

**REPERTORY DANCE THEATRE
FINANCIAL REPORT
JUNE 30, 2016**

REPERTORY DANCE THEATRE

Financial Statements

For the Year Ended June 30, 2016

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March 10, 2017

To the Board of Trustees
Repertory Dance Theatre
118 S. 6th Street
Emmaus, PA 18049

INDEPENDENT ACCOUNTANT'S REPORT

We have audited the accompanying financial statements of Repertory Dance Theatre (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses 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 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.

Qualified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Repertory Dance Theatre as of June 30, 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.

Prior Year Financial Statements

The 2015 financial statements of the Repertory Dance Theatre were compiled by us.

Hutchinson, Gillahan & Freeh, P.C.

REPERTORY DANCE THEATRE
Statement of Financial Position
June 30, 2016
(With Comparative Totals as of June 30, 2015)

<u>Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016 (Audited)</u>	<u>Total 2015 (Compiled)</u>
<u>Current Assets</u>					
Cash and Cash Equivalents	\$ 14,495	\$ -	\$ -	\$ 14,495	\$ 13,123
Investments	104,001	-	-	104,001	117,125
Accounts Receivable	-	-	-	-	-
Prepaid Expenses	2,283	-	-	2,283	2,212
Total Current Assets	120,779	-	-	120,779	132,460
<u>Fixed Assets</u>					
Property and Equipment	5,718	-	-	5,718	5,718
Less Accumulated Depreciation	(3,893)	-	-	(3,893)	(3,293)
Net Property and Equipment	1,825	-	-	1,825	2,425
TOTAL ASSETS	\$ 122,604	\$ -	\$ -	\$ 122,604	\$ 134,885
<u>Liabilities and Net Assets</u>					
<u>Liabilities</u>					
Deferred Revenue	\$ 1,985	\$ -	\$ -	\$ 1,985	\$ 2,039
Accounts Payable	6,204	-	-	6,204	4,526
Accrued Expenses	2,960	-	-	2,960	3,149
Total Liabilities	11,149	-	-	11,149	9,714
<u>Net Assets</u>					
Unrestricted	111,455	-	-	111,455	118,171
Temporarily Restricted	-	-	-	-	7,000
Permanently Restricted	-	-	-	-	-
Total Net Assets	111,455	-	-	111,455	125,171
TOTAL LIABILITIES AND NET ASSETS	\$ 122,604	\$ -	\$ -	\$ 122,604	\$ 134,885

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

REPERTORY DANCE THEATRE
Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals as of June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016 (Audited)</u>	<u>Total 2015 (Compiled)</u>
<u>Support and Revenue</u>					
Contributions:					
Foundations	\$ 63,000	\$ -	\$ -	\$ 63,000	\$ 51,250
Individuals	9,189	-	-	9,189	12,870
Government Grants	7,239	-	-	7,239	8,022
Corporations	725	-	-	725	4,898
Other Income	2,803	-	-	2,803	-
Program Service Revenue:					
Performances	93,625	-	-	93,625	85,631
Tuition and Fees	6,180	-	-	6,180	10,946
Contracted Services	2,223	-	-	2,223	7,140
Fundraising Event Income	3,134	-	-	3,134	2,616
Realized Gains (Losses)	8,524	-	-	8,524	2,145
Unrealized Gains (Losses)	(10,103)	-	-	(10,103)	-
Interest Income	12	-	-	12	22
Dividend Income (Net of Fees)	707	-	-	707	398
Net Assets Released from Restriction	7,000	(7,000)	-	-	-
Total Support and Revenue	194,258	(7,000)	-	187,258	185,938
<u>Expenses</u>					
Program Services	157,549	-	-	157,549	163,431
General and Administrative	36,691	-	-	36,691	44,343
Fund Raising Expenses	6,734	-	-	6,734	7,222
Total Expenses	200,974	-	-	200,974	214,996
Increase (Decrease) in Net Assets	(6,716)	(7,000)	-	(13,716)	(29,058)
<u>Net Assets</u>					
Beginning of Year	118,171	7,000	-	125,171	154,229
End of Year	\$ 111,455	\$ -	\$ -	\$ 111,455	\$ 125,171

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

REPERTORY DANCE THEATRE
Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Total 2016 (Audited)	Total 2015 (Compiled)
<u>Cash Flows from Operating Activities:</u>		
Increase (Decrease) in Net Assets	\$ (13,716)	\$ (29,058)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Investment Income (Net)	(9,243)	-
Unrealized Loss on Investments	10,103	7,746
Depreciation Expense	600	575
Increase/Decrease in Accounts Receivable	-	1,297
Increase/Decrease in Prepaid Expenses	(71)	748
Increase/Decrease in Accrued Expenses	(189)	(5,372)
Increase(Decrease) in Accounts Payable	1,678	2,631
Increase in Unearned Tuition	<u>(54)</u>	<u>1,689</u>
Net Cash Provided (Used) by Operating Activities	(10,892)	(19,744)
	-----	-----
<u>Cash Flows from Investing Activities:</u>		
Net Investment in New Building and Equip.	-	(1,500)
Investment Proceeds Net of Reinvestments	<u>12,264</u>	<u>14,046</u>
Net Cash Provided (Used) by Investing Activities	12,264	12,546
	-----	-----
Net Increase (Decrease) in Cash & Cash Equivalents	1,372	(7,198)
Cash and Cash Equivalents - July 1, 2015	<u>13,123</u>	<u>20,321</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 14,495</u>	<u>\$ 13,123</u>

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

REPERTORY DANCE THEATRE
Statement of Functional Expenses
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Year ended June 30, 2016 (Audited)				Year ended June 30, 2015 (Compiled)			
	Program Services	Management & General	Fund Raising	Total	Program Services	Management & General	Fund Raising	Total
Salaries and Wages	\$ 27,060	\$ 16,796	\$ 2,400	\$ 46,256	\$ 29,788	\$ 18,773	\$ 2,400	\$ 50,961
Payroll Taxes	2,471	1,531	219	4,221	2,819	1,778	227	4,824
Employee Benefits	20,469	2,557	2,557	25,583	23,063	2,883	2,883	28,829
Production Expense	86,146	-	-	86,146	81,542	-	-	81,542
Occupancy Expenses	9,181	4,399	550	14,130	9,771	4,863	608	15,242
Educational Outreach Expense	6,583	-	-	6,583	8,243	-	-	8,243
Telephone	1,977	824	494	3,295	2,016	840	504	3,360
Miscellaneous	-	-	-	-	1,880	-	-	1,880
Bank Service Charges	-	162	-	162	-	114	-	114
Dues & Subscriptions	-	2,285	-	2,285	-	3,059	-	3,059
Insurance	2,122	1,295	109	3,526	2,244	1,383	176	3,803
Depreciation	-	600	-	600	-	575	-	575
Office Expenses	-	1,100	-	1,100	-	818	-	818
Postage & Shipping	540	405	405	1,350	565	424	424	1,413
Printing and Publications	-	3,487	-	3,487	-	3,633	-	3,633
Scholarship	1,000	-	-	1,000	1,500	-	-	1,500
Professional Fees	-	1,250	-	1,250	-	5,200	-	5,200
TOTAL EXPENSES	\$ 157,549	\$ 36,691	\$ 6,734	\$ 200,974	\$ 163,431	\$ 44,343	\$ 7,222	\$ 214,996

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

REPERTORY DANCE THEATRE
Notes To Financial Statements
For the year ended June 30, 2016

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Repertory Dance Theatre was founded in 1986 to promote participation in and appreciation of dance and dance-related arts among children of the Lehigh Valley. The Repertory Dance Theatre sponsors classes for inner city youth and provides performance opportunities through two full stagings of ballet per year and participation in area cultural events.

Basis of Presentation

The financial statements have been prepared in accordance with Statements of Financial Accounting Standards which establish accounting standards for contributions received. Generally, the Standards prescribe that all contributions received, including unconditional promises to give, are recognized as revenue, at their fair values, and in the period received. The Standards also require that contributions received be distinguished between those that increase permanently restricted, temporarily restricted, and unrestricted net assets.

The Standards also prescribe display standards for general-purpose financial statements for all not-for-profit organizations. They require the classification of an organization's net assets, its revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. They also require that amounts for each of three classes of net assets (permanently restricted, temporarily restricted, and unrestricted) be displayed in a statement of financial position and that the amounts of the change in each of the three classes of net assets be displayed in a statement of activities.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein, are classified and reported as:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Temporarily restricted funds received and used within the same reporting period are included with unrestricted funds.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements prepared for Repertory Dance Theatre are on the accrual basis of accounting, which recognizes revenue when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows.

REPERTORY DANCE THEATRE
Notes To Financial Statements
For the year ended June 30, 2016

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.. The Organization has reviewed the tax positions for each of the open tax years (2012-2013 through 2014-2015) or expected to be taken in the 2015-2016 year and has concluded that there are no uncertain tax positions that would require recognition in the financial statements.

Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not consistently by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

Donated Assets and Services

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair value on the date they are received.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Based on published Financial Accounting Standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Revenue Recognition

The Organization's primary sources of revenues are contributions and program service revenue.

Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Equipment is carried at cost or, if donated, at the fair value on the date of the gift. All assets purchased with a useful life greater than one year and costing more than \$500 are capitalized.

Assets are depreciated on the straight-line basis over their estimated useful lives as follows:

Classification	Years
Equipment	5

REPERTORY DANCE THEATRE
Notes To Financial Statements
For the year ended June 30, 2016

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Note 2 – Cash and Cash Equivalents

Cash and Cash Equivalents are presented in the financial statements to represent the aggregate of cash funds on hand, as well as time and demand deposits held at financial institutions.

At June 30, 2016, cash and cash equivalents consist of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Cash in Banks:			
Checking Account	\$ 1,759	\$ -	\$ -
Savings Account	11,046	-	
Petty Cash	100		
Investment Cash Accounts	1,590	-	-
Total Cash per Financial Statements	\$ 14,495	\$ -	\$ -

At June 30, 2015, cash and cash equivalents consisted of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Cash in Banks:			
Checking Account	\$ -	\$ -	\$ -
Savings Account	1,684	7,000	
Petty Cash	100		
Investment Cash Accounts	4,339	-	-
Total Cash per Financial Statements	\$ 6,123	\$ 7,000	\$ -

All funds listed above; with the exception of cash on hand and any investment cash accounts, are on deposit with federally insured institutions. As of June 30, 2016 the bank accounts were not in excess of FDIC coverage.

All highly liquid investments with a maturity of less than three months, when purchased, are considered cash equivalents.

REPERTORY DANCE THEATRE
Notes To Financial Statements
For the year ended June 30, 2016

Note 3 - Investments

Cost and market values of the investments are segregated by net asset category as follows:

	2016			2015		
	Cost	Fair Market Value	Carrying Value	Cost	Fair Market Value	Carrying Value
Unrestricted	\$ 100,743	\$ 104,001	\$ 104,001	\$ 103,824	\$ 117,125	\$ 117,125
Temporarily Restricted	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-
TOTAL	\$ 100,743	\$ 104,001	\$ 104,001	\$ 103,824	\$ 117,125	\$ 117,125

Investments are comprised of the following:

	2016			2015		
	Cost	Fair Market Value	Carrying Value	Cost	Fair Market Value	Carrying Value
Fixed Income Funds	\$ 30,539	\$ 31,160	\$ 31,160	\$ 35,425	\$ 35,438	\$ 35,438
Equity Funds	70,204	72,841	72,841	68,399	81,687	81,687
TOTAL	\$ 100,743	\$ 104,001	\$ 104,001	\$ 103,824	\$ 117,125	\$ 117,125

The following schedule summarizes the investment return and it's classification in the statement of activities:

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest Income	\$ 12	\$ -	\$ -	\$ 12
Dividend Income (Net)	707	-	-	707
Unrealized Gains (Losses)	(10,103)	-	-	(10,103)
Realized Gains (Losses)	8,524	-	-	8,524
TOTAL	\$ (860)	\$ -	\$ -	\$ (860)

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest Income	\$ 22	\$ -	\$ -	\$ 22
Dividend Income (Net)	398	-	-	398
Unrealized Gains (Losses)	(7,746)	-	-	(7,746)
Realized Gains (Losses)	9,891	-	-	9,891
TOTAL	\$ 2,565	\$ -	\$ -	\$ 2,565

REPERTORY DANCE THEATRE
Notes To Financial Statements
For the year ended June 30, 2016

Investment income is reported net of expenses. Investment expense for the year ended June 30, 2016 was \$1,183 and \$1,396 for the year ended June 30, 2015.

Note 4 – Property and Equipment

A summary of property and equipment as of June 30, 2016, with comparable totals for June 30, 2015 consists of the following:

	2016	2015
Equipment	\$ 5,718	\$ 5,718
	5,718	5,718
Less: Accumulated Depreciation	(3,893)	(3,293)
TOTAL	\$ 1,825	\$ 2,425

Note 5 – Net Assets

Temporarily Restricted Net Assets are available for the following purposes:

	2016	2015
Student Programs	\$ -	\$ 7,000
TOTAL	\$ -	\$ 7,000

Note 7 – Allocation of Expenses by Function

The Organization's method for allocating expenses among the functional reporting classifications identified as program expenses, management and general expenses and fundraising expenses are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Note 8 – Fair Value Measurements

Financial Accounting Standards Board Statements establish a framework for measuring the fair value of investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;

REPERTORY DANCE THEATRE
Notes To Financial Statements
For the year ended June 30, 2016

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable.

The assets' or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the assets held by the organization and measured at fair value.

Fixed Income and Equity Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016 and 2015:

Assets at Fair Value as of June 30, 2016				
	Fair Value	Level I	Level II	Level III
Fixed Income	\$ 31,160	\$ 31,160	\$ -	\$ -
Equity Funds	72,841	72,841	-	-
Total Assets at Fair Value	\$ 104,001	\$ 104,001	\$ -	\$ -

Assets at Fair Value as of June 30, 2015				
	Fair Value	Level I	Level II	Level III
Fixed Income	\$ 35,438	\$ 35,438	\$ -	\$ -
Equity Funds	81,687	81,687	-	-
Total Assets at Fair Value	\$ 117,125	\$ 117,125	\$ -	\$ -

REPERTORY DANCE THEATRE
Notes To Financial Statements
For the year ended June 30, 2016

Note 9 – Lease Commitments and Total Rental Expense

The Organization leases office space for \$400 per month, on a year-to-year basis with the Organization responsible for insurance and utilities. Total rent incurred was \$4,800 for each of the years presented.

The Organization leases a studio and a garage for \$350 per month, on a year-to-year basis with the Organization responsible for insurance and utilities. Total rent incurred was \$4,200 for each of the years presented.

The Organization leases a second studio for \$166 per month, on a year-to-year basis, with the Organization responsible for insurance and utilities. Total rent incurred was \$2,000 for the year ended June 30, 2016 and \$1,992 for the year ended June 30, 2015.

The Organization leases a garage for \$1,800 per year, on a year-to-year basis, with the Organization responsible for insurance and utilities. Total rent incurred was \$1,800 for each of the years presented.

All of the above leases are with the executive director's father. In the opinion of management, all of the above leases were at or below market value during both years presented. Actual rent expense paid by the Organization was \$10,076 and \$10,992 for the years ended June 30, 2016 and 2015 respectively.

The Organization also utilizes a third studio for which it does not pay any rent. The lessor is a for-profit dance studio owned and operated by the Organization's executive director as the Dolly Haltzman Dance Academy (DHDA). In exchange for the use of this studio, the Organization allows DHDA to use an aforementioned studio at various times throughout the year.

Note 10 – Subsequent Events

Management has evaluated subsequent events through March 10, 2017, the date in which the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.