

**DANCEWORKS, INC.  
MILWAUKEE, WISCONSIN**

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

**AUGUST 31, 2017 AND 2016**

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, 2017 and 2016, 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.

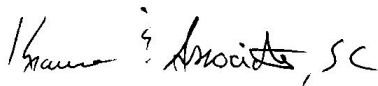
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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  
April 10, 2018

DANCEWORKS, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 218,926	\$ 206,000
Accounts and grants receivable, net of allowance for doubtful accounts of \$30,400 and \$20,000 for 2017 and 2016, respectively	99,564	68,970
Contribution receivable	-	-
Prepaid expenses	<u>18,969</u>	<u>13,535</u>
Total current assets	<u>337,459</u>	<u>288,505</u>
<b>FIXED ASSETS</b>		
Equipment	105,465	105,465
Leasehold improvements	317,817	317,817
Website	21,074	21,074
Less accumulated depreciation and amortization	<u>(279,908)</u>	<u>(260,977)</u>
Fixed assets, net	<u>164,448</u>	<u>183,379</u>
<b>TOTAL ASSETS</b>	<u>\$ 501,907</u>	<u>\$ 471,884</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Note payable, line of credit	\$ -	\$ -
Accounts payable	10,912	5,723
Accrued payroll and payroll taxes	32,323	19,321
Deferred revenue	<u>47,553</u>	<u>46,027</u>
Total current liabilities	90,788	71,071
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	312,111	342,805
Board designated	50,758	50,758
Temporarily restricted	<u>48,250</u>	<u>7,250</u>
Total net assets	<u>411,119</u>	<u>400,813</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 501,907</u>	<u>\$ 471,884</u>

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

DANCEWORKS, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 74,726	\$ 3,000	\$ 77,726	\$ 79,275	\$ 2,000	\$ 81,275
Contributions - in-kind	57,025	-	57,025	35,000	-	35,000
Grants	225,775	45,250	271,025	250,061	5,250	255,311
United Performing Arts Fund	170,194	-	170,194	192,675	-	192,675
Class fees	375,137	-	375,137	354,408	-	354,408
Studio and equipment rental	24,069	-	24,069	23,399	-	23,399
Outreach programs	228,763	-	228,763	190,580	-	190,580
Performance	65,592	-	65,592	53,423	-	53,423
Special Event	14,875	-	14,875	60,029	-	60,029
Merchandise	21,521	-	21,521	24,380	-	24,380
Other	12,542	-	12,542	8,195	-	8,195
Released from restrictions:						
Purpose restrictions	7,250	(7,250)	-	7,271	(7,271)	-
Total revenue & support	1,277,469	41,000	1,318,469	1,278,696	(21)	1,278,675
Operating expenses:						
Program services	1,012,987	-	1,012,987	986,402	-	986,402
General and administrative	188,628	-	188,628	180,216	-	180,216
Fundraising	106,548	-	106,548	98,881	-	98,881
Total expenses	1,308,163	-	1,308,163	1,265,499	-	1,265,499
Changes in net assets	(30,694)	41,000	10,306	13,197	(21)	13,176
Beginning net assets	393,563	7,250	400,813	380,366	7,271	387,637
Ending net assets	\$ 362,869	\$ 48,250	\$ 411,119	\$ 393,563	\$ 7,250	\$ 400,813

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

DANCEWORKS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 10,306	\$ 13,176
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	18,931	24,798
(Increase) decrease in receivables	(30,594)	(9,351)
(Increase) decrease in prepaid expenses	(5,434)	(1,378)
Increase (decrease) in accounts payable	5,189	385
Increase (decrease) in accruals	13,002	(4,094)
Increase (decrease) in deferred revenue	<u>1,526</u>	<u>8,747</u>
Total adjustments	<u>2,620</u>	<u>19,107</u>
Net cash provided by operating activities	12,926	32,283
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>-</u>	<u>(1,002)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,002)</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	12,926	31,281
Cash and cash equivalents at beginning of year	<u>206,000</u>	<u>174,719</u>
Cash and cash equivalents at end of year	<u>\$ 218,926</u>	<u>\$ 206,000</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
In-kind donations	<u>\$ 57,025</u>	<u>\$ 35,000</u>

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

DANCEWORKS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2017 AND 2016  
2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Advertising and promotion	\$ 25,555	\$ -	\$ -	\$ 25,555
Costumes and sets	8,433	-	-	8,433
Depreciation and amortization	16,091	2,840	-	18,931
Hospitality	-	-	3,608	3,608
Insurance	1,890	354	118	2,362
Other	27,724	11,459	1,627	40,810
Payroll salaries and wages	598,940	125,074	63,009	787,023
Payroll taxes and benefits	71,166	14,862	7,486	93,514
Performance	17,479	-	-	17,479
Postage and delivery	4,842	605	605	6,052
Printing	14,113	1,764	1,764	17,641
Professional fees	61,457	13,209	939	75,605
Rent – building	87,919	15,889	2,119	105,927
Supplies	25,377	1,570	531	27,478
Special events	32,625	-	24,400	57,025
Telephone & utilities	3,212	1,002	342	4,556
Theater rental	16,164	-	-	16,164
Total expenses	<u>\$ 1,012,987</u>	<u>\$ 188,628</u>	<u>\$ 106,548</u>	<u>\$1,308,163</u>

	2016			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Advertising and promotion	\$ 23,093	\$ -	\$ -	\$ 23,093
Costumes and sets	2,740	-	-	2,740
Depreciation and amortization	21,078	3,720	-	24,798
Hospitality	-	-	3,962	3,962
Insurance	6,938	1,301	434	8,673
Other	14,114	15,601	1,424	31,139
Payroll salaries and wages	577,844	116,515	62,951	757,310
Payroll taxes and benefits	69,234	13,960	7,543	90,737
Performance	24,996	-	-	24,996
Postage and delivery	5,238	655	655	6,548
Printing	18,280	2,285	2,285	22,850
Professional fees	65,533	6,744	1,258	73,535
Rent – building	86,427	15,619	2,083	104,129
Supplies	28,560	2,740	922	32,222
Special events	20,000	-	15,000	35,000
Telephone & utilities	3,450	1,076	364	4,890
Theater rental	18,877	-	-	18,877
Total expenses	<u>\$ 986,402</u>	<u>\$ 180,216</u>	<u>\$ 98,881</u>	<u>\$1,265,499</u>

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



DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

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, 2017 and 2016.

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, 2017 and 2016.

DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2017 AND 2016

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 \$25,555 and \$23,093 for the year ended August 31, 2017 and 2016, 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, 2017 and 2016. Danceworks has not incurred any interest or penalties for income taxes for the years ended August 31, 2017 and 2016.

DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2017 AND 2016

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 April 10, 2018, 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>2017</u>	<u>2016</u>
Outreach and education programs	\$ 129,964	\$ 88,970
Less allowance for doubtful accounts	<u>(30,400)</u>	<u>(20,000)</u>
	<u>\$ 99,564</u>	<u>\$ 68,970</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, 2017 AND 2016

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, 2017 and 2016, pledges receivable consist of outstanding donations to Danceworks and total \$0 and \$0, 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, 2017 and 2016.

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, 2017 and 2016 the amount of board designated funds are \$50,758 and \$50,758, respectively.

F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program activities, timing restriction	<u>\$ 48,250</u>	<u>\$ 7,250</u>

DANCEWORKS, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
AUGUST 31, 2017 AND 2016

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 2016, the lease was renewed for an additional five years, expiring on May 31, 2021. The lease requires Danceworks to pay a base monthly rent. Rent expense related to this lease totaled \$105,926 and \$104,129 for 2017 and 2016 respectively. Danceworks also rents rehearsal and performance space on an as needed basis. Total rent expense for the years ended August 31, 2017 and 2016 amounted to \$122,090 and \$123,006, respectively. Future minimum lease payments are as follows:

2018	\$ 104,478
2019	106,044
2020	108,438
2021	81,630

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, 2017 and 2016 totaled \$5,189 and \$4,145, respectively.

I - CONTRIBUTIONS IN-KIND

Danceworks received donated services, material and facilities with an approximate fair value of \$57,025 and \$35,000 for the years ended August 31, 2017 and 2016, 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.