

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, 2020 AND 2019

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

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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 statements of financial position, as of June 30, 2020 and 2019 and the related statements of activities, functional expenses 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 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 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.

INDEPENDENT AUDITORS' REPORT
(Continued)

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, 2020 and 2019 and the changes in its net assets, functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note K to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Given the uncertainty of the situation, the duration and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



San Francisco, California
February 3, 2021

PERFORMING ARTS WORKSHOP, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,311,030	\$ 1,866,293
Grants receivable	810,312	919,403
Residency fees and pledges receivable	-	23,387
Prepaid expenses	<u>21,646</u>	<u>8,427</u>
Total current assets	<u>3,142,988</u>	<u>2,817,510</u>
FIXED ASSETS		
Property and equipment, net	<u>25,462</u>	<u>32,453</u>
Total fixed assets	<u>25,462</u>	<u>32,453</u>
OTHER ASSETS		
Deposits	6,000	6,326
Contributions, net of current portion	<u>270,000</u>	<u>-</u>
Total other assets	<u>276,000</u>	<u>6,326</u>
TOTAL ASSETS	<u>\$ 3,444,450</u>	<u>\$ 2,856,289</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 40,790	\$ 82,111
Accrued vacation pay	39,536	32,848
PPP loan payable	<u>250,295</u>	<u>-</u>
Total liabilities	<u>330,621</u>	<u>114,959</u>
NET ASSETS		
Unrestricted - operations	1,974,431	1,190,805
Unrestricted - board designated	200,000	200,000
Temporarily restricted	938,898	1,350,025
Permanently restricted	<u>500</u>	<u>500</u>
Total net assets	<u>3,113,829</u>	<u>2,741,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,444,450</u>	<u>\$ 2,856,289</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
REVENUES AND OTHER SUPPORT			
Government contracts	\$ 812,690	\$ -	\$ 812,690
Program service fees	92,937	-	92,937
Donations - foundations and corporations	503,087	126,200	629,287
Donations - individuals	391,490	-	391,490
Special event and auction, net of \$196 in expenses	4,400	-	4,400
Investment income	742	-	742
Net assets released from restrictions	<u>537,327</u>	<u>(537,327)</u>	<u>-</u>
Total revenues and other support	<u>2,342,673</u>	<u>(411,127)</u>	<u>1,931,546</u>
EXPENSES			
Program services			
Programs	<u>1,056,701</u>	<u>-</u>	<u>1,056,701</u>
Support services			
Management	239,737	-	239,737
Fundraising	<u>262,609</u>	<u>-</u>	<u>262,609</u>
Total support services	<u>502,346</u>	<u>-</u>	<u>502,346</u>
Total expenses	<u>1,559,047</u>	<u>-</u>	<u>1,559,047</u>
Changes in net assets	783,626	(411,127)	372,499
NET ASSETS, beginning of year	<u>1,390,805</u>	<u>1,350,525</u>	<u>2,741,330</u>
NET ASSETS, end of year	<u>\$ 2,174,431</u>	<u>\$ 939,398</u>	<u>\$ 3,113,829</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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
REVENUES AND OTHER SUPPORT			
Government contracts	\$ 714,759	\$ 157,009	\$ 871,768
Program service fees	117,989	-	117,989
Donations - foundations and corporations	482,473	1,222,460	1,704,933
Donations - individuals	78,954	-	78,954
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
Miscellaneous income	7,797	-	7,797
Loss on asset disposal	(19,418)	-	(19,418)
Net assets released from restrictions	<u>480,369</u>	<u>(480,369)</u>	<u>-</u>
Total revenues and other support	<u>1,899,986</u>	<u>899,100</u>	<u>2,799,086</u>
EXPENSES			
Program services			
Programs	<u>1,056,702</u>	<u>-</u>	<u>1,056,702</u>
Support services			
Management	218,195	-	218,195
Fundraising - capital campaign	63,506	-	63,506
Fundraising - general	<u>286,622</u>	<u>-</u>	<u>286,622</u>
Total support services	<u>568,323</u>	<u>-</u>	<u>568,323</u>
Total expenses	<u>1,625,025</u>	<u>-</u>	<u>1,625,025</u>
Changes in net assets	274,961	899,100	1,174,061
NET ASSETS, beginning of year	<u>1,245,983</u>	<u>451,425</u>	<u>1,697,408</u>
NET ASSETS, end of year	<u>\$ 1,520,944</u>	<u>\$ 1,350,525</u>	<u>\$ 2,871,469</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, 2020

	<u>Programs</u>	<u>Management & General</u>	<u>Fund Raising</u>	Total
Salaries and wages	\$ 767,386	\$ 149,745	\$ 201,472	\$ 1,118,603
Payroll taxes	62,895	12,262	17,277	92,434
Employee benefits	44,948	10,020	12,744	67,712
TOTAL SALARIES AND RELATED	875,229	172,027	231,493	1,278,749
Contracted services - administration	38,798	45,270	9,945	94,013
Dues and subscriptions	2,104	697	1,710	4,511
Insurance	2,389	898	858	4,145
Copier lease and reproduction	5,639	1,238	1,185	8,062
Office supplies	14,981	1,249	3,219	19,449
Travel and conferences	7,959	571	1,586	10,116
Staff professional development	9,314	6,789	1,820	17,923
Postage and delivery	1,942	155	273	2,370
Program expenses	53,416	-	-	53,416
Occupancy	30,052	6,317	7,634	44,003
Office and miscellaneous	9,853	265	1,606	11,724
Bad debts	232	3,269	74	3,575
Depreciation	4,793	992	1,206	6,991
TOTAL EXPENSES	\$ 1,056,701	\$ 239,737	\$ 262,609	\$ 1,559,047

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

	Programs	Management & General	Fundraising		Total
			Capital Campaign	General	
Salaries and wages	\$ 589,342	\$ 118,487	\$ 43,382	\$ 193,528	\$ 944,739
Payroll taxes	57,404	12,804	3,854	19,300	93,362
Employee benefits	52,090	14,733	3,013	19,020	88,856
TOTAL SALARIES AND RELATED	698,836	146,024	50,249	231,848	1,126,957
Contracted services - artistic	48,904	-	-	-	48,904
Contracted services - administration	21,447	38,939	3,146	11,195	74,727
Contributions	300,000	-	-	-	300,000
Dues and subscriptions	1,631	318	35	466	2,450
Fundraising	40	-	-	5,751	5,791
Hospitality	4,398	1,923	544	1,836	8,701
Insurance	4,507	1,275	261	1,645	7,688
Copier lease and reproduction	3,527	1,033	204	1,288	6,052
Office supplies	36,594	6,251	4,180	5,821	52,846
Travel and conferences	5,845	759	147	2,222	8,973
Staff professional development	713	566	14	522	1,815
Postage and delivery	640	152	31	1,522	2,345
Printing	2,184	486	2,174	1,762	6,606
Program expenses	5,172	601	72	835	6,680
Occupancy	39,364	8,883	1,813	11,502	61,562
Telephone	5,529	1,811	202	2,650	10,192
Office and miscellaneous	1,077	1,553	62	3,409	6,101
Bad debts	996	6,083	58	363	7,500
Depreciation	5,437	1,538	314	1,985	9,274
TOTAL EXPENSES	\$ 1,186,841	\$ 218,195	\$ 63,506	\$ 286,622	\$ 1,755,164

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 372,499	\$ 1,043,922
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	6,991	9,274
Loss on asset disposal	-	19,418
(Increase) decrease in:		
Grants receivable	(160,909)	(548,501)
Residency fees and pledges receivable	23,387	64,077
Prepaid expenses	(13,219)	(2,075)
Deposits	326	(3,000)
(Decrease) increase in:		
Accounts payable	(41,321)	31,354
Accrued vacation	6,688	2,580
Net cash flows provided by operating activities	<u>194,442</u>	<u>617,049</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in leasehold improvements and fixed assets	-	(21,847)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>250,295</u>	<u>-</u>
NET INCREASE IN CASH	<u>444,737</u>	<u>595,202</u>
CASH		
Beginning of year	<u>1,866,293</u>	<u>1,271,091</u>
End of year	<u>\$ 2,311,030</u>	<u>\$ 1,866,293</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, 2020 and 2019

NOTE A – DESCRIPTION OF ORGANIZATION

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.

Management and general activities include the functions necessary to provide support for the Organization’s program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for not-for-profit entities, which require the Organization to report information regarding financial position and activities in accordance with the following net asset classifications:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limit on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulate time has passed. Other donor-imposed restrictions are perpetual in nature and the organization must continue to use the resources in accordance with the donor's instructions. The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by a passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Nature of Operations

The statements of activities report all changes in net assets, including changes in net assets from operations and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and dividends and interest earned on investments. Nonoperating activities are limited to resources that generate a return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions. The Organization maintains cash balances at several financial institutions. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balances occasionally exceed those limits.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, if any, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets and Accumulated Depreciation

Fixed assets are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Fixed assets are capitalized if it has a cost of \$2,500 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expense as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 - 10 years
Equipment	5 - 7 years

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

In-Kind Contributions

The Organization receives contributions in a form other than cash or investments. The In-Kind contributions are recorded as contributions at the date of gift and as an expense when the donated items are placed into service or distributed. If the Organization receives a contribution of furniture, fixture or equipment, the contributed asset is recognized as an asset at its estimate fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated use of facilities is reported as a contribution and an expense at the estimated fair value of similar space for rent under similar conditions

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred.

Functional Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, payroll taxes, and benefits are allocated based on activity reports prepared by personnel.
- Occupancy and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Administrative expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

The bases on which costs are allocated are evaluated periodically.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and California franchise taxes under Section 23701d of the California Revenue and Taxation Code. As such, there is no provision for income taxes. The Organization was also informed that it is not a private foundation

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

within the meaning of Section 509(a) of the code.

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, 2020, 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 federal (IRS) and state (FTB) tax examinations for the years prior to June 30, 2016 and 2015, respectively.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*, amending the ACS 958. This update changes the presentation of certain information in the financial statements and footnote disclosures of not-for-profit entities. The update also changes the way that non-for-profit entities classify net assets. The new guidance became effective for the fiscal year beginning July 1, 2018.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for the fiscal year beginning July 1, 2020.

In February 2016, the FASB issues ASU 2016-02, *Leases* (Topic 842). The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for years beginning after December 31, 2021 and interim periods beginning the following year. Early application is permitted. ASU 2016-02 is effective for the fiscal year beginning July 1, 2022.

Subsequent Events

Management has evaluated subsequent events through February 15, 2021, 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, 2020 and 2019

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

Contributions receivable consisted of the following as of June 30, 2020:

Receivable in less than one year	\$ 810,312
Receivable in one to five years	150,000
Receivable in more than five years	<u>120,000</u>
Total contributions receivable	<u>\$ 1,080,312</u>

NOTE D – FIXED ASSETS

An analysis of fixed assets at June 30, 2020 and 2019 is as follows:

	Cost	<u>June 30, 2020</u>	
		<u>Acc/Dep</u>	<u>Book Value</u>
Equipment	\$ 29,073	\$ 24,836	\$ 4,237
Leasehold Improvements	<u>22,809</u>	<u>1,584</u>	<u>21,225</u>
	<u>\$ 51,882</u>	<u>\$ 26,420</u>	<u>\$ 25,462</u>
		<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>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE E – 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, 2020, the account balances at that institution exceeded the FDIC limit by \$1,273,815.

NOTE F – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of June 30, 2020 are:

Financial assets:	
Cash and cash equivalents	\$ 2,311,030
Grants receivable	<u>1,080,312</u>
Total financial assets	<u>3,391,342</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	938,898
Permanently restricted	<u>500</u>
Total restricted financial assets	<u>939,398</u>
Amount available for general expenditures within one year	\$ <u>2,451,944</u>

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE G - 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE G - LEASE COMMITMENTS (Continued)

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.

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>
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>22,461</u>
Total	\$ <u>737,226</u>	\$ <u>27,810</u>	\$ <u>(451,975)</u>	\$ <u>313,061</u>

Rent expense for the fiscal years ended June 30, 2020 and 2019 amounted to \$42,444 and \$51,660 respectively.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE H – UNEARNED REVENUE – PPP FUNDS

On May 18, 2020, the Organization received loan proceeds of \$250,000 from a promissory note issued by US Bank under the Paycheck Protection Program (“PPP”) which was established under the Coronavirus Aid, Relief and Economic Security Act (“CARES ACT”) and administered by the U.S. Small Business Administration. Loans are provided to qualifying businesses for up to 2.5 times of the average monthly payroll and certain other expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Organization believes that it will likely qualify for full forgiveness, but there is uncertainty around the standard and operation of PPP, and no assurance is provided that the Organization will obtain forgiveness in full or in part.

The unforgiven portion of the PPP loan, in whole or in part, is payable over eighteen months at an interest rate of 1%, with a deferral of payments for the first six months.

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

	June 30,	
	<u>2020</u>	<u>2019</u>
Powerhouse project	\$ 542,769	\$ 737,831
Creative spaces	75,346	99,998
Artists-In-Residence	47,901	23,150
Jumpstart	-0-	8,621
Organizational development	-0-	5,000
Youth Arts Action	-0-	18,000
Equity and Inclusion	27,882	50,000
Other programs	-0-	22,425
General Operations	<u>245,000</u>	<u>385,000</u>
	\$ <u>938,898</u>	\$ <u>1,350,025</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE J – 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.

NOTE K – RISKS AND UNCERTAINTES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While business disruption is expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. Because the Organization’s major customers are directly impacted by these events, and the Organization has adjusted certain aspects of its operations to protect its employees and customers it is probable that this matter will negatively impact the Organization. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

The extent to which the COVID-19 pandemic may impact the Organization’s operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time, including new information that may emerge concerning the severity of COVID-19 and the steps taken to contain it or treat its impact, among others.