

ENSEMBLE ESPAÑOL
FINANCIAL STATEMENTS
JUNE 30, 2021

ENSEMBLE ESPAÑOL

INDEPENDENT AUDITOR'S REPORT

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June 30, 2021

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For the Year Ended June 30, 2021

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NOTES TO FINANCIAL STATEMENTS

VIDAL & ASSOCIATES, LTD

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and
Mr. Jorge Perez, Executive Director
of Ensemble Español
In residence at Northeastern Illinois University
Chicago, Illinois

We have audited the accompanying financial statements of Ensemble Español ABC Organization (an Illinois nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ensemble Español as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ensemble Español and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ensemble Español's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

(continued)

Auditor's Responsibilities for the Audit of the Financial Statements, continued

- Obtain an understanding of internal control relevant to the audit 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 Ensemble Español's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ensemble Español's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Vidal & Associates, Ltd.

VIDAL & ASSOCIATES, LTD.

Niles, Illinois

August 16, 2022

ENSEMBLE ESPAÑOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

EXHIBIT I

<u>ASSETS</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash	\$ 154,470	\$ -	\$ 154,470
Total Current Assets	154,470	-	154,470
<u>Property and Equipment:</u>			
Fixed Assets, at Cost	266,580	-	266,580
Accumulated Depreciation	(266,580)	-	(266,580)
	-	-	-
<u>Other Assets:</u>			
Endowment Funds	-	200,555	200,555
Total Other Assets	-	200,555	200,555
<u>TOTAL ASSETS</u>	\$ 154,470	\$ 200,555	\$ 355,025
<u>LIABILITIES AND NET ASSETS</u>			
<u>Current Liabilities</u>			
Credit Card Payable	\$ 2,094	-	\$ 2,094
Accrued Salaries and Payroll Taxes	854	-	854
Total Current Liabilities	2,948	-	2,948
<u>Net Assets:</u>			
Net Assets	151,522	200,555	\$ 352,077
	151,522	200,555	352,077
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 154,470	\$ 200,555	\$ 355,025

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

ENSEMBLE ESPAÑOL
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT II

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>			
Performances	\$ 2,761	\$ -	\$ 2,761
Workshop and Classes	27,327	-	27,327
Fundraising	2,996	-	2,996
Other Income	107,170	-	107,170
Investment Income	15,568	-	15,568
Unrealized Gains from Investments	-	46,306	46,306
Corporate Contributions	1,638	-	1,638
Government Support	42,818	-	42,818
Foundation Support	37,786	-	37,786
Private Donations	273,286	590	273,876
Northeastern Illinois University:			
Expense Allocation	14,704	-	14,704
Departmental Services and Facilities	155,930	-	155,930
In-Kind Contributions -Personal Services	46,559	-	46,559
<u>TOTAL REVENUES AND SUPPORT</u>	<u>728,543</u>	<u>46,896</u>	<u>775,439</u>
<u>EXPENSES</u>			
Program Services	239,943	1,200	241,143
Management and General	383,100	-	383,100
Fund-Raising	75,377	-	75,377
<u>TOTAL EXPENSES</u>	<u>698,420</u>	<u>1,200</u>	<u>699,620</u>
<u>CHANGE IN NET ASSETS</u>	<u>30,123</u>	<u>45,696</u>	<u>75,819</u>
Net Assets, Beginning of Year	<u>121,399</u>	<u>154,859</u>	<u>276,258</u>
Net Assets, End of Year	<u>\$ 151,522</u>	<u>\$ 200,555</u>	<u>\$ 352,077</u>

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

ENSEMBLE ESPAÑOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT III

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<u>OPERATING EXPENSES</u>				
Performers and Guest Artists	\$ 77,647	\$ -	\$ -	\$ 77,647
Professional and Artistic Services	12,361	-	-	12,361
Technical and Production Staff	3,176	1,400	-	4,576
Educational Staff	-	116,497	-	116,497
Fringe Benefits	-	16,088	-	16,088
Costume Expense and Accessories	3,533	-	-	3,533
Payroll Tax Expense	-	27,184	-	27,184
Advertising Expense	1,536	4,451	-	5,987
Scholarships	1,200	-	-	1,200
Postage and Messenger Services	3,094	35	-	3,129
Travel, Transportation and Lodging	16,936	8,744	500	26,180
Printing and Copying Expense	-	1,094	750	1,844
Audit Expense	-	10,885	-	10,885
Dues and Subscriptions	-	1,686	-	1,686
Insurance Expense	-	10,625	-	10,625
Theatre and Space Rent	29,860	-	-	29,860
Equipment Rental Expense	1,035	-	-	1,035
Fund Raising Expense	-	-	48,284	48,284
Administrative Expenses	-	92,517	-	92,517
Miscellaneous Expense	-	1,462	-	1,462
Depreciation Expense	1,764	-	-	1,764
Interest Expense	-	16	-	16
Bank and Other Charges	-	2,771	-	2,771
<u>TOTAL OPERATING EXPENSES</u>	<u>152,142</u>	<u>295,455</u>	<u>49,534</u>	<u>497,131</u>
<u>IN-KIND EXPENSES</u>				
Northeastern Illinois University:				
Departmental Services and Facilities	83,558	50,542	21,830	155,930
Contributed Personal Services	5,443	37,103	4,013	46,559
<u>TOTAL IN-KIND EXPENSE</u>	<u>89,001</u>	<u>87,645</u>	<u>25,843</u>	<u>202,489</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>\$ 241,143</u>	<u>\$ 383,100</u>	<u>\$ 75,377</u>	<u>\$ 699,620</u>

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

ENSEMBLE ESPAÑOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT IV

<u>Cash Flows From Operating Activities:</u>	
Change in Net Assets	\$ 75,819
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	1,764
Net Transfers out of Endowment Funds	611
Realized Loss on Sale of Endowment Fund Investments	193
Unrealized Gain on Endowment Fund Market Fluctuation	(42,382)
Changes in Operating Assets and Liabilities:	
Prepaid Rent	20,000
Credit Card Payable	(3,030)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>52,975</u>
 <u>Cash Flows From Investing Activities:</u>	
Investment Income Reinvested	<u>(4,117)</u>
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	<u>(4,117)</u>
 <u>Cash Flows From Financing Activities:</u>	
Principal Payments on Line of Credit	<u>(931)</u>
<u>NET CASH USED IN FINANCING ACTIVITIES</u>	<u>(931)</u>
<u>NET INCREASE IN CASH</u>	47,927
 <u>Cash:</u>	
Beginning of Year	<u>106,543</u>
End of Year	<u>\$ 154,470</u>

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

ENSEMBLE ESPAÑOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

(1) Nature of the Organization

Ensemble Español (“the Organization”) is an Illinois not-for-profit entity incorporated under the General Not-For-Profit Corporation Act of Illinois on February 10, 1976. The Organization operates a professional Spanish dance company and center in-residence at Northeastern Illinois University, Chicago (“the University”). The mission of the Organization is the preservation, presentation and promotion of the classical, folkloric Flamenco, contemporary music and dance traditions of Spain through performances and education.

Foremost of these dance activities is the two-week American Spanish Dance and Music Festival (ASDMF). In addition to ASDMF, the Organization performs concert series throughout the United States and in foreign countries. The programs include day and evening activities that include student concerts and residencies that are presented in various locations, including park districts, schools, universities, theaters, and civic centers throughout the United States.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation:

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor restrictions.

These financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by the classification of fund balances and transactions into two classes of net assets; net assets with donor restrictions and net assets without donor restrictions as recommended by the FASB’s issuance of Financial Accounting Standards Update (ASU) no. 2016-14, Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted the FASB (ASU) No. 2016 effective July 1, 2018.

Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net Assets that are not subject to donor –imposed stipulations. As of June 30, 2021, the Organization has \$154,470 in Net Assets Without Donor Imposed Restrictions.

Net Assets With Donor Restrictions – Net Assets subject to donor-imposed stipulations. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At June 30, 2021, the organization has \$200,555 in Net Assets With Donor Restrictions.

(continued)

ENSEMBLE ESPAÑOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

(2) Summary of Significant Accounting Policies (continued)

(b) Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(c) Promises to Give:

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

(d) Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Functional Expenses:

Direct expenses have been charged to program, general and administrative or fund-raising categories based on specific identification. Indirect expenses have been allocated among the programs and supporting services benefited.

(f) Contributed Services:

Donated services from professionals or organizations who regularly provide and charge for those services in the course of business are valued at fair market value. During the year ended June 30, 2021, the value of contributed services received by the Organization meeting the requirements for recognition in the financial statements amounted to \$46,559.

(g) Contributions:

Contributions received are recorded as With Donor Restrictions, or Without Donor Restrictions depending on the existence or nature of any donor restrictions.

(h) Fixed Assets and Depreciation:

All fixed assets are carried at cost. Generally accepted accounting principles require fixed assets to be capitalized and depreciated over their estimated useful lives. Depreciation is computed by the straight - line method over the useful lives of the assets as follows:

Costumes, Accessories and Stage Props – 10 years

(continued)

ENSEMBLE ESPAÑOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Advertising Costs:

The Organization expenses all advertising costs in the period in which they are incurred. Advertising expense amounted to \$5,987 for the year ended June 30, 2021.

(j) Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Federal Exempt Organization Business Income Tax Returns (Form 990) for 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

(k) Investments:

Ensemble Español accounts for investments in accordance with FASB ASC 958-320, "Not-for Profit Entities, Investments-Debt and Equity Securities". Under FASB ASC 958-320, investments with readily determinable fair values and all investments in debt securities are reported at fair values in the Statement of Financial Position.

Investment returns are reported in the Statement of Activities and consist of interest, dividends and realized and unrealized gains and losses. Restrictions by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

(3) Endowment and Scholarship Funds

Investments are composed of Endowment and Scholarship Fund managed by the Northeastern Illinois University Foundation in a Pooled Fund ("Pooled Fund"). The allocated account balances of the Organization at June 30, 2021 are as follows:

	<u>Endowment</u> <u>Fund</u>	<u>Scholarship</u> <u>Funds</u>	<u>Total</u>
Balances, July 1, 2020	\$ 27,528	\$ 127,331	\$ 154,859
Contributions	590	-	590
Expenses	-	(1,200)	(1,200)
Investment Income	756	3,360	4,116
Realized Losses	(35)	(157)	(192)
Unrealized Gains	<u>7,786</u>	<u>34,596</u>	<u>42,382</u>
Balances, June 30, 2021	<u>\$ 36,625</u>	<u>\$ 163,930</u>	<u>\$ 200,555</u>

(continued)

ENSEMBLE ESPAÑOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

(3) Endowment and Scholarship Funds, (continued)

Endowment Fund consists of the Ensemble Español Endowment Fund and the Scholarship Fund consists of the Brommel-Perez Scholarship for Ensemble Español, Brommel-Komaiko-Perez Scholarship for Ensemble Español and Brommel-Chan-Laird Scholarship in Ensemble Español. The investments in each Fund are donor restricted for the purpose of generating investment income to award scholarships to students and dancers in Ensemble Español enrolled at Northeastern Illinois University.

(4) Due to Related Party

Following is a summary of Related Party Notes Payable as of June 30, 2021:

Interest Free Notes from Board Members and is payable on demand.	\$ <u> 0</u>
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(5) Allocated Expenditure Support from Northeastern Illinois University

This account represents actual funds contributed by the University to pay for the organization's administrative staff personal services and benefits, newspaper and radio advertising, postage, printing and photocopy, lodging of guest artists, vehicle rental, parking, telephone, office supplies, and rental of performing theaters and venues. The University is considered a related party to the Organization. Allocated expenses amounted to \$14,704 for the year ended June 30, 2021.

(6) Donated Services and In-Kind contributions from Northeastern Illinois University

The Organization receives various marketing, accounting and artistic goods and services from the University free of charge. In-kind donated departmental services and facilities were \$155,930 for the year ending June 30, 2021. In-kind donated personnel services were \$46,559 (see footnote 2(f)) for the year ending June 30, 2021. Both items were included as in-kind contributions and expenditures in the financial statements. The University is considered a related party to the Organization.

(7) Leases

The Organization leases space from The North Shore Center for Performing Arts in Skokie on an event basis. For the year ended June 30, 2021, the Organization leased theatre space for rehearsal and performances for six days starting June 18th through the 23rd. Terms of the lease included three rehearsal days and three performance days for a base rental of \$20,000 plus various additional charges for services rendered on behalf of the Organization.

The University provides office, instruction and rehearsal space on in-kind basis totaling \$116,191 for the year ended June 30, 2021 and is reflected in the In-Kind Expense section of the Statement of Functional Expenses. Total rent expense amounted to \$500 for the year ended June 30, 2021.

(continued)

ENSEMBLE ESPAÑOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

(8) Fair Value Measurements

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing an asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes categories the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities the Organization has the ability to access.

Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in active market, or other inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs for asset or liability and rely on management's own assumptions about what assumptions the market would use in pricing the assets or liabilities.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of the particular input to entire measurement requires judgement, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset of liability.

Investments in fixed income corporate and municipal bonds, and US treasury notes are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market – rate assumptions, and are classified as level 2.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021

<u>Level 1</u>	
Cash	<u>\$ 154,470</u>
<u>Level 2</u>	
Pooled Fund	<u>\$ 200,555</u>

(continued)

ENSEMBLE ESPAÑOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

(9) Fixed Assets

Fixed Asset balances as of June 30, 2021 are as follows:

Costumes and Accessories	\$ 203,380
Website	5,000
Sets and Stage Props	<u>58,200</u>
	266,580
Less: Accumulated Depreciation	<u>(266,580)</u>
Total Net	<u>\$ 0.00</u>

Depreciation Expense amounted to \$1,764 for the year ended June 30, 2021.

(10) Concentrations of Credit Risk

Financial instruments that potentially subject the organization to concentration of credit risk of cash deposits. Ensemble Español maintains bank accounts at several local banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The Organization's bank balances were fully insured at June 30, 2021.

(11) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date. As part of the Organization's liquidity management, cash in excess of daily requirements is invested in short term investments.

Cash	\$ 154,470
Credit Card Payable	(2,094)
Accrued Salaries	<u>(854)</u>
	<u>\$ 151,522</u>

(12) Subsequent Events

Subsequent events were evaluated through August 16, 2022, which is the date the financial statements were available to be issued. As a result of the spread of COVID-19 Coronavirus, economic uncertainties have arisen that are likely to negatively affect the Organization's operating results although the impact cannot be reasonably estimated at this time.

(continued)

ENSEMBLE ESPAÑOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

(13) The Cares Act Paycheck Protection Program

As a result of the uncertainty surrounding the COVID-19 pandemic and its impact on the Organization's operating results, the Organization applied for and received proceeds of \$65,362 and \$75,000 through the Paycheck Protection Program ("PPP") on April 4, 2020 and February 1, 2021, respectively.

IAS 20 provides a model for the accounting of different forms of government assistance, which includes forgivable loans. Under this model, government assistance is not recognized until there is reasonable assurance (similar to the probable threshold in U.S. GAAP) that any conditions attached to the assistance will be met and the assistance will be received. Once there is reasonable assurance that the conditions will be met, the earnings impact of the grant is recorded on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

As of June 30, 2021, the Organization has used \$140,362 of loan proceeds to fund eligible payroll, rent and utility expenses under the terms of the PPP Loan.

On March 15, 2021 and April 28, 2021, the Small Business Administration forgave the first and second Paycheck Protection Program loans.