

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, 2010 AND 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, 2010 and 2009, and the related statements of activities 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. The prior year summarized comparative information has been derived from the Organization's June 30, 2009 financial statements and our report, which was dated September 8, 2009, expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. 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, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Coté & Company, APC

San Francisco, California
August 18, 2010

PERFORMING ARTS WORKSHOP, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010</u>	<u>Total (Summarized) 2009</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 421,890	\$ 36,768	\$ 458,658	\$ 496,341
Accounts receivable	131,176	-	131,176	217,214
Inventory	1,071	-	1,071	2,042
Prepaid expenses	8,417	-	8,417	5,811
Total current assets	<u>562,554</u>	<u>36,768</u>	<u>599,322</u>	<u>721,408</u>
FIXED ASSETS				
Furniture and fixtures	56,743	-	56,743	54,451
Machinery and equipment	47,693	-	47,693	47,452
Leasehold improvements	63,555	-	63,555	63,555
	167,991	-	167,991	165,458
Less accumulated depreciation	<u>(72,298)</u>	<u>-</u>	<u>(72,298)</u>	<u>(53,197)</u>
Total fixed assets	<u>95,693</u>	<u>-</u>	<u>95,693</u>	<u>112,261</u>
OTHER ASSETS				
Deposits	<u>3,326</u>	<u>-</u>	<u>3,326</u>	<u>3,326</u>
TOTAL ASSETS	<u>\$ 661,573</u>	<u>\$ 36,768</u>	<u>\$ 698,341</u>	<u>\$ 836,995</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 7,905	\$ -	\$ 7,905	\$ 28,794
Accrued vacation pay	42,678	-	42,678	37,119
Total current liabilities	<u>50,583</u>	<u>-</u>	<u>50,583</u>	<u>65,913</u>
NET ASSETS				
Unrestricted - operations	410,990	-	410,990	368,737
Board designated	200,000	-	200,000	200,000
Temporarily restricted	-	36,768	36,768	202,345
Total net assets	<u>610,990</u>	<u>36,768</u>	<u>647,758</u>	<u>771,082</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 661,573</u>	<u>\$ 36,768</u>	<u>\$ 698,341</u>	<u>\$ 836,995</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, 2010

(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010</u>	<u>Total (Summarized) 2009</u>
REVENUES AND SUPPORT				
Government contracts	\$ 696,375	\$ -	\$ 696,375	\$ 679,271
Program service fees	121,569	-	121,569	108,652
Donations - foundations and corporations	43,108	131,500	174,608	202,820
Donations - individuals	50,476	-	50,476	34,134
Investment income	3,879	-	3,879	9,046
Sales, net of \$954 and \$672 in costs of sales in 2010 and 2009	738	-	738	132
Net assets released from restrictions	<u>297,077</u>	<u>(297,077)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,213,222</u>	<u>(165,577)</u>	<u>1,047,645</u>	<u>1,034,055</u>
EXPENSES				
Program services				
Artists-In-Schools	636,002	-	636,002	675,938
Artists-In-Communities	228,663	-	228,663	189,566
Advocacy	<u>82,254</u>	<u>-</u>	<u>82,254</u>	<u>36,130</u>
Total program expenses	<u>946,919</u>	<u>-</u>	<u>946,919</u>	<u>901,634</u>
Support services				
Management	86,682	-	86,682	116,042
Fundraising	<u>137,368</u>	<u>-</u>	<u>137,368</u>	<u>141,708</u>
Total support services	<u>224,050</u>	<u>-</u>	<u>224,050</u>	<u>257,750</u>
Total expenses	<u>1,170,969</u>	<u>-</u>	<u>1,170,969</u>	<u>1,159,384</u>
INCREASE (DECREASE) IN NET ASSETS	42,253	(165,577)	(123,324)	(125,329)
NET ASSETS				
Beginning of year	<u>568,737</u>	<u>202,345</u>	<u>771,082</u>	<u>896,411</u>
End of year	<u>\$ 610,990</u>	<u>\$ 36,768</u>	<u>\$ 647,758</u>	<u>\$ 771,082</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, 2010

(With Comparative Totals for 2009)

	Artists-In-Schools	Artists-In-Communities	Advocacy	Total Programs	Management & General	Fundraising	2010	Total (Comparative) 2009
Salary and wages	\$ 361,481	\$ 168,707	\$ 32,550	\$ 562,738	\$ 51,851	\$ 69,187	\$ 683,776	\$ 715,229
Payroll taxes	34,053	17,986	3,995	56,034	4,010	4,455	64,499	60,885
Employee benefits	16,667	9,375	2,084	28,126	3,125	3,473	34,724	33,483
TOTAL SALARIES AND RELATED	412,201	196,068	38,629	646,898	58,986	77,115	782,999	809,597
Contracted services - artistic	131,289	300	-	131,589	-	-	131,589	123,877
Contracted services - administration	21,125	7,774	37,799	66,698	20,080	22,341	109,119	88,378
Dues and subscriptions	881	424	90	1,395	-	-	1,395	2,301
Fundraising	-	-	-	-	-	506	506	3,558
Hospitality	4,186	2,005	321	6,512	458	4,982	11,952	9,623
Insurance	1,980	953	203	3,136	321	445	3,902	7,378
Copier lease and reproduction	2,495	1,195	260	3,950	520	728	5,198	5,133
Office supplies	2,240	996	213	3,449	335	465	4,249	5,080
Travel and conferences	22,775	698	964	24,437	-	-	24,437	18,655
Staff professional development	-	-	-	-	-	-	-	3,214
Postage and delivery	946	453	99	1,498	197	5,882	7,577	2,305
Printing	1,285	616	134	2,035	268	17,446	19,749	5,449
Program expenses	406	618	-	1,024	-	-	1,024	3,061
Occupancy	19,943	9,583	2,044	31,570	3,226	4,474	39,270	42,076
Telephone	2,247	1,081	231	3,559	364	505	4,428	3,635
Office and miscellaneous	2,309	1,235	272	3,816	357	301	4,474	6,628
TOTAL EXPENSES BEFORE DEPRECIATION	626,308	223,999	81,259	931,566	85,112	135,190	1,151,868	1,139,948
Depreciation	9,694	4,664	995	15,353	1,570	2,178	19,101	19,436
TOTAL EXPENSES	\$ 636,002	\$ 228,663	\$ 82,254	\$ 946,919	\$ 86,682	\$ 137,368	\$ 1,170,969	\$ 1,159,384

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (123,324)	\$ (125,329)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	19,101	19,436
(Increase) decrease in:		
Accounts receivable	86,038	196,418
Inventory	971	(1,504)
Prepaid expenses	(2,606)	(851)
(Decrease) increase in:		
Accounts payable	(20,889)	6,615
Accrued vacation	5,559	7,169
Net cash flows provided (used) by operating activities	<u>(35,150)</u>	<u>101,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased	(2,533)	(9,519)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(37,683)	92,435
CASH		
Beginning of year	<u>496,341</u>	<u>403,906</u>
End of year	<u>\$ 458,658</u>	<u>\$ 496,341</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, 2010

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 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, 2010

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, 2010

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, 2009 presented for comparative purposes, is not intended to be a complete financial statement presentation.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE B – FIXED ASSETS

An analysis of fixed assets at June 30, 2010 is as follows:

	<u>Cost</u>	<u>Acc/Dep</u>	<u>Book Value</u>
Furniture and fixtures	\$ 56,743	\$ 22,709	\$ 34,034
Equipment	47,693	36,348	11,345
Leasehold Improvements	<u>63,555</u>	<u>13,241</u>	<u>50,314</u>
	<u>\$ 167,991</u>	<u>\$ 72,298</u>	<u>\$ 95,693</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>	
2011	\$ 36,969
2012	37,950
2013	38,964
2014	<u>36,942</u>
	<u>\$ 150,825</u>

NOTE D – CONCENTRATION OF RISK

The Organization has \$258,675 on deposit with one financial institution, which exceeds the FDIC limit by \$8,675.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

Artists-in-Schools	\$ 17,700
Artists-in-Communities	<u>19,068</u>
	\$ <u>36,768</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.