u>	<u>\$ 51,678</u>	<u>\$ 1,068,619</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, 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.
STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 133,520	\$ 23,668
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,910	-
Changes in assets and liabilities:		
Grants and other receivables	(41,555)	15,520
Inventory	301	(4,064)
Prepaid expenses	7,177	(7,872)
Accounts payable	26,632	19,200
	128,985	46,452
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(14,551)	-
	(14,551)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Paycheck protection program loan proceeds	75,000	-
Proceeds of line of credit	25,000	-
Repayments of line of credit	(25,000)	(25,000)
	75,000	(25,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	189,434	21,452
Cash and cash equivalents, beginning of year	63,358	41,906
Cash and cash equivalents, end of year	\$ 252,792	\$ 63,358
SUPPLEMENTAL DISCLOSURES:		
CASH PAID - INTEREST	\$ 132	\$ 351

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

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 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 program 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, 2020 AND 2019

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, insurance, postage and shipping, 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, 2020. Advertising expense was \$12,284 in 2020 and \$6,106 in 2019.

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 the 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, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain amounts in the 2019 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 are capitalized and carried at cost less accumulated depreciation.

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

	June 30,	
	2020	2019
Theatrical equipment	\$ 6,119	\$ 6,119
Office furniture and equipment	75,232	75,232
Leasehold improvements	14,551	-
	95,902	81,351
Less: accumulated depreciation	(84,261)	(81,351)
	\$ 11,641	\$ -

4. COMMITMENTS AND CONTINGENCIES

Lease

The Organization has an office lease ending December 31, 2020. Rent expense was \$120,607 in 2020 and \$106,273 in 2019.

Future minimum payments under the lease agreement for periods ending subsequent to June 30, 2020 are as follows:

2021	\$ 42,720
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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, 2020, and 2019, the Organization had cash accounts which did not exceed the FDIC insurance limits.

For the years ended June 30, 2020 and 2019, the Organization receives a majority of its government grants from two agencies. The Organization received approximately 18% and 15% of its revenue from government grants for the years ended June 30, 2020 and 2019, respectively.

SPANISH DANCE ARTS CO., INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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%. There was no outstanding balance at June 30, 2020 and June 30, 2019. The line of credit is collateralized by substantially all assets of the Organization.

7. PAYCHECK PROTECTION PROGRAM LOAN

The Organization has taken a Paycheck Protection Program Loan in the amount of \$75,000. The loan was obtained from Signature Bank on May 3, 2020 and carries a 1% interest rate. The balance is due on May 3, 2022. The loan carries an initial deferment period of six months through which time interest accrues. After the deferment period the loan must be repaid in 18 equal monthly installments of principal and interest. The loan liability may be forgiven, however the terms and qualifications for forgiveness are not known at this time.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions amount to \$59,600 and \$0 at June 30, 2020 and 2019, respectively. The amount represents payments received from two grant organizations to be distributed as revenue in the following fiscal year.

9. 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, 2020, the Organization's financial assets were as follows:

Cash and cash equivalents	\$ 252,792
Grants and other receivables	<u>95,010</u>
	<u>\$ 347,802</u>

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

10. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, Spanish Dance Arts Co., Inc. has reviewed events that have occurred after June 30, 2020 through the date the financial statements were available to be issued, December 9, 2020.