

COTÉ & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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

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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, 2011 and 2010, 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, 2010 financial statements and our report, which was dated September 8, 2010, 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, 2011 and 2010, 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 25, 2011

PERFORMING ARTS WORKSHOP, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>	Total (Summarized) <u>2010</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 406,095	\$ 56,290	\$ 500	\$ 462,885	\$ 458,658
Accounts receivable	170,277	167,500	-	337,777	131,176
Inventory	994	-	-	994	1,071
Prepaid expenses	4,928	-	-	4,928	8,417
Total current assets	<u>582,294</u>	<u>223,790</u>	<u>500</u>	<u>806,584</u>	<u>599,322</u>
FIXED ASSETS					
Furniture and fixtures	72,508	-	-	72,508	56,743
Machinery and equipment	56,171	-	-	56,171	47,693
Leasehold improvements	63,555	-	-	63,555	63,555
	<u>192,234</u>	<u>-</u>	<u>-</u>	<u>192,234</u>	<u>167,991</u>
Less accumulated depreciation	<u>(90,621)</u>	<u>-</u>	<u>-</u>	<u>(90,621)</u>	<u>(72,296)</u>
Total fixed assets	<u>101,613</u>	<u>-</u>	<u>-</u>	<u>101,613</u>	<u>95,693</u>
OTHER ASSETS					
Deposits	<u>3,326</u>	<u>-</u>	<u>-</u>	<u>3,326</u>	<u>3,326</u>
TOTAL ASSETS	<u>\$ 687,233</u>	<u>\$ 223,790</u>	<u>\$ 500</u>	<u>\$ 911,523</u>	<u>\$ 698,341</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 9,637	\$ -	\$ -	\$ 9,637	\$ 7,905
Accrued vacation pay	<u>36,242</u>	<u>-</u>	<u>-</u>	<u>36,242</u>	<u>42,678</u>
Total current liabilities	<u>45,879</u>	<u>-</u>	<u>-</u>	<u>45,879</u>	<u>50,583</u>
NET ASSETS					
Unrestricted - operations	441,354	-	-	441,354	410,990
Unrestricted - board designated	200,000	-	-	200,000	200,000
Temporarily restricted	-	223,790	-	223,790	36,768
Permanently restricted	-	-	500	500	-
Total net assets	<u>641,354</u>	<u>223,790</u>	<u>500</u>	<u>865,644</u>	<u>647,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 687,233</u>	<u>\$ 223,790</u>	<u>\$ 500</u>	<u>\$ 911,523</u>	<u>\$ 698,341</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, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>	<u>Total (Summarized) 2010</u>
REVENUES AND SUPPORT					
Government contracts	\$ 683,556	\$ -	\$ -	\$ 683,556	\$ 696,375
Program service fees	151,374	-	-	151,374	121,569
Donations - foundations and corporations	124,450	350,000	-	474,450	174,608
Donations - individuals	50,067	-	500	50,567	50,476
Investment income	2,712	-	-	2,212	3,879
In-kind donations	13,815	-	-	13,815	-
Sales, net of \$87 and \$954 in costs of sales in 2011 and 2010, respectively	183	-	-	183	738
Net assets released from restrictions	162,978	(162,978)	-	-	-
Total revenues and support	<u>1,188,635</u>	<u>187,022</u>	<u>500</u>	<u>1,376,157</u>	<u>1,017,645</u>
EXPENSES					
Program services					
Artists-In-Schools	587,103	-	-	587,103	636,002
Artists-In-Communities	297,323	-	-	297,323	228,683
Advocacy	22,984	-	-	22,984	82,254
Total program expenses	<u>907,410</u>	<u>-</u>	<u>-</u>	<u>907,410</u>	<u>946,919</u>
Support services					
Management	115,156	-	-	115,156	86,682
Fundraising	135,705	-	-	135,705	137,388
Total support services	<u>250,861</u>	<u>-</u>	<u>-</u>	<u>250,861</u>	<u>224,050</u>
Total expenses	<u>1,158,271</u>	<u>-</u>	<u>-</u>	<u>1,158,271</u>	<u>1,170,999</u>
INCREASE (DECREASE) IN NET ASSETS	30,364	187,022	500	217,886	(123,324)
NET ASSETS					
Beginning of year	610,990	36,768	-	647,758	771,092
End of year	<u>\$ 641,354</u>	<u>\$ 223,790</u>	<u>\$ 500</u>	<u>\$ 865,644</u>	<u>\$ 647,758</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, 2011
(W/m Comparative Totals for 2010)

	Artists-in-Schools	Artists-in-Communities	Advocacy	Total Programs	Management & General	Fundraising	Total	(Comparative) 2010
Salaries and wages	\$ 322,093	\$ 208,388	\$ 14,044	\$ 544,515	\$ 55,455	\$ 91,654	\$ 691,624	\$ 663,776
Payroll taxes	34,501	23,056	2,224	59,781	8,718	4,615	73,114	64,489
Employee benefits	19,681	13,152	1,270	34,103	7,022	3,717	44,842	34,724
TOTAL SALARIES AND RELATED	376,255	244,585	17,538	638,399	71,195	99,986	809,580	762,986
Contracted services - artistic	113,454	1,800	-	115,054	-	-	115,054	131,589
Contracted services - administration	32,850	22,052	1,906	56,818	28,723	11,689	97,230	109,119
Dues and subscriptions	994	664	314	1,972	355	183	2,515	1,395
Fundraising	-	-	-	-	-	7,677	7,677	506
Hospitality	3,699	2,107	247	6,053	550	1,699	8,612	11,952
Insurance	2,754	1,841	177	4,772	983	520	6,275	3,902
Copier lease and reproduction	2,048	1,015	98	3,162	543	287	3,992	5,188
Office supplies	2,056	821	178	3,055	357	500	3,912	4,249
Travel and conferences	18,480	771	42	19,293	-	-	19,293	24,437
Staff professional development	1,457	374	94	2,525	520	275	3,320	-
Postage and delivery	309	594	86	1,589	317	1,664	3,570	7,577
Printing	1,738	238	23	1,999	127	5,595	7,661	19,749
Program expenses	624	253	-	877	-	-	877	1,024
Occupancy	17,693	11,823	1,741	30,657	6,313	3,342	40,312	39,270
Telephone	2,158	1,395	335	3,888	745	394	4,827	4,429
Office and miscellaneous	1,882	1,194	467	3,553	1,246	430	5,241	4,474
TOTAL EXPENSES BEFORE DEPRECIATION	673,051	291,949	22,466	893,476	112,286	134,166	1,139,948	1,151,588
Depreciation	8,042	5,374	518	13,934	2,870	1,519	16,323	19,101
TOTAL EXPENSES	\$ 687,093	\$ 297,323	\$ 22,984	\$ 907,410	\$ 115,156	\$ 135,705	\$ 1,156,271	\$ 1,170,689

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 217,886	\$ (123,324)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	18,323	19,101
(Increase) decrease in:		
Accounts receivable	(206,601)	86,038
Inventory	77	971
Prepaid expenses	3,489	(2,606)
(Decrease) increase in:		
Accounts payable	1,732	(20,889)
Accrued vacation	<u>(6,436)</u>	<u>5,559</u>
Net cash flows provided (used) by operating activities	28,470	(35,150)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased	(24,243)	(2,533)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	4,227	(37,683)
CASH		
Beginning of year	<u>458,658</u>	<u>496,341</u>
End of year	<u>\$ 462,885</u>	<u>\$ 458,658</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, 2011

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, 2011

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, 2011

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 affect 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, 2010 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 25, 2011, 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, 2011

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, 2011, 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, 2006.

NOTE B - FIXED ASSETS

An analysis of fixed assets at June 30, 2011 is as follows:

	Cost	Acc/Dep	Book Value
Furniture and fixtures	\$ 72,508	\$ 31,682	\$ 40,826
Equipment	56,171	41,462	14,709
Leasehold Improvements	<u>63,555</u>	<u>17,477</u>	<u>46,078</u>
	\$ 192,234	\$ 90,621	\$ 101,613

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, 2011, the account balances at that institution exceeded the FDIC limit by \$7,304.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 will increase 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>	
2012	\$ 37,950
2013	38,964
2014	<u>36,942</u>
	\$ <u>113,856</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

Artists-In-Schools	\$ 35,498
Artists-In-Communities	38,292
General operating support	<u>150,000</u>
	\$ <u>223,790</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.