

THE YARD, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

THE YARD, INC.

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SEPTEMBER 30, 2013

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**ABELSON
&
COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Yard, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Yard, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows 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 The Yard, Inc. as of September 30, 2013 and 2012, and the changes in its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clifford N. Abelson & Company

A handwritten signature in cursive script that reads "Clifford N. Abelson". The signature is enclosed within a large, hand-drawn oval.

Salem, Massachusetts
January 30, 2014

THE YARD, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$ 69,491	\$ 48,109
Pledges receivable (less allowance for uncollectible accounts of \$4,176 and \$15,536, respectively)	26,181	47,100
Prepaid insurance	<u>11,300</u>	<u>12,553</u>
Total current assets	<u>106,972</u>	<u>107,762</u>
Property and equipment:		
Building and improvements	2,131,083	2,131,083
Equipment	39,166	35,198
Motor vehicles	<u>19,950</u>	<u>15,050</u>
	2,190,199	2,181,331
Less - accumulated depreciation	<u>(139,547)</u>	<u>(126,131)</u>
Net property and equipment	<u>2,050,652</u>	<u>2,055,200</u>
Other assets:		
Pledges receivable (less allowance for uncollectible accounts of \$6,265 and \$2,119, respectively)	19,003	5,866
Security deposits	<u>3,650</u>	<u>4,300</u>
Total other assets	<u>22,653</u>	<u>10,166</u>
Total assets	<u>\$ 2,180,277</u>	<u>\$ 2,173,128</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 31,847	\$ 40,466
Accrued taxes and expenses	16,922	11,035
Loans payable	<u>110,500</u>	<u>138,000</u>
Total liabilities	<u>159,269</u>	<u>189,501</u>
Net assets:		
Unrestricted	2,021,008	1,983,627
Temporarily restricted	0	0
Permanently restricted	<u>0</u>	<u>0</u>
Total net assets	<u>2,021,008</u>	<u>1,983,627</u>
Total liabilities and net assets	<u>\$ 2,180,277</u>	<u>\$ 2,173,128</u>

See accompanying notes and independent auditor's report.

THE YARD, INC.

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30

	<u>2013</u>	<u>2012</u>
Unrestricted support and revenue:		
Donations and fundraising income	\$ 551,729	\$ 460,245
Ticket sales	37,779	28,020
Education and fees	14,817	14,165
Grants	66,087	25,000
Investment income	241	22
Rental income	<u>1,817</u>	<u>2,275</u>
Total unrestricted support and revenue	<u>672,470</u>	<u>529,727</u>
Restricted support and revenue	0	3,000
Restrictions satisfied by payments	<u>0</u>	<u>(3,000)</u>
Total support and revenue	<u>672,470</u>	<u>529,727</u>
Expenses:		
Program expenses	309,235	252,896
Management and general expenses	258,066	166,069
Fundraising expenses	<u>67,788</u>	<u>50,715</u>
Total expenses	<u>635,089</u>	<u>469,680</u>
Increase in unrestricted net assets	37,381	60,047
Net assets, beginning of year	<u>1,983,627</u>	<u>1,923,580</u>
Net assets, end of year	<u>\$ 2,021,008</u>	<u>\$ 1,983,627</u>

See accompanying notes and independent auditor's report.

THE YARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30

	<u>2013</u>	<u>2012</u>
Program expenses:		
Artistic fees and production costs	\$ 194,668	\$ 164,508
Contract labor	8,513	2,606
Depreciation	13,416	13,047
Equipment rental	1,632	1,433
Meals and entertainment	2,455	3,575
Occupancy	1,720	1,799
Office supplies and printing expense	500	16
Salaries and wages	46,313	39,470
Supplies	15,007	10,074
Taxes – payroll and other	3,409	3,958
Telephone	1,621	1,740
Travel and transportation	17,473	8,480
Utilities	2,508	2,190
Total program expenses	<u>\$ 309,235</u>	<u>\$ 252,896</u>
Management and general expenses:		
Advertising and promotion	\$ 17,144	\$ 14,011
Automobile expenses	4,751	4,535
Bank and credit card fees	2,238	2,332
Contract labor	9,121	9,571
Dues, fees and subscriptions	2,093	1,295
Insurance	23,723	8,643
Interest expense	6,033	7,567
Meals and entertainment	4,582	1,395
Office supplies and expense	14,743	10,073
Printing	3,678	594
Professional fees	26,987	14,580
Repairs and maintenance	36,958	12,110
Salaries and wages	46,313	39,470
Taxes – payroll and other	3,409	3,958
Telephone	3,242	3,479
Theft loss	575	0
Travel and transportation	44,953	25,887
Utilities	7,523	6,569
Total management and general expenses	<u>\$ 258,066</u>	<u>\$ 166,069</u>

See accompanying notes and independent auditor's report.

THE YARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30

	<u>2013</u>	<u>2012</u>
Fundraising expenses:		
Advertising and promotion	\$ 4,075	\$ 0
Contract labor	0	210
Meals and entertainment	629	1,656
Office supplies and expense	789	356
Salaries and wages	46,313	39,470
Supplies	10,952	2,449
Taxes – payroll and other	3,409	3,958
Telephone	1,621	1,740
Travel and transportation	0	876
Total fundraising expenses	<u>67,788</u>	<u>50,715</u>
 Total expenses	 <u>\$ 635,089</u>	 <u>\$ 469,680</u>

See accompanying notes and independent auditor's report.

THE YARD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in unrestricted net assets	\$ 37,381	\$ 60,047
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	13,416	13,047
Pledges receivable	7,782	12,509
Decrease (increase) in assets:		
Prepaid insurance	1,253	(9,232)
Deposits	650	(1,300)
Increase (decrease) in liabilities:		
Accounts payable	(8,619)	(10,498)
Accrued taxes and expenses	5,887	6,145
Net cash provided by operating activities	<u>57,750</u>	<u>70,718</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in property and equipment	<u>(8,868)</u>	<u>(1,100)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in loans payable	<u>(27,500)</u>	<u>(30,477)</u>
Net increase in cash	21,382	39,141
Cash at beginning of year	<u>48,109</u>	<u>8,968</u>
Cash at end of year	<u>\$ 69,491</u>	<u>\$ 48,109</u>

See accompanying notes and independent auditor's report.

THE YARD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

Note 1 - Nature of Activities and Significant Accounting Policies

A. NATURE OF ACTIVITIES

The Yard, Inc. is a performing artists colony for contemporary dance located in Chilmark, Massachusetts. It provides a place for dancers to develop new work in a supportive environment. The Organization provides summer residencies at its theater and housing complex. It also presents live performances for the community, the public school system and senior citizens programs. The Organization is supported primarily through fundraising, donations and grants.

B. METHOD OF ACCOUNTING

The Organization records transactions using the accrual method of accounting.

C. CONTRIBUTIONS

Contributions are recognized when received or pledged from the donor. Unrestricted contributions are reported as increases in unrestricted net assets in the fiscal year in which the contributions are recognized. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

D. PROMISE TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at the net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

THE YARD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

Note 1 - Nature of activities and Significant Accounting Policies (continued)

E. CONTRIBUTED SERVICES

During the year ended September 30, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

F. ESTIMATES

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

G. PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted donations unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted donations.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies assets at that time. Property and equipment are depreciated using the straight-line method.

H. NONPROFIT STATUS AND INCOME TAXES

The Yard, Inc. is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to The Yard, Inc. within Internal Revenue Code regulations. The Yard, Inc. is subject to a tax on income from any unrelated business.

On July 1, 2010, The Yard, Inc. adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Yard, Inc. has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Yard, Inc. believes that

THE YARD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

Note 1 - Nature of activities and Significant Accounting Policies (continued)

I. NONPROFIT STATUS AND INCOME TAXES

income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect The Yard, Inc.'s financial condition, results of operations or cash flows. Accordingly, The Yard, Inc. has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2013.

The Yard, Inc. is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Yard, Inc. believes it is no longer subject to income tax examinations for years prior to 2010.

The Yard, Inc.'s policy is to classify income tax related interest and penalties in interest expenses, respectively.

J. ADVERTISING

The Organization expenses advertising cost when the advertising first takes place.

Note 2 - Pledges Receivable

A discount rate of 3% was used in computing the present value of the pledges receivables. Included in pledges receivable are the following unconditional pledges for the years ended September 30:

	<u>2013</u>	<u>2012</u>
Gross unconditional pledges	\$ 56,917	\$ 72,805
Less: unamortized discounts	(1,292)	(2,184)
Less: allowance for uncollectible accounts	<u>(10,441)</u>	<u>(17,655)</u>
Net unconditional promise to give	<u>\$ 45,184</u>	<u>\$ 52,966</u>
Amount due in:		
Less than one year	\$ 26,181	\$ 47,100
One to five years	<u>19,003</u>	<u>5,866</u>
	<u>\$ 45,184</u>	<u>\$ 52,966</u>

THE YARD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

Note 3 - Cash Flow Information

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on hand, checking and money market accounts.

Cash paid for interest for the years ended September 30, 2013 and 2012 were \$6,003 and \$7,567, respectively.

Note 4 - Patricia N. Nanon Foundation Property Transfer

On June 29, 2007, an agreement was signed between The Yard, Inc. and the Patricia N. Nanon (PNN) Foundation. The PNN Foundation conveyed the parcel of real estate located in Chilmark, Massachusetts to the Yard, Inc. as a gift. The estimated fair market value of the donation is \$2,100,000. A mortgage with no monetary liability will be required for the first five years and the following conditions must be fulfilled. The Yard, Inc. shall continue to use the property in a manner that is consistent with The Yard, Inc.'s mission and shall not encumber the property in an amount that exceeds \$100,000. If no default has occurred within five years from the date of the agreement, The Yard, Inc. will be discharged from the mortgage and the property will be released from the donor imposed restrictions. The Yard, Inc. has fulfilled this five-year requirement and the mortgage was discharged as of July 2, 2012. Consequently, the asset has been transferred from a temporarily restricted asset to an unrestricted asset.

Note 5 - Subsequent Events

The Yard, Inc. did not have any recognized or non-recognized subsequent events after September 30, 2013, the date of the financial position. Subsequent events have been evaluated through January 30, 2014, the date the financial statements were available to be issued.