

COTÉ & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2009

**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 statements of financial position of **PERFORMING ARTS WORKSHOP, INC.** (A Not-For-Profit Corporation) as of June 30, 2009 and 2008 and the related statements of activities, functional expenses and cash flows for the years 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.

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 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, 2009 and 2008 and the results of its operations 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 8, 2009

PERFORMING ARTS WORKSHOP, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
(With Comparative Totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	<u>Total (Summarized) 2008</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 293,996	\$ 202,345	\$ 496,341	\$ 403,906
Accounts receivable	217,214	-	217,214	413,632
Inventory	2,042	-	2,042	538
Prepaid expenses	5,811	-	5,811	4,960
Total current assets	<u>519,063</u>	<u>202,345</u>	<u>721,408</u>	<u>823,036</u>
FIXED ASSETS				
Furniture and fixtures	54,451	-	54,451	52,243
Machinery and equipment	47,452	-	47,452	40,141
Leasehold improvements	63,555	-	63,555	63,555
Less accumulated depreciation	<u>(53,197)</u>	<u>-</u>	<u>(53,197)</u>	<u>(33,761)</u>
Total fixed assets	<u>112,261</u>	<u>-</u>	<u>112,261</u>	<u>122,178</u>
OTHER ASSETS				
Deposits	<u>3,326</u>	<u>-</u>	<u>3,326</u>	<u>3,326</u>
TOTAL ASSETS	<u>\$ 634,650</u>	<u>\$ 202,345</u>	<u>\$ 836,995</u>	<u>\$ 948,540</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 28,794	\$ -	\$ 28,794	22,179
Accrued vacation pay	37,119	-	37,119	29,950
Total current liabilities	<u>65,913</u>	<u>-</u>	<u>65,913</u>	<u>52,129</u>
NET ASSETS				
Unrestricted - operations	368,737	-	368,737	298,911
Board designated	200,000	-	200,000	200,000
Temporarily restricted	-	202,345	202,345	397,500
Total net assets	<u>568,737</u>	<u>202,345</u>	<u>771,082</u>	<u>896,411</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 634,650</u>	<u>\$ 202,345</u>	<u>\$ 836,995</u>	<u>\$ 948,540</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, 2009
(With Comparative Totals for 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	Total (Summarized) <u>2008</u>
REVENUES AND SUPPORT				
Government contracts	\$ 679,271	\$ -	\$ 679,271	\$ 633,205
Program service fees	108,652	-	108,652	101,395
Donations - foundations and corporations	47,500	155,320	202,820	684,000
Donations - individuals	34,134	-	34,134	40,201
Special events, net of expenses of \$0 in 2009 and \$9,783 in 2008	-	-	-	8,215
Investment income	9,046	-	9,046	5,087
Sales, net of \$672 costs of sales	132	-	132	-
Miscellaneous income	-	-	-	2,181
Net assets released from restrictions	<u>350,475</u>	<u>(350,475)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,229,210</u>	<u>(195,155)</u>	<u>1,034,055</u>	<u>1,474,284</u>
EXPENSES				
Program services				
Artists-in-School	675,938	-	675,938	566,346
Artists-in-Community	189,566	-	189,566	238,109
Professional development	-	-	-	45,087
Advocacy	<u>36,130</u>	<u>-</u>	<u>36,130</u>	<u>-</u>
Total program expenses	<u>901,634</u>	<u>-</u>	<u>901,634</u>	<u>849,542</u>
Support services				
Management	116,042	-	116,042	130,523
Fundraising	<u>141,708</u>	<u>-</u>	<u>141,708</u>	<u>127,913</u>
Total support services	<u>257,750</u>	<u>-</u>	<u>257,750</u>	<u>258,436</u>
Total expenses	<u>1,159,384</u>	<u>-</u>	<u>1,159,384</u>	<u>1,107,978</u>
INCREASE (DECREASE) IN NET ASSETS	69,826	(195,155)	(125,329)	366,306
NET ASSETS				
Beginning of year	<u>498,911</u>	<u>397,500</u>	<u>896,411</u>	<u>530,105</u>
End of year	<u>\$ 568,737</u>	<u>\$ 202,345</u>	<u>\$ 771,082</u>	<u>\$ 896,411</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, 2009
 (With Comparative Totals for 2008)

	Artists in Schools	Artists in Community	Advocacy	Total Programs	Management & General	Fundraising	2009	Total (Comparative) 2008
Salary and wages	\$ 387,840	\$ 138,162	\$ 28,237	\$ 554,239	\$ 74,607	\$ 86,383	\$ 715,229	\$ 655,041
Payroll taxes	30,510	12,359	2,137	45,006	7,069	8,810	60,885	57,447
Employee benefits	16,778	6,798	1,175	24,751	3,887	4,845	33,483	30,215
TOTAL SALARIES AND RELATED	435,128	157,319	31,549	623,996	85,563	100,038	809,597	742,703
Contracted services - artistic	123,628	249	-	123,877	-	-	123,877	93,741
Contracted services - administration	29,431	9,250	1,440	40,121	22,720	25,537	88,378	94,576
Dues and subscriptions	747	144	1,000	1,891	82	328	2,301	1,391
Fundraising	-	-	-	-	-	3,558	3,558	4,281
Hospitality	4,727	2,240	252	7,219	835	1,569	9,623	14,170
Insurance	3,697	1,498	259	5,454	856	1,068	7,378	7,515
Copier lease and reproduction	2,325	1,612	142	4,079	469	585	5,133	4,704
Office supplies	3,796	1,030	27	4,853	88	139	5,080	9,496
Travel and conferences	18,048	464	17	18,529	56	70	18,655	16,303
Staff professional development	1,296	1,201	-	2,497	515	202	3,214	4,286
Postage and delivery	1,429	349	59	1,837	194	274	2,305	4,456
Printing	2,755	50	5	2,810	18	2,621	5,449	29,147
Program expenses	2,652	409	-	3,061	-	-	3,061	2,786
Occupancy	28,770	8,459	575	37,804	1,902	2,370	42,076	42,622
Telephone	3,011	301	38	3,350	127	158	3,635	4,065
Office and miscellaneous	4,759	1,045	85	5,889	360	379	6,628	15,227
TOTAL EXPENSES BEFORE DEPRECIATION	666,199	185,620	35,448	887,267	113,785	138,896	1,139,948	1,091,469
Depreciation	9,739	3,946	682	14,367	2,257	2,812	19,436	16,509
TOTAL EXPENSES	\$ 675,938	\$ 189,566	\$ 36,130	\$ 901,634	\$ 116,042	\$ 141,708	\$ 1,159,384	\$ 1,107,978

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (125,329)	\$ 366,306
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	19,436	16,509
(Increase) decrease in:		
Accounts receivable	196,418	(217,097)
Grants receivable	-	440
Inventory	(1,504)	1,231
Prepaid expenses	(851)	-
(Decrease) increase in:		
Accounts payable	6,615	21,771
Payroll liabilities	-	(8,375)
Accrued vacation	7,169	4,569
Net cash flows provided by operating activities	<u>101,954</u>	<u>185,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased	(9,519)	(23,247)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	92,435	162,107
CASH		
Beginning of year	<u>403,906</u>	<u>241,799</u>
End of year	<u>\$ 496,341</u>	<u>\$ 403,906</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, 2009

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

Advocacy Program – 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 in accordance with Statements of Financial Accounting Standards No. 116 – *Accounting for Contributions Received and Contributions Made* and No. 117 – *Financial Statements of Not-for-Profit Organizations*.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by 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. There are currently no permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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 since there is no objective basis 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, 2009

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.

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.

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

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.

Comparative Data

The financial statement information for the year ended June 30, 2007 presented for comparative purposes, is not intended to be a complete financial statement presentation.

Reclassifications

Certain amounts in the June 30, 2008 presentation have been reclassified to conform to the June 30, 2009 presentation.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE B – FIXED ASSETS

An analysis of fixed assets at June 30, 2009 is as follows:

	<u>Cost</u>	<u>Acc/Dep</u>	<u>Book Value</u>
Furniture and fixtures	\$ 54,451	\$ 15,041	\$ 39,410
Equipment	47,452	29,505	17,947
Leasehold Improvements	<u>63,555</u>	<u>8,651</u>	<u>54,904</u>
	<u>\$ 165,458</u>	<u>\$ 53,197</u>	<u>\$ 112,261</u>

NOTE C - 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>	
2010	\$ 36,016
2011	36,969
2012	37,950
2013	38,964
2014	<u>36,942</u>
	<u>\$ 186,841</u>

NOTE D – CONCENTRATION OF RISK

The Organization has \$268,281 on deposit with one financial institution, which exceeds the FDIC limit by \$18,281. The limit was recently raised to \$250,000 from \$100,000 and will remain in effect until January 1, 2010.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

09/10 Operating Support	\$ 90,000
Artists-in-Schools Program	85,000
Artists-in-Community Program	<u>27,345</u>
	\$ <u>202,345</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.