

# COTÉ & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

## **PERFORMING ARTS WORKSHOP, INC. (A NOT-FOR-PROFIT CORPORATION)**

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

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FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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PERFORMING ARTS WORKSHOP, INC.  
(A NOT-FOR-PROFIT CORPORATION)

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Coté & Company, APC

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Performing Arts Workshop, Inc.  
(A Not-For-Profit Corporation)  
San Francisco, California

We have audited the accompanying statement of financial position of **PERFORMING ARTS WORKSHOP, INC.** (A Not-For-Profit Corporation) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements and our report, which was dated August 25, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Performing Arts Workshop, Inc. as of June 30, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Coté & Company, APC*

San Francisco, California  
August 30, 2012

**PERFORMING ARTS WORKSHOP, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2012  
(With Comparative Totals for 2011)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2012</u>	Total (Summarized) <u>2011</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 574,130	\$ 66,678	\$ 500	\$ 641,308	\$ 462,885
Accounts receivable	137,362	70,000	-	207,362	337,777
Inventory	738	-	-	738	994
Prepaid expenses	7,322	-	-	7,322	4,928
Total current assets	<u>719,552</u>	<u>136,678</u>	<u>500</u>	<u>856,730</u>	<u>806,584</u>
<b>FIXED ASSETS</b>					
Furniture and fixtures	72,508	-	-	72,508	72,508
Machinery and equipment	60,545	-	-	60,545	56,171
Leasehold improvements	63,555	-	-	63,555	63,555
	<u>196,608</u>	<u>-</u>	<u>-</u>	<u>196,608</u>	<u>192,234</u>
Less accumulated depreciation	<u>(111,046)</u>	<u>-</u>	<u>-</u>	<u>(111,046)</u>	<u>(90,621)</u>
Total fixed assets	<u>85,562</u>	<u>-</u>	<u>-</u>	<u>85,562</u>	<u>101,613</u>
<b>OTHER ASSETS</b>					
Deposits	<u>3,326</u>	<u>-</u>	<u>-</u>	<u>3,326</u>	<u>3,326</u>
<b>TOTAL ASSETS</b>	<u>\$ 808,440</u>	<u>\$ 136,678</u>	<u>\$ 500</u>	<u>\$ 945,618</u>	<u>\$ 911,523</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 43,547	\$ -	\$ -	\$ 43,547	\$ 9,637
Accrued vacation pay	28,831	-	-	28,831	36,242
Total current liabilities	<u>72,378</u>	<u>-</u>	<u>-</u>	<u>72,378</u>	<u>45,879</u>
<b>NET ASSETS</b>					
Unrestricted - operations	536,062	-	-	536,062	441,354
Unrestricted - board designated	200,000	-	-	200,000	200,000
Temporarily restricted	-	136,678	-	136,678	223,790
Permanently restricted	-	-	500	500	500
Total net assets	<u>736,062</u>	<u>136,678</u>	<u>500</u>	<u>873,240</u>	<u>865,644</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 808,440</u>	<u>\$ 136,678</u>	<u>\$ 500</u>	<u>\$ 945,618</u>	<u>\$ 911,523</u>

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

**PERFORMING ARTS WORKSHOP, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2012  
(With Comparative Totals for 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>	<u>Total (Summarized) 2011</u>
<b>REVENUES AND SUPPORT</b>					
Government contracts	\$ 702,106	\$ -	\$ -	\$ 702,106	\$ 683,556
Program service fees	144,973	-	-	144,973	151,374
Donations - foundations and corporations	52,162	160,160	-	212,322	474,450
Donations - individuals	61,109	-	-	61,109	50,567
Investment income	686	-	-	686	2,212
In-kind donations	-	-	-	-	13,815
Refund - Unemployment Services Trust	50,000	-	-	50,000	-
Miscellaneous income	496	-	-	496	-
Sales, net of \$258 and \$87 in costs of sales in 2012 and 2011, respectively	412	-	-	412	183
Net assets released from restrictions	<u>247,272</u>	<u>(247,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,259,216</u>	<u>(87,112)</u>	<u>-</u>	<u>1,172,104</u>	<u>1,376,157</u>
<b>EXPENSES</b>					
Program services					
Artists-In-Schools	642,049	-	-	642,049	587,103
Artists-In-Communities	250,080	-	-	250,080	297,323
Advocacy	26,698	-	-	26,698	22,984
Total program expenses	<u>918,827</u>	<u>-</u>	<u>-</u>	<u>918,827</u>	<u>907,410</u>
Support services					
Management	113,683	-	-	113,683	115,156
Fundraising	131,998	-	-	131,998	135,705
Total support services	<u>245,681</u>	<u>-</u>	<u>-</u>	<u>245,681</u>	<u>250,861</u>
Total expenses	<u>1,164,508</u>	<u>-</u>	<u>-</u>	<u>1,164,508</u>	<u>1,158,271</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>94,708</b>	<b>(87,112)</b>	<b>-</b>	<b>7,596</b>	<b>217,886</b>
<b>NET ASSETS</b>					
Beginning of year	<u>641,354</u>	<u>223,790</u>	<u>500</u>	<u>865,644</u>	<u>647,758</u>
End of year	<u>\$ 736,062</u>	<u>\$ 136,678</u>	<u>\$ 500</u>	<u>\$ 873,240</u>	<u>\$ 865,644</u>

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

**PERFORMING ARTS WORKSHOP, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**

**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Totals for 2011)

	Artists-In-Schools	Artists-In-Communities	Advocacy	Total Programs	Management & General	Fundraising	Total (Comparative) 2011
Salaries and wages	\$ 356,630	\$ 178,498	\$ 12,282	\$ 547,420	\$ 70,240	\$ 96,286	\$ 713,946
Payroll taxes	38,227	18,340	3,913	60,480	3,787	5,340	69,607
Employee benefits	26,874	12,931	2,759	42,564	4,352	6,037	52,953
<b>TOTAL SALARIES AND RELATED</b>	<b>421,731</b>	<b>209,769</b>	<b>18,964</b>	<b>650,464</b>	<b>78,379</b>	<b>107,663</b>	<b>836,506</b>
Contracted services - artistic	123,955	1,100	-	125,055	-	-	125,055
Contracted services - administration	30,193	13,416	2,606	46,215	23,100	10,168	79,483
Dues and subscriptions	990	478	104	1,580	207	291	2,515
Fundraising	-	188	13	201	21	198	7,677
Hospitality	3,690	1,957	279	5,956	507	834	7,297
Insurance	2,752	1,324	282	4,358	409	567	5,334
Copier lease and reproduction	2,689	1,193	254	4,136	402	581	5,119
Office supplies	3,113	1,010	189	4,322	331	443	5,096
Travel and conferences	10,371	803	85	11,259	3,330	165	14,754
Staff professional development	556	328	70	954	215	421	1,590
Postage and delivery	1,302	547	117	1,966	183	1,358	3,507
Printing	3,336	12	3	3,351	4	1,330	4,685
Program expenses	1,662	386	24	2,072	15	21	2,108
Occupancy	20,938	10,076	2,150	33,164	3,391	4,704	41,259
Telephone	2,037	1,032	206	3,275	360	558	4,827
Office and miscellaneous	2,361	1,443	278	4,082	1,150	368	5,600
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>631,684</b>	<b>245,092</b>	<b>25,634</b>	<b>902,410</b>	<b>112,004</b>	<b>129,670</b>	<b>1,144,084</b>
Depreciation	10,365	4,988	1,054	16,417	1,679	2,328	20,424
<b>TOTAL EXPENSES</b>	<b>\$ 642,049</b>	<b>\$ 250,080</b>	<b>\$ 26,695</b>	<b>\$ 918,827</b>	<b>\$ 113,683</b>	<b>\$ 131,998</b>	<b>\$ 1,164,508</b>
							<u>\$ 1,156,271</u>

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

**PERFORMING ARTS WORKSHOP, INC.  
(A NOT-FOR-PROFIT CORPORATION)**

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 7,596	\$ 217,886
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	20,424	18,323
(Increase) decrease in:		
Accounts receivable	130,415	(206,601)
Inventory	256	77
Prepaid expenses	(2,394)	3,489
(Decrease) increase in:		
Accounts payable	33,910	1,732
Accrued vacation	<u>(7,411)</u>	<u>(6,436)</u>
Net cash flows provided by operating activities	182,796	28,470
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed assets purchased	(4,373)	(24,243)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	178,423	4,227
<b>CASH</b>		
Beginning of year	<u>462,885</u>	<u>458,658</u>
End of year	<u>\$ 641,308</u>	<u>\$ 462,885</u>

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



PERFORMING ARTS WORKSHOP, INC.  
(A NOT-FOR-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Performing Arts Workshop, Inc. (“the Organization”) is presented to assist in the understanding of the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for their integrity and objectivity.

Organizational Purpose

Performing Arts Workshop, Inc. is a not-for-profit organization dedicated to helping young people develop critical thinking, creative expression, and basic learning skills through the arts.

Programs conducted by the Organization include:

*Artists-in-Schools* – process-oriented arts instruction to child development centers and public schools throughout the San Francisco Bay Area. Students served include English Language Learners and Special Education students.

*Artists-in-Communities* – tailored arts instruction in after-school programs, transitional housing facilities, and county community/court schools.

*Advocacy* – partnering with alliances, coalitions and membership organizations to advance arts education policy and make arts learning a reality for all young people.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board (FASB) ASC Topic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* – The portion of net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

*Temporarily restricted net assets* – The portion of net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization.



PERFORMING ARTS WORKSHOP, INC.  
(A NOT-FOR-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

*Permanently restricted net assets* – The portion of net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization. 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.

Contributions

The Organization records contributions under FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with ASC Topic 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under ASC Topic 958-605, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits at banks.

Inventory

Inventory, valued at cost, consists of books sold in the course of the Organization's educational activities.

Fixed Assets

Equipment, furniture and fixtures, and leasehold improvements are stated at cost. Expenditures for small items and maintenance and repairs are charged to expenses as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives of equipment, furniture and fixtures are three to five years.

PERFORMING ARTS WORKSHOP, INC.  
(A NOT-FOR-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The value of donated volunteer services is not reflected in the accompanying financial statements as there are no objective bases available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's operations.

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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 Organization's financial statements for the year ended June 30, 2011 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 3, 2012, the date the financial statements were available to be issued.

PERFORMING ARTS WORKSHOP, INC.  
(A NOT-FOR-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and from California Franchise taxes under Revenue and Taxation Code Section 23701d. The Organization has not been classified as a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or the Franchise Tax Board. Management has analyzed the tax positions taken by the Organization, and has concluded that, as of June 30, 2012, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in question. Management believes it is no longer subject to tax examinations for years prior to June 30, 2007.

NOTE B – FIXED ASSETS

An analysis of fixed assets at June 30, 2012 is as follows:

	<u>Cost</u>	<u>Acc/Dep</u>	<u>Book Value</u>
Furniture and fixtures	\$ 72,508	\$ 42,040	\$ 30,468
Equipment	60,545	47,291	13,254
Leasehold Improvements	<u>63,555</u>	<u>21,715</u>	<u>41,840</u>
	\$ <u>196,608</u>	\$ <u>111,046</u>	\$ <u>85,562</u>

NOTE C – CONCENTRATION OF RISK

The Organization maintains cash balances at one financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2012, the account balances at that institution exceeded the FDIC limit by \$163,870.

PERFORMING ARTS WORKSHOP, INC.  
(A NOT-FOR-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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NOTE D - LEASE COMMITMENTS

The Organization leases space on Tennessee Street in San Francisco for administrative and operating activities. The term of the lease is from June 1, 2007 to May 31, 2014. Lease expense was \$2,491 per month through May 31, 2008 and increased to \$2,566, \$2,643, \$2,722, \$2,804, \$2,888 and \$2,974 per month for the years ended May 31, 2009 through May 31, 2014. Common area costs are \$352 per month and will increase annually in conjunction with any increase in the landlord's operating costs.

The future minimum lease commitments are as follows:

<u>June 30,</u>	
2013	\$ 38,964
2014	<u>36,590</u>
	\$ <u>75,554</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

Artists-In-Schools	\$ 45,160
Artists-In-Communities	7,500
General operating support	<u>84,018</u>
	\$ <u>136,678</u>

NOTE F - BOARD DESIGNATED NET ASSETS

In the fiscal year ended June 30, 2008 the Board voted to designate \$200,000 of the Unrestricted Net Assets to provide a reserve for future operating and program activity.