

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, 2013 AND 2012

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

TABLE OF CONTENTS

JUNE 30, 2013

	<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 - 11

Coté & Company, APC

CERTIFIED PUBLIC ACCOUNTANTS

703 Market Street, Suite 600

San Francisco, CA 94103

Telephone: (415) 931-0300

Facsimile: (415) 931-3020

www.cotecpa.com

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** (A Not-For-Profit Corporation), which comprise the statement of financial position, as of June 30, 2013 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, 2012 financial statements and our report, which was dated August 30, 2012, 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, 2013 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

August 28, 2013

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(With Comparative Totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>Total (Summarized) 2012</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 599,117	\$ 47,480	\$ 500	\$ 647,097	\$ 641,308
Accounts receivable	135,328	62,000	-	197,328	207,362
Inventory	639	-	-	639	738
Prepaid expenses	5,706	-	-	5,706	7,322
Total current assets	<u>740,790</u>	<u>109,480</u>	<u>500</u>	<u>850,770</u>	<u>856,730</u>
FIXED ASSETS					
Furniture and fixtures	72,508	-	-	72,508	72,508
Machinery and equipment	63,117	-	-	63,117	60,545
Leasehold improvements	63,555	-	-	63,555	63,555
	199,180	-	-	199,180	196,608
Less accumulated depreciation	<u>(131,320)</u>	<u>-</u>	<u>-</u>	<u>(131,320)</u>	<u>(111,046)</u>
Total fixed assets	<u>67,860</u>	<u>-</u>	<u>-</u>	<u>67,860</u>	<u>85,562</u>
OTHER ASSETS					
Deposits	<u>3,326</u>	<u>-</u>	<u>-</u>	<u>3,326</u>	<u>3,326</u>
TOTAL ASSETS	<u>\$ 811,976</u>	<u>\$ 109,480</u>	<u>\$ 500</u>	<u>\$ 921,956</u>	<u>\$ 945,618</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 33,760	\$ -	\$ -	\$ 33,760	\$ 43,547
Accrued vacation pay	34,228	-	-	34,228	28,831
Total current liabilities	<u>67,988</u>	<u>-</u>	<u>-</u>	<u>67,988</u>	<u>72,378</u>
NET ASSETS					
Unrestricted - operations	543,988	-	-	543,988	536,062
Unrestricted - board designated	200,000	-	-	200,000	200,000
Temporarily restricted	-	109,480	-	109,480	136,678
Permanently restricted	-	-	500	500	500
Total net assets	<u>743,988</u>	<u>109,480</u>	<u>500</u>	<u>853,968</u>	<u>873,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 811,976</u>	<u>\$ 109,480</u>	<u>\$ 500</u>	<u>\$ 921,956</u>	<u>\$ 945,618</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, 2013

(With Comparative Totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>Total (Summarized) 2012</u>
REVENUES AND SUPPORT					
Government contracts	\$ 704,043	\$ 9,000	\$ -	\$ 713,043	\$ 702,106
Program service fees	125,146	-	-	125,146	144,973
Donations - foundations and corporations	59,200	167,000	-	226,200	212,322
Donations - individuals	73,044	-	-	73,044	61,109
Investment income	542	-	-	542	686
Refund - Unemployment Services Trust	-	-	-	-	50,000
Miscellaneous income	-	-	-	-	496
Sales, net of \$99 and \$256 in costs of sales in 2013 and 2012, respectively	122	-	-	122	412
Net assets released from restrictions	<u>203,198</u>	<u>(203,198)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,165,295</u>	<u>(27,198)</u>	<u>-</u>	<u>1,138,097</u>	<u>1,172,104</u>
EXPENSES					
Program services					
Artists-In-Schools	643,536	-	-	643,536	642,049
Artists-In-Communities	245,676	-	-	245,676	250,080
Advocacy	<u>23,685</u>	<u>-</u>	<u>-</u>	<u>23,685</u>	<u>26,698</u>
Total program expenses	<u>912,897</u>	<u>-</u>	<u>-</u>	<u>912,897</u>	<u>918,827</u>
Support services					
Management	113,015	-	-	113,015	113,683
Fundraising	<u>131,457</u>	<u>-</u>	<u>-</u>	<u>131,457</u>	<u>131,998</u>
Total support services	<u>244,472</u>	<u>-</u>	<u>-</u>	<u>244,472</u>	<u>245,681</u>
Total expenses	<u>1,157,369</u>	<u>-</u>	<u>-</u>	<u>1,157,369</u>	<u>1,164,508</u>
INCREASE (DECREASE) IN NET ASSETS	7,926	(27,198)	-	(19,272)	7,596
NET ASSETS					
Beginning of year	<u>736,062</u>	<u>136,678</u>	<u>500</u>	<u>873,240</u>	<u>865,644</u>
End of year	<u>\$ 743,988</u>	<u>\$ 109,480</u>	<u>\$ 500</u>	<u>\$ 853,968</u>	<u>\$ 873,240</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, 2013

(With Comparative Totals for 2012)

	Artists-In-Schools	Artists-In-Communities	Advocacy	Total Programs	Management & General	Fundraising	Total (Comparative) 2013	Total (Comparative) 2012
Salaries and wages	\$ 369,836	\$ 176,085	\$ 10,419	\$ 556,340	\$ 63,371	\$ 89,384	\$ 709,095	\$ 713,946
Payroll taxes	35,551	17,778	3,214	56,543	6,317	6,673	69,533	69,607
Employee benefits	34,284	16,509	3,236	54,029	4,526	7,081	65,636	52,953
TOTAL SALARIES AND RELATED	439,671	210,372	16,869	666,912	74,214	103,138	844,264	836,506
Contracted services - artistic	128,580	700	-	129,280	-	-	129,280	125,055
Contracted services - administration	16,553	6,821	1,563	24,937	25,757	12,411	63,105	79,483
Dues and subscriptions	1,062	529	365	1,956	271	322	2,549	2,078
Fundraising	118	57	12	187	19	331	537	420
Hospitality	3,069	1,250	136	4,455	538	642	5,635	7,297
Insurance	2,787	1,341	286	4,414	452	626	5,492	5,334
Copier lease and reproduction	2,836	1,405	343	4,584	1,241	749	6,574	5,119
Office supplies	2,692	901	192	3,785	303	420	4,508	5,096
Travel and conferences	8,687	675	72	9,434	58	83	9,575	14,754
Staff professional development	897	432	92	1,421	645	1,206	3,272	1,590
Postage and delivery	803	299	84	1,186	333	1,326	2,845	3,507
Printing	237	4,688	24	4,949	-	2,189	7,138	4,685
Program expenses	893	278	1	1,172	2	3	1,177	2,108
Occupancy	20,000	9,108	2,191	31,299	5,956	4,794	42,049	41,259
Telephone	2,360	936	223	3,519	489	545	4,553	4,193
Office and miscellaneous	2,002	933	176	3,111	1,071	361	4,543	5,600
TOTAL EXPENSES BEFORE DEPRECIATION	633,247	240,725	22,629	896,601	111,349	129,146	1,137,096	1,144,084
Depreciation	10,289	4,951	1,056	16,296	1,666	2,311	20,273	20,424
TOTAL EXPENSES	\$ 643,536	\$ 245,676	\$ 23,685	\$ 912,897	\$ 113,015	\$ 131,457	\$ 1,157,369	\$ 1,164,508

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (19,272)	\$ 7,596
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	20,273	20,424
(Increase) decrease in:		
Accounts receivable	10,034	130,415
Inventory	99	256
Prepaid expenses	1,616	(2,394)
(Decrease) increase in:		
Accounts payable	(9,787)	33,910
Accrued vacation	5,397	(7,411)
Net cash flows provided by operating activities	<u>8,360</u>	<u>182,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased	(2,571)	(4,373)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	5,789	178,423
CASH		
Beginning of year	<u>641,308</u>	<u>462,885</u>
End of year	<u>\$ 647,097</u>	<u>\$ 641,308</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, 2013

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 leaning 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, 2013

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Contributions

The Organization records contributions under FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with ASC Topic 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under ASC Topic 958-605, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits at banks.

Inventory

Inventory, valued at cost, consists of books sold in the course of the Organization's educational activities.

Fixed Assets

Equipment, furniture and fixtures, and leasehold improvements are stated at cost. Expenditures for small items and maintenance and repairs are charged to expenses as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives of equipment, furniture and fixtures are three to five years.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The value of donated volunteer services is not reflected in the accompanying financial statements as there are no objective bases available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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, 2012 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 18, 2013, 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, 2013

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and from California Franchise taxes under Revenue and Taxation Code Section 23701d. The Organization has not been classified as a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or the Franchise Tax Board. Management has analyzed the tax positions taken by the Organization, and has concluded that, as of June 30, 2013, 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, 2008.

NOTE B – FIXED ASSETS

An analysis of fixed assets at June 30, 2013 is as follows:

	<u>Cost</u>	<u>Acc/Dep</u>	<u>Book Value</u>
Furniture and fixtures	\$ 72,508	\$ 52,398	\$ 20,110
Equipment	63,117	52,970	10,147
Leasehold Improvements	<u>63,555</u>	<u>25,952</u>	<u>37,603</u>
	\$ <u>199,180</u>	\$ <u>131,320</u>	\$ <u>67,680</u>

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, 2013, the account balances at that institution exceeded the FDIC limit by \$173,671.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE D - LEASE COMMITMENTS

The Organization leases space on Tennessee Street in San Francisco for administrative and operating activities. The term of the lease is from June 1, 2007 to May 31, 2014. Lease expense was \$2,491 per month through May 31, 2008 and increased 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> 2014	<u>\$ 36,590</u>
-------------------------	------------------

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

Artists-In-Schools	\$ 67,000
Artists-In-Communities	2,480
Capital campaign feasibility study	<u>40,000</u>
	<u>\$ 109,480</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.