

**DANCEWORKS, INC.  
MILWAUKEE, WISCONSIN**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**AUGUST 31, 2015 AND 2014**

DANCEWORKS, INC.  
MILWAUKEE, WISCONSIN

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### Independent Auditor's Report

Board of Directors  
Danceworks, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Danceworks, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, cash flows and functional expenses 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

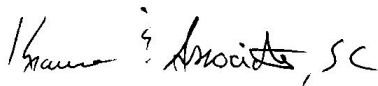
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Danceworks, Inc. as of August 31, 2015 and 2014, 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.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive style with a small mark above the 'i' in "Associates".

Krause & Associates, SC  
Grafton, Wisconsin  
December 3, 2015

DANCEWORKS, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 174,719	\$ 167,483
Accounts and grants receivable, net of allowance for doubtful accounts of \$5,000 and \$5,000 for 2015 and 2014, respectively	59,619	50,490
Contribution receivable	-	2,500
Prepaid expenses	<u>12,157</u>	<u>13,657</u>
Total current assets	<u>246,495</u>	<u>234,130</u>
<b>FIXED ASSETS</b>		
Equipment	104,463	100,740
Leasehold improvements	317,817	317,817
Website	21,074	21,074
Less accumulated depreciation and amortization	<u>(236,179)</u>	<u>(208,927)</u>
Fixed assets, net	<u>207,175</u>	<u>230,704</u>
<b>TOTAL ASSETS</b>	<u>\$ 453,670</u>	<u>\$ 464,834</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Note payable, line of credit	\$ -	\$ -
Accounts payable	5,338	12,606
Accrued payroll and payroll taxes	23,415	11,018
Deferred revenue	<u>37,280</u>	<u>51,274</u>
Total current liabilities	66,033	74,898
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	329,649	323,804
Board designated	50,717	33,328
Temporarily restricted	<u>7,271</u>	<u>32,804</u>
Total net assets	<u>387,637</u>	<u>389,936</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 453,670</u>	<u>\$ 464,834</u>

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

DANCEWORKS, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 85,313	\$ -	\$ 85,313	\$ 90,124	\$ -	\$ 90,124
Contributions - in-kind	35,000	-	35,000	33,435	-	33,435
Grants	207,161	-	207,161	294,471	20,000	314,471
United Performing Arts Fund	190,227	-	190,227	165,593	-	165,593
Class fees	367,580	-	367,580	343,176	-	343,176
Studio and equipment rental	12,572	-	12,572	6,572	-	6,572
Outreach programs	184,668	-	184,668	173,192	-	173,192
Performance	56,082	-	56,082	40,678	-	40,678
Special Event	14,130	-	14,130	14,991	-	14,991
Merchandise	24,842	-	24,842	19,334	-	19,334
Other	7,628	-	7,628	206	-	206
Released from restrictions:						
Purpose restrictions	25,533	(25,533)	-	7,537	(7,537)	-
Total revenue & support	1,210,736	(25,533)	1,185,203	1,189,309	12,463	1,201,772
Operating expenses:						
Program services	964,225	-	964,225	939,827	-	939,827
General and administrative	144,470	-	144,470	155,432	-	155,432
Fundraising	78,807	-	78,807	80,188	-	80,188
Total expenses	1,187,502	-	1,187,502	1,175,447	-	1,175,447
Changes in net assets	23,234	(25,533)	(2,299)	13,862	12,463	26,325
Beginning net assets	357,132	32,804	389,936	343,270	20,341	363,611
Ending net assets	\$ 380,366	\$ 7,271	\$ 387,637	\$ 357,132	\$ 32,804	\$ 389,936

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

DANCEWORKS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (2,299)	\$ 26,325
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	27,252	28,658
(Increase) decrease in receivables	(6,629)	(2,677)
(Increase) decrease in prepaid expenses	1,500	(3,085)
Increase (decrease) in accounts payable	(7,268)	5,258
Increase (decrease) in accruals	12,397	1,616
Increase (decrease) in deferred revenue	<u>(13,994)</u>	<u>9,122</u>
Total adjustments	<u>13,258</u>	<u>38,892</u>
Net cash provided by operating activities	10,959	65,217
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(3,723)</u>	<u>(8,878)</u>
Net cash used in investing activities	<u>(3,723)</u>	<u>(8,878)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) note payable, net	<u>-</u>	<u>-</u>
Net cash used in by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,236	56,339
Cash and cash equivalents at beginning of year	<u>167,483</u>	<u>111,144</u>
Cash and cash equivalents at end of year	<u>\$ 174,719</u>	<u>\$ 167,483</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
In-kind donations	<u>\$ 35,000</u>	<u>\$ 33,435</u>

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

DANCEWORKS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014  
2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Advertising and promotion	\$ 23,530	\$ -	\$ -	\$ 23,530
Costumes and sets	2,737	-	-	2,737
Depreciation and amortization	23,164	4,088	-	27,252
Hospitality	-	-	4,382	4,382
Insurance	6,876	1,289	430	8,595
Other	10,697	562	-	11,259
Payroll salaries and wages	572,593	97,101	45,935	715,629
Payroll taxes and benefits	70,824	12,010	5,682	88,516
Performance	13,472	-	-	13,472
Postage and delivery	3,621	453	453	4,527
Printing	15,496	1,937	1,937	19,370
Professional fees	66,400	7,293	1,495	75,188
Rent – building	85,327	15,421	2,056	102,804
Supplies	31,038	2,869	945	34,852
Special events	20,000	-	15,000	35,000
Telephone & utilities	4,642	1,447	492	6,581
Theater rental	13,808	-	-	13,808
Total expenses	<u>\$ 964,225</u>	<u>\$ 144,470</u>	<u>\$ 78,807</u>	<u>\$1,187,502</u>

	2014			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Advertising and promotion	\$ 23,713	\$ -	\$ -	\$ 23,713
Costumes and sets	3,612	-	-	3,612
Depreciation and amortization	24,359	4,299	-	28,658
Hospitality	-	-	6,183	6,183
Insurance	7,758	1,455	485	9,698
Other	10,051	5,549	-	15,600
Payroll salaries and wages	551,354	100,766	45,691	697,811
Payroll taxes and benefits	67,727	12,378	5,613	85,718
Performance	17,388	-	-	17,388
Postage and delivery	3,718	465	465	4,648
Printing	14,634	1,829	1,829	18,292
Professional fees	69,665	6,883	1,192	77,740
Rent – building	83,920	15,166	2,022	101,108
Supplies	31,704	5,182	1,211	38,097
Special events	17,500	-	15,000	32,500
Telephone & utilities	4,679	1,460	497	6,636
Theater rental	8,045	-	-	8,045
Total expenses	<u>\$ 939,827</u>	<u>\$ 155,432</u>	<u>\$ 80,188</u>	<u>\$1,175,447</u>

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



DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

Danceworks, Inc. (Danceworks) was incorporated in 1992 under the laws of the State of Wisconsin. Danceworks provides dance and related artistic instruction to the general public, community outreach programs in dance and related disciplines, and provides facilities for the performance of dance and other related instruction.

2. Accounting method

Danceworks follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Danceworks are classified and reported as follows:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed restrictions.

**Temporarily Restricted net assets** - Net assets subject to donor-imposed restrictions that may or may not be met, either by actions of Danceworks and/or the passage of time. When a restriction is met, restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that are to be permanently maintained by Danceworks.

Danceworks has no permanently restricted net assets as of August 31, 2015 and 2014.

3. Cash and cash equivalents

For purposes of the statements of cash flows, Danceworks considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Investments

Investments are recorded at fair value, which approximates cost. Danceworks had no investments as of August 31, 2015 and 2014.

DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2015 AND 2014

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Accounts and Grants Receivable

Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance based on its assessment of the current status of individual receivables.

6. Fixed assets

Fixed assets are recorded at cost, or fair market value if donated. Major additions and improvements are capitalized. Maintenance and repairs are expensed currently. Fixed assets are depreciated over the estimated useful lives of the assets using the straight-line method ranging from 5 to 15 years. Leasehold improvements are amortized over 10 or 39 years using the straight-line method.

7. Deferred revenue

Deferred revenue represents advance payments received for the subsequent performance season and teaching session.

8. Advertising costs

Advertising costs are charged to general operations as incurred. Advertising costs totaled \$23,530 and \$23,713 for the year ended August 31, 2015 and 2014, respectively.

9. Income taxes

Danceworks is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Danceworks evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

Danceworks' informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for Danceworks at August 31, 2015 and 2014. Danceworks has not incurred any interest or penalties for income taxes for the years ended August 31, 2015 and 2014.

DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2015 AND 2014

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 those estimates.

11. Allocation of functional expenses

Allocations presented on the statements of functional expenses are estimated by management based upon staff time devoted to the various functions or the purpose of the expense.

12. Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

13. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through December 3, 2015, which is the date that the financial statements were available to be issued.

B – ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consists of the following amounts as of August 31,

	<u>2015</u>	<u>2014</u>
Outreach and education programs	\$ 64,619	\$ 55,490
Less allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 59,619</u>	<u>\$ 50,490</u>

Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance based on its assessment of the current status of individual receivables.

DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2015 AND 2014

C - CONTRIBUTIONS

Contributions are recognized when the donor makes a promise to give to Danceworks that is, in substance, unconditional. Contributions received are recorded as unrestricted or restricted depending on the existence and nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in restricted net assets. When a restriction is met, restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

At August 31, 2015 and 2014, pledges receivable consist of outstanding donations to Danceworks and total \$0 and \$2,500, respectively. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance based on its assessment of the current status of individual pledges. All contributions receivable amounts were due within 12 months of the year end.

D - NOTE PAYABLE, LINE OF CREDIT

Danceworks has a bank line of credit available with a local bank, in the amount of \$125,000. The agreement, calls for monthly payments of interest. Interest is computed based on the prime rate. No balance was outstanding as of August 31, 2015 and 2014.

E – BOARD DESIGNATED FUND

The board designated the use of certain unrestricted gifts or donations, along with earnings thereon for the purpose of purchasing or constructing a new building. As of August 31, 2015 and 2014 the amount of board designated funds are \$50,717 and \$33,328, respectively.

F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Program activities, timing restriction	\$ -	\$ 20,000
Computer project	<u>7,271</u>	<u>12,804</u>
Total	<u>\$ 7,271</u>	<u>\$ 32,804</u>

DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2015 AND 2014

G - LEASE COMMITMENTS

During 1999, Danceworks signed a lease to rent studio, performance and office space at 1661 North Water Street in Milwaukee for a period of seven years, with renewal options. During 2011, the lease was renewed for an additional five years, expiring on May 31, 2016. The lease requires Danceworks to pay a base monthly rent. Rent expense related to this lease totaled \$102,804 and \$101,108 for 2015 and 2014 respectively. Danceworks also rents rehearsal and performance space on an as needed basis. Total rent expense for the years ended August 31, 2015 and 2014 amounted to \$116,612 and \$109,153, respectively. Future minimum lease payments are as follows:

2016	\$ 71,250
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Management plans to exercise an additional 5 year renewal option on the lease.

H - EMPLOYEE RETIREMENT PLAN

During 2011, Danceworks began offering a defined contribution retirement plan that covers eligible employees. Eligible employees may defer compensation up to 100% of compensation not to exceed the maximum amount allowed by law. Danceworks matches the contributions of eligible employees, up to a limit of 3% of each employee's annual salary. Employer contributions to the plan for the year ended August 31, 2015 and 2014 totaled \$6,571 and \$5,176, respectively.

I - CONTRIBUTIONS IN-KIND

Danceworks received donated services, material and facilities with an approximate fair value of \$35,000 and \$33,435 for the years ended August 31, 2015 and 2014, respectively. The donations satisfy the criteria for recognition and are included in contributions and expenses in the statements of activities.

A number of unpaid volunteers have made significant contributions of their time in conjunction with Danceworks' programs and services. The value of this contributed time is not included in these financial statements, as they do not meet the criteria for recognition.

J - FUNDRAISING

Fundraising expenses consist of only those expenses directly related to generation of fundraising event revenue. General fundraising and development expenses are reported as fundraising expenses.