

KYL DANCERS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS
FROM DECEMBER 31, 2015)

Together With
Independent Auditors' Report

KYL DANCERS, INC.

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Ruotolo, Spewak & Co.
COMMITTED TO CLIENT SERVICE

Partners:

Daniel J. Ruotolo, CPA, MS
Greg Spewak, CPA

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Dustin Ward, CPA
Melissa Hofmann, MAcc

Members:

American Institute of CPAs
New Jersey Society of CPAs
Pennsylvania Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors
KYL Dancers, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of KYL Dancers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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.

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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 KYL Dancers, Inc as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of KYL Dancers, Inc. for the year ended December 31, 2015, and our report dated May 2, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Protts, Spence & Co

May 11, 2017

KYL DANCERS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$231,312	\$224,781
Contributions receivable	22,818	41,368
Prepaid expenses	-	6,491
Total current assets	<u>254,130</u>	<u>272,640</u>
<u>FIXED ASSETS</u>		
Furniture and fixtures, net	<u>1,505</u>	<u>1,216</u>
Total fixed assets	<u>1,505</u>	<u>1,216</u>
Total assets	<u>\$255,635</u>	<u>\$273,856</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ -	\$ 2,555
Accrued expenses	<u>5,155</u>	<u>4,754</u>
Total current liabilities	<u>5,155</u>	<u>7,309</u>
<u>NET ASSETS</u>		
Unrestricted	235,602	229,739
Temporarily restricted	<u>14,878</u>	<u>36,808</u>
Total net assets	<u>250,480</u>	<u>266,547</u>
Total liabilities and net assets	<u>\$255,635</u>	<u>\$273,856</u>

See accompanying notes which are an integral part of these financial statements.

KYL DANCERS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
<u>REVENUE AND SUPPORT</u>				
Contributions	\$120,031	\$42,318	\$162,349	\$227,038
Advertising income	7,000	-	7,000	-
Class fees	5,540	-	5,540	7,710
Fundraising	2,510	-	2,510	-
Performance fees	9,180	-	9,180	11,800
Rental income	17,325	-	17,325	15,267
Ticket sales	21,063	-	21,063	12,976
Other income	336	-	336	741
Contributed services	121,795	-	121,795	79,908
Net assets released from restriction:				
Satisfaction of program restrictions	<u>64,248</u>	<u>(64,248)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>369,028</u>	<u>(21,930)</u>	<u>347,098</u>	<u>355,440</u>
<u>EXPENSES</u>				
<u>Program Expenses</u>				
Program services	<u>291,680</u>	<u>-</u>	<u>291,680</u>	<u>183,160</u>
<u>Support Services</u>				
Administrative and general	37,721	-	37,721	41,863
Fundraising	<u>33,764</u>	<u>-</u>	<u>33,764</u>	<u>27,665</u>
Total support services	<u>71,485</u>	<u>-</u>	<u>71,485</u>	<u>69,528</u>
Total expenses	<u>363,165</u>	<u>-</u>	<u>363,165</u>	<u>252,688</u>
Change in net assets	5,863	(21,930)	(16,067)	102,752
Net assets, beginning of year	<u>229,739</u>	<u>36,808</u>	<u>266,547</u>	<u>163,795</u>
Net assets, end of year	<u>\$235,602</u>	<u>\$14,878</u>	<u>\$250,480</u>	<u>\$266,547</u>

See accompanying notes which are an integral part of these financial statements.

KYL DANCERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2016</u>	<u>2015</u>
Payroll	\$ 99,342	\$ 7,303	\$10,107	\$116,752	\$ 83,186
Payroll taxes	10,611	1,061	1,592	13,264	9,164
Advertising and marketing	10,326	-	-	10,326	5,816
Conferences and meetings	9,157	-	-	9,157	1,985
Fundraising expenses	-	-	5,080	5,080	1,999
Insurance	2,405	424	-	2,829	2,734
Miscellaneous expenses	-	2,322	-	2,322	2,083
Office supplies	1,921	339	-	2,260	3,082
Performance expenses	27,865	-	-	27,865	7,340
Professional fees	-	15,103	8,424	23,527	36,683
Professional development	1,550	-	-	1,550	-
Rent	3,630	2,970	-	6,600	5,500
Repair and maintenance	97	17	-	114	1,044
Research	1,261	-	-	1,261	965
Teaching expenses	11,691	-	-	11,691	4,762
Telephone and internet fees	-	1,656	-	1,656	1,964
Travel	1,201	-	-	1,201	1,171
Utilities	2,874	430	-	3,304	3,965
Depreciation	519	92	-	611	587
Total expenses before In-kind expenses	184,450	31,717	25,203	241,370	174,030
In-kind expenses:					
Payroll	36,802	2,704	3,744	43,250	49,058
Advertising and marketing	56,228	-	-	56,228	1,350
Conferences and meetings	-	-	-	-	1,250
Fundraising	-	-	4,817	4,817	-
Performance expenses	-	-	-	-	10,810
Professional fees	-	3,300	-	3,300	2,790
Rent	13,200	-	-	13,200	13,400
Travel	1,000	-	-	1,000	-
Total expenses	<u>\$291,680</u>	<u>\$37,721</u>	<u>\$33,764</u>	<u>\$363,165</u>	<u>\$252,688</u>

See accompanying notes which are an integral part of these financial statements.

KYL DANCERS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2016</u>	<u>2015</u>
Change in net assets	\$(16,067)	\$102,752
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation	611	587
Decrease (increase) in assets:		
Contributions receivable	18,550	24,869
Prepaid expenses	6,491	(6,491)
Increase (decrease) in liabilities:		
Accounts payable	(2,555)	2,555
Accrued expenses	<u>401</u>	<u>1,999</u>
Net cash provided by operating activities	7,431	126,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and fixtures	(900)	-
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase in cash	6,531	126,271
Cash, beginning of year	<u>224,781</u>	<u>98,510</u>
Cash, end of year	<u>\$231,312</u>	<u>\$224,781</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes which are an integral part of these financial statements.

KYL DANCERS, INC.

NOTES TO FINANCIAL STATEMENTS

1) ORGANIZATION

KYL Dancers, Inc. (the Company) is a not-for-profit organization incorporated under the laws of the Commonwealth of Pennsylvania in February, 2006. The Company celebrates the ability of dance to integrate body, spirit and mind, inviting audiences worldwide to engage in their own journeys of self-discovery. Proceeding from a rich frame informed by diverse philosophies, living traditions and contemplative practices of Asian origin, the company performs original, contemporary works by its founder and Artistic Director that transcend cultural boundaries.

The Company inspires dance artists and audiences to examine the questions that shape us as individuals and communities, through world-class dance that integrates virtuosity with humanity. The Company believes in:

- Practicing a fearless physicality that resonates with the soul
- Setting in motion fresh interpretations of ancient traditions steeped in Eastern wisdom and sensibilities
- Inspiring cross-cultural approaches to community and self-discovery
- Igniting conversations about meaning and mystery.

The Company's mission was promoted primarily through: (1) performances for the public by its acclaimed dance ensemble; (2) free classes for youth in Philadelphia public schools emphasizing cultivation of mindfulness through movement; (3) classes for the public in a range of movement practices at the Company's Chi Movement Arts Center ("CHI MAC"); (4) presentation of dance performances for the public at CHI MAC through the Company's Inhale Performance Series; (5) support for dance makers and other creators through subsidized rehearsal space.

The Company receives its revenue and support primarily from contributions, classes, and contracted dance performances.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

KYL DANCERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the year ended December 31, 2016, the Company had no permanently restricted net assets.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances.

Furniture and Fixtures

All acquisitions of furniture and fixtures in excess of \$200 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and fixtures are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over 5 years.

Contributed Services

Contributed services are recognized as contributions if the services (a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Company.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

KYL DANCERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Company qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes is provided.

The Company has reviewed tax positions taken in filings with federal and state jurisdictions and believes those positions would be sustained should the filings be examined by the relevant taxing authority. For federal income tax purposes, the returns remain open for possible examination three years after they are filed. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in other expense in the statement of activities. No interest and penalties were recorded during the year ended December 31, 2016.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated through May 11, 2017, the date that the financial statements were available to be issued.

KYL DANCERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3) FIXED ASSETS

Fixed assets consists of the following at December 31, 2016:

Furniture and fixtures	\$13,866
Less: Accumulated depreciation	<u>(12,361)</u>
Net furniture and fixtures	<u>\$1,505</u>

4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs or periods:

Preserving Diverse Cultures	\$13,333
Program Stream	<u>1,545</u>
	<u>\$14,878</u>

5) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$64,248 were released from donor-restrictions during the year ended December 31, 2016 by incurring expenses satisfying the restricted purposes specified by the donors. Purposes restrictions accomplished for the year ended December 31, 2016 were:

HOME/S. 9 th St. performance	\$10,000
Preserving Diverse Cultures	6,667
Program Stream	773
Staffing	<u>46,808</u>
	<u>\$64,248</u>

6) RELATED PARTY TRANSACTIONS

The artistic director and executive director, both of whom also serve as Board Members of the Company, were paid a total of \$40,750 and contributed services totaling \$43,250 during the year ended December 31, 2016. In addition, the executive director was paid \$6,600 for rental of 3,000 square foot building space and donated \$13,200 for rent of studio space for the year ended December 31, 2016. The amounts are included in the accompanying statement of functional expenses as payroll and rent expense, accordingly.

KYL DANCERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7) CONDITIONAL PROMISES TO GIVE

During 2015, the Company received a challenge grant that provides a \$1 to \$1 match for contributions of up to \$300,000 payable in any increments upon collection of donations from any source between January 1, 2016 and December 31, 2020. The first contribution of \$60,000 related to the challenge grant was received during the year ended December 31, 2016.