

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, 2019 AND 2018

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

TABLE OF CONTENTS

JUNE 30, 2019

	<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 - 13

Coté & Company, APC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 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, 2018 financial statements and our report, which was dated September 7, 2018, 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, 2019 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
November 14, 2019

PERFORMING ARTS WORKSHOP, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2019</u>	<u>Total (Summarized) 2018</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,152,747	\$ 713,046	\$ 500	\$ 1,866,293	\$ 1,271,091
Grants receivable	287,783	631,620	-	919,403	370,902
Residency fees receivable	18,028	-	-	18,028	84,464
Pledges receivable	-	5,359	-	5,359	3,000
Inventory	-	-	-	-	6,920
Prepaid expenses	8,427	-	-	8,427	6,352
Total current assets	<u>1,466,985</u>	<u>1,350,025</u>	<u>500</u>	<u>2,817,510</u>	<u>1,742,729</u>
FIXED ASSETS					
Property and equipment, net of accumulated depreciation of \$19,429 and \$199,483 at June 30, 2019 and 2018, respectively	32,453	-	-	32,453	32,378
Total fixed assets	<u>32,453</u>	<u>-</u>	<u>-</u>	<u>32,453</u>	<u>32,378</u>
OTHER ASSETS					
Deposits	6,326	-	-	6,326	3,326
Total other assets	<u>6,326</u>	<u>-</u>	<u>-</u>	<u>6,326</u>	<u>3,326</u>
TOTAL ASSETS	<u>\$ 1,505,764</u>	<u>\$ 1,350,025</u>	<u>\$ 500</u>	<u>\$ 2,856,289</u>	<u>\$ 1,778,433</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 80,236	\$ -	\$ -	\$ 80,236	\$ 50,757
Deferred program service fees	1,875	-	-	1,875	-
Accrued vacation pay	32,848	-	-	32,848	30,268
Total liabilities	<u>114,959</u>	<u>-</u>	<u>-</u>	<u>114,959</u>	<u>81,025</u>
NET ASSETS					
Unrestricted - operations	1,190,805	-	-	1,190,805	1,045,983
Unrestricted - board designated	200,000	-	-	200,000	200,000
Temporarily restricted	-	1,350,025	-	1,350,025	450,925
Permanently restricted	-	-	500	500	500
Total net assets	<u>1,390,805</u>	<u>1,350,025</u>	<u>500</u>	<u>2,741,330</u>	<u>1,697,408</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,505,764</u>	<u>\$ 1,350,025</u>	<u>\$ 500</u>	<u>\$ 2,856,289</u>	<u>\$ 1,778,433</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, 2019
(With Comparative Totals for 2018)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2019</u>	<u>Total (Summarized) 2018</u>
REVENUES AND SUPPORT					
Government contracts	\$ 714,759	\$ 157,009	\$ -	\$ 871,768	\$ 504,635
Program service fees	117,989	-	-	117,989	147,217
Donations - foundations and corporations	482,473	1,222,460	-	1,704,933	613,961
Donations - individuals	78,954	-	-	78,954	89,669
Special event and auction, net of \$16,206 in expenses	17,825	-	-	17,825	-
In-Kind donations	18,647	-	-	18,647	-
Investment income	591	-	-	591	598
Miscellaneous income	7,797	-	-	7,797	4,325
Loss on asset disposal	(19,418)	-	-	(19,418)	-
Net assets released from restrictions	480,369	(480,369)	-	-	-
Total revenues and support	<u>1,899,986</u>	<u>899,100</u>	<u>-</u>	<u>2,799,086</u>	<u>1,360,405</u>
EXPENSES					
Program services					
Programs	<u>1,186,841</u>	<u>-</u>	<u>-</u>	<u>1,186,841</u>	<u>790,657</u>
Support services					
Management	218,195	-	-	218,195	111,460
Fundraising - capita campaign	63,506	-	-	63,506	-
Fundraising - general	<u>286,622</u>	<u>-</u>	<u>-</u>	<u>286,622</u>	<u>256,437</u>
Total support services	<u>568,323</u>	<u>-</u>	<u>-</u>	<u>568,323</u>	<u>367,897</u>
Total expenses	<u>1,755,164</u>	<u>-</u>	<u>-</u>	<u>1,755,164</u>	<u>1,158,554</u>
INCREASE IN NET ASSETS	144,822	899,100	-	1,043,922	201,851
NET ASSETS					
Beginning of year	<u>1,245,983</u>	<u>450,925</u>	<u>500</u>	<u>1,697,408</u>	<u>1,495,557</u>
End of year	<u>\$ 1,390,805</u>	<u>\$ 1,350,025</u>	<u>\$ 500</u>	<u>\$ 2,741,330</u>	<u>\$ 1,697,408</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, 2019
(With Comparative Totals for 2018)

	Fundraising			Total	(Comparative) 2018
	Management & General	Capital Campaign	General		
Salaries and wages	\$ 589,342	\$ 43,382	\$ 193,528	\$ 944,739	\$ 795,120
Payroll taxes	57,404	3,854	19,300	93,362	64,516
Employee benefits	52,090	3,013	19,020	88,856	77,480
TOTAL SALARIES AND RELATED	698,836	50,249	231,848	1,126,957	937,116
Contracted services - artistic	48,904	-	-	48,904	41,642
Contracted services - administration	21,447	3,146	11,195	74,727	41,255
Contributions	300,000	-	-	300,000	-
Dues and subscriptions	1,631	35	466	2,450	2,878
Fundraising	40	-	5,751	5,791	4,364
Hospitality	4,398	1,923	1,836	8,701	8,082
Insurance	4,507	1,275	1,645	7,688	8,146
Copier lease and reproduction	3,527	1,033	1,288	6,052	6,933
Office supplies	36,594	6,251	5,821	52,846	4,808
Travel and conferences	5,845	759	2,222	8,973	4,434
Staff professional development	713	566	522	1,815	3,999
Postage and delivery	640	152	1,522	2,345	1,722
Printing	2,184	486	1,762	6,606	5,098
Program expenses	5,172	601	835	6,680	9,393
Occupancy	39,364	8,883	11,502	61,562	47,985
Telephone	5,529	1,811	2,650	10,192	8,326
Office and miscellaneous	1,077	1,553	3,409	6,101	10,725
Bad debts	996	6,083	363	7,500	-
Depreciation	5,437	1,538	1,985	9,274	11,648
TOTAL EXPENSES	\$ 1,186,841	\$ 218,195	\$ 286,622	\$ 1,755,164	\$ 1,158,554

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,043,922	\$ 201,851
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	9,274	11,648
Loss on asset disposal	19,454	-
(Increase) decrease in:		
Accounts receivable	(548,501)	(96,375)
Residency fees receivable	66,436	(52,076)
Pledges receivable	(2,359)	(1,183)
Inventory	-	121
Prepaid expenses	(2,075)	1,437
Deposits	(3,000)	-
(Decrease) increase in:		
Accounts payable	29,479	(998)
Deferred program service fees	1,875	(3,560)
Accrued vacation	2,580	(9,120)
Net cash flows provided by operating activities	<u>617,085</u>	<u>51,745</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in leasehold improvements and fixed assets	<u>(21,883)</u>	<u>(8,412)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	595,202	43,333
CASH		
Beginning of year	<u>1,271,091</u>	<u>1,227,758</u>
End of year	<u>\$ 1,866,293</u>	<u>\$ 1,271,091</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, 2019 AND 2018

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Performing Arts Workshop, Inc. (“PAW”) is presented to assist in the understanding of PAW’s financial statements. The financial statements and notes are representations of PAW’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 leaning skills through the arts.

Programs conducted by PAW 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, PAW 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 PAW is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of PAW.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Permanently restricted net assets – The portion of net assets whose use by PAW is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or removed by actions of PAW. Generally, the donors of these assets permit PAW to use all or part of the income earned on any related investments for general or specific purposes.

Contributions

PAW 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 PAW's operations.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 PAW'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 PAW's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 21, 2020 the date the financial statements were available to be issued.

Income Taxes

PAW 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. PAW has not been classified as a private foundation.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 PAW and recognize a tax liability or asset if PAW 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 PAW, and has concluded that, as of June 30, 2019, 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. PAW 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, 2014.

NOTE B – FIXED ASSETS

An analysis of fixed assets at June 30, 2019 and 2018 is as follows:

		<u>June 30, 2019</u>	
	<u>Cost</u>	<u>Acc/Dep</u>	<u>Book Value</u>
Equipment	\$ 29,073	\$ 19,366	\$ 9,707
Leasehold Improvements	<u>22,809</u>	<u>63</u>	<u>22,746</u>
	\$ <u>51,882</u>	\$ <u>19,429</u>	\$ <u>32,453</u>
		<u>June 30, 2018</u>	
	<u>Cost</u>	<u>Acc/Dep</u>	<u>Book Value</u>
Furniture and Fixtures	\$ 72,508	\$ 72,508	\$ -0-
Equipment	95,798	79,838	15,960
Leasehold Improvements	<u>63,555</u>	<u>47,137</u>	<u>16,418</u>
	\$ <u>231,861</u>	\$ <u>199,483</u>	\$ <u>32,378</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE C – CONCENTRATION OF RISK

PAW maintains cash balances at one financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019, the account balances at that institution exceeded the FDIC limit by \$1,273,815.

NOTE D - LEASE COMMITMENTS

PAW leased space on Tennessee Street in San Francisco for administrative and operating activities. The term of the lease was from June 1, 2014 to May 31, 2019. Lease expense was \$3,064 per month through May 31, 2015 and increased 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 were \$417 per month and could increase annually in conjunction with any increase in the landlord's operating costs.

Francisco --

In March 2019, PAW signed a two year sub-lease for the period of March 7, 2019 through March 7, 2021. Monthly rent is \$3,000 per month from March 7, 2019 through March 7, 2020 and will increase to \$3,090 for the period April 7, 2020 through March 7, 2021.

Geneva Powerhouse -

The Geneva Powerhouse, in San Francisco's Excelsior neighborhood, is currently under renovation and historic preservation in preparation for use as an arts and cultural facility. The core of its program will be a neighborhood arts center, a place for youth to take dance, music, poetry and theatre classes in the summer and afterschool, and it will host performances, classes, and other youth and family-engaging events. The space will also be available for rental by community members.

RPD, the owner of the property, has entered into a partnership with CAST to establish a separate affiliated nonprofit to take legal ownership of the property. The nonprofit is called the Qualified Active Low Income Community Business (QALICB). QALICB will create a Limited Liability Corporation (LLC) that will serve as the Master Tenant/Developer to receive the tax credit funding to rehabilitate historical structures.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE D - LEASE COMMITMENTS (Continued)

In September 2019, PAW signed a letter of intent with the Community Arts Stabilization Trust (CAST) to enter into a Lease Agreement for the Geneva Powerhouse. The lease term will be for seven years (beginning October 7, 2019 and ending on November 7, 2025) with an option for an additional four years, and PAW will be the Master Sub-tenant.

Base annual rent for the Geneva Powerhouse is \$136,000; however, CAST will pay PAW offsetting rent payments of approximately \$83,442 thereby reducing its yearly rent expense to \$91,192 or, \$7,599 per month.

The current future minimum lease commitments are as follows:

<u>June 30,</u>	<u>Powerhouse</u>	<u>Francisco</u>	<u>Offset</u>	<u>Total</u>
2020	\$ 102,248	\$ 36,270	\$ (59,101)	\$ 79,417
2021	136,000	27,810	(83,442)	80,368
2022	136,000	-0-	(83,442)	52,558
2023	136,000	-0-	(83,442)	52,558
2024	136,000	-0-	(83,442)	52,558
2025	136,000	-0-	(83,442)	52,558
2026	<u>57,226</u>	<u>-0-</u>	<u>(34,765)</u>	<u>52,558</u>
Total	\$ <u>839,474</u>	\$ <u>64,080</u>	\$ <u>(511,076)</u>	\$ <u>392,478</u>

Rent expense for the fiscal years ended June 30, 2019 and 2018 amounted to \$51,660 and \$45,392, respectively.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

	June 30,	
	<u>2019</u>	<u>2018</u>
Powerhouse project	\$ 737,831	\$ 350,000
Creative spaces	99,998	-0-
Artists-In-Residence	23,150	-0-
Jumpstart	8,621	-0-
Organizational development	5,000	-0-
Youth Arts Action	18,000	-0-
Diversity and Inclusion	50,000	-0-
Other programs	22,425	925
General Operations	<u>385,000</u>	<u>100,000</u>
	<u>\$ 1,350,025</u>	<u>\$ 450,925</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.