

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, 2017 AND 2016

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

TABLE OF CONTENTS

JUNE 30, 2017

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 12

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of **PERFORMING ARTS WORKSHOP, INC.** (A Not-For-Profit Corporation), which comprise the statement of financial position, as of June 30, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's June 30, 2016 financial statements and our report, which was dated October 16, 2016, expressed an unqualified opinion on those 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 of material misstatement, whether due to error or fraud.

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 risks of material misstatement of the financial statements, whether due to error or fraud. 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

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditor's Responsibility (Continued)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Performing Arts Workshop, Inc. (A Not-For-Profit Corporation) as of June 30, 2017 and the changes in its net assets, functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Coté & Company, APC

San Francisco, California
September 7, 2017

PERFORMING ARTS WORKSHOP, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>Total (Summarized) 2016</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1,162,138	\$ 65,120	\$ 500	\$ 1,227,758	\$ 1,135,636
Grants receivable	41,604	232,923	-	274,527	239,073
Residency fees receivable	32,388	-	-	32,388	5,135
Pledges receivable	1,817	-	-	1,817	2,250
Inventory	7,041	-	-	7,041	-
Prepaid expenses	7,789	-	-	7,789	10,037
Total current assets	<u>1,252,777</u>	<u>298,043</u>	<u>500</u>	<u>1,551,320</u>	<u>1,392,131</u>
FIXED ASSETS					
Furniture and fixtures	72,508	-	-	72,508	72,508
Machinery and equipment	87,386	-	-	87,386	87,386
Leasehold improvements	63,555	-	-	63,555	63,555
	<u>223,449</u>	<u>-</u>	<u>-</u>	<u>223,449</u>	<u>223,449</u>
Less accumulated depreciation	<u>(187,835)</u>	<u>-</u>	<u>-</u>	<u>(187,835)</u>	<u>(175,452)</u>
Total fixed assets	<u>35,614</u>	<u>-</u>	<u>-</u>	<u>35,614</u>	<u>47,997</u>
OTHER ASSETS					
Deposits	<u>3,326</u>	<u>-</u>	<u>-</u>	<u>3,326</u>	<u>3,326</u>
TOTAL ASSETS	<u>\$ 1,291,717</u>	<u>\$ 298,043</u>	<u>\$ 500</u>	<u>\$ 1,590,260</u>	<u>\$ 1,443,454</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	51,755	\$ -	\$ -	\$ 51,755	\$ 42,319
Deferred program service fees	3,560	-	-	3,560	-
Accrued vacation pay	39,388	-	-	39,388	31,108
Total current liabilities	<u>94,703</u>	<u>-</u>	<u>-</u>	<u>94,703</u>	<u>73,427</u>
NET ASSETS					
Unrestricted - operations	997,014	-	-	997,014	965,651
Unrestricted - board designated	200,000	-	-	200,000	200,000
Temporarily restricted	-	298,043	-	298,043	203,876
Permanently restricted	-	-	500	500	500
Total net assets	<u>1,197,014</u>	<u>298,043</u>	<u>500</u>	<u>1,495,557</u>	<u>1,370,027</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,291,717</u>	<u>\$ 298,043</u>	<u>\$ 500</u>	<u>\$ 1,590,260</u>	<u>\$ 1,443,454</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, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>Total (Summarized) 2016</u>
REVENUES AND SUPPORT					
Government contracts	\$ 475,699	\$ 34,868	\$ -	\$ 510,567	504,117
Program service fees	80,728	-	-	80,728	92,655
Donations - foundations and corporations	238,750	279,235	-	517,985	476,250
Donations - individuals	120,649	-	-	120,649	116,961
Investment income	518	-	-	518	528
Sales, net of \$123 and \$-0- in costs of sales in 2017 and 2016, respectively	-	-	-	-	-
Net assets released from restrictions	<u>219,936</u>	<u>(219,936)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,136,280</u>	<u>94,167</u>	<u>-</u>	<u>1,230,447</u>	<u>1,190,511</u>
EXPENSES					
Program services					
Artists-In-Communities	249,978	-	-	249,978	287,911
Artists-In-Schools	516,016	-	-	516,016	480,741
Advocacy	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>1,604</u>
Total program expenses	<u>766,494</u>	<u>-</u>	<u>-</u>	<u>766,494</u>	<u>770,256</u>
Support services					
Management	115,652	-	-	115,652	116,081
Fundraising	<u>222,771</u>	<u>-</u>	<u>-</u>	<u>222,771</u>	<u>197,094</u>
Total support services	<u>338,423</u>	<u>-</u>	<u>-</u>	<u>338,423</u>	<u>313,175</u>
Total expenses	<u>1,104,917</u>	<u>-</u>	<u>-</u>	<u>1,104,917</u>	<u>1,083,431</u>
INCREASE IN NET ASSETS	31,363	94,167	-	125,530	107,080
NET ASSETS					
Beginning of year	<u>1,165,651</u>	<u>203,876</u>	<u>500</u>	<u>1,370,027</u>	<u>1,262,947</u>
End of year	<u>\$ 1,197,014</u>	<u>\$ 298,043</u>	<u>\$ 500</u>	<u>\$ 1,495,557</u>	<u>\$ 1,370,027</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, 2017

(With Comparative Totals for 2016)

	Artists-in- Communities	Artists-in- Schools	Advocacy	Total Programs	Management & General	Fundraising	Total (Comparative) 2017	Total (Comparative) 2016
Salaries and wages	\$ 176,484	\$ 310,543	\$ -	\$ 487,037	\$ 78,090	\$ 181,202	\$ 746,329	679,861
Payroll taxes	16,741	38,383	-	55,104	3,192	1,994	60,290	53,078
Employee benefits	19,648	45,023	-	64,671	6,548	9,172	80,391	65,498
TOTAL SALARIES AND RELATED	212,883	393,929	-	606,812	87,830	192,368	887,010	798,437
Contracted services - artistic	295	34,665	-	34,960	-	-	34,960	41,986
Contracted services - administration	9,394	21,193	-	30,587	17,484	3,837	51,908	99,359
Dues and subscriptions	606	1,354	500	2,460	(423)	541	2,578	2,230
Fundraising	-	-	-	-	-	2,497	2,497	20,265
Hospitality	1,628	3,305	-	4,933	1,124	862	6,919	3,350
Insurance	1,764	4,041	-	5,805	594	823	7,222	6,822
Copier lease and reproduction	1,720	3,943	-	5,663	579	803	7,045	6,390
Office supplies	1,173	2,454	-	3,627	163	572	4,362	6,642
Travel and conferences	571	4,802	-	5,373	176	359	5,908	6,714
Staff professional development	1,861	4,365	-	6,226	1,079	713	8,018	7,964
Postage and delivery	203	399	-	602	56	1,390	2,048	2,406
Printing	437	1,002	-	1,439	23	4,734	6,196	5,176
Program expenses	533	1,186	-	1,719	214	4,055	5,988	5,814
Occupancy	11,611	26,874	-	38,485	3,909	5,420	47,814	47,241
Telephone	1,385	3,193	-	4,578	602	643	6,023	3,178
Office and miscellaneous	890	2,382	-	3,272	1,224	1,542	6,038	5,566
TOTAL EXPENSES BEFORE DEPRECIATION	246,954	509,067	500	756,541	114,634	221,359	1,092,534	1,069,540
Depreciation	3,024	6,929	-	9,953	1,018	1,412	12,383	13,891
TOTAL EXPENSES	\$ 249,978	\$ 516,016	\$ 500	\$ 766,494	\$ 115,652	\$ 222,771	\$ 1,104,917	\$ 1,083,431

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 125,530	\$ 107,080
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	12,383	13,891
(Increase) decrease in:		
Accounts receivable	(62,274)	126,239
Inventory	(7,041)	-
Prepaid expenses	2,248	2,350
(Decrease) increase in:		
Accounts payable	9,436	12,195
Deferred program service fees	3,560	(4,009)
Accrued vacation	<u>8,280</u>	<u>(1,531)</u>
Net cash flows provided by operating activities	92,122	256,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased	-	(7,531)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	92,122	248,684
CASH		
Beginning of year	<u>1,135,636</u>	<u>886,952</u>
End of year	<u>\$ 1,227,758</u>	<u>\$ 1,135,636</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, 2017

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, 2017

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.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 9, 2017 the date the financial statements were available to be issued.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2017, 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, 2012.

NOTE B – FIXED ASSETS

An analysis of fixed assets at June 30, 2017 and 2016 is as follows:

	<u>Cost</u>	<u>June 30, 2017</u> <u>Acc/Dep</u>	<u>Book Value</u>
Furniture and Fixtures	\$ 72,508	\$ 71,335	\$ 1,173
Equipment	87,386	73,600	13,786
Leasehold Improvements	<u>63,555</u>	<u>42,900</u>	<u>20,655</u>
	<u>\$ 223,449</u>	<u>\$ 187,835</u>	<u>\$ 35,614</u>
	<u>Cost</u>	<u>June 30, 2016</u> <u>Acc/Dep</u>	<u>Book Value</u>
Furniture and Fixtures	\$ 72,508	\$ 68,951	\$ 3,557
Equipment	87,386	67,838	19,548
Leasehold Improvements	<u>63,555</u>	<u>38,663</u>	<u>24,892</u>
	<u>\$ 223,449</u>	<u>\$ 175,452</u>	<u>\$ 47,997</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the account balances at that institution exceeded the FDIC limit by \$633,989.

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, 2014 to May 31, 2019. Lease expense is \$3,064 per month through May 31, 2015 and increases to \$3,156, \$3,251, \$3,349 and \$3,449 per month for the respective years ended May 31, 2019. Water and common area costs are \$417 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>	
2018	\$ 45,292
2019	<u>42,526</u>
	<u>\$ 87,818</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Artists-In-Schools	\$ 22,235	\$ 120,506
Artists-In-Communities	3,140	40,234
Capacity Building	-0-	43,136
Core Artists	28,000	-0-
Consulting	5,000	-0-
ACIP	19,668	-0-
General Operations	<u>220,000</u>	<u>-0-</u>
	<u>\$ 298,043</u>	<u>\$ 203,876</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.