P.S. ARTS

FINANCIAL STATEMENTS

JUNE 30, 2017

P.S. ARTS
CONTENTS
June 30, 2017

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
P.S. ARTS
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of P.S. ARTS (the "Organization") which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses and cash flows for the year 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 from material misstatement, whether due to fraud or error.

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 from 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of P.S. ARTS as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

October 5, 2017

P.S. ARTS
STATEMENT OF FINANCIAL POSITION
June 30, 2017
(with Summarized Financial Information for 2016)

ASSETS

	2017	2016
Current assets		
Cash and cash equivalents	$ 871,008	$ 483,363
Investments	236,432	237,085
Accounts and pledges receivable	247,069	585,656
Endowment pledges receivable, current portion	128,082	123,867
Inventory, net	19,105	17,021
Prepaid expenses and other current assets	112,680	89,061
Total current assets	1,614,376	1,536,053
Endowment pledges receivable, net of current portion	16,281	69,920
Endowment investments	2,241,396	1,907,125
Property and equipment, net	92,689	118,614
Security deposit	80,126	113,126
Total assets	**$ 4,044,868**	**$ 3,744,838**

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities		
Accounts payable and accrued expenses	$ 127,523	$ 177,925
Total current liabilities	127,523	177,925
Long-term liabilities		
Deferred rent incentives	34,141	42,501
Total liabilities	161,664	220,426
Commitments (Note 10)		
Net assets		
Unrestricted	1,021,113	828,064
Temporarily restricted	808,521	642,778
Permanently restricted	2,053,570	2,053,570
Total net assets	3,883,204	3,524,412
Total liabilities and net assets	**$ 4,044,868**	**$ 3,744,838**

The accompanying notes are an integral part of these financial statements.

P.S. ARTS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
(with Summarized Financial Information for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support, revenue and other income					
Contributions	$ 1,270,481	$ 424,000	$ -	$ 1,694,481	$ 2,202,395
Special events, net of related costs	308,913	-	-	308,913	249,492
In-kind contributions	25,000	-	-	25,000	121,545
School program contributed income	1,613,095	-	-	1,613,095	1,200,452
Miscellaneous revenue	1,011	-	-	1,011	-
Investment (loss) income	(480)	287,180	-	286,700	80,120
Net assets released from restrictions	545,437	(545,437)	-	-	-
Total support, revenue and other income	3,763,457	165,743	-	3,929,200	3,854,004
Expenses					
Program services	2,990,775	-	-	2,990,775	2,793,649
General and administrative	258,339	-	-	258,339	307,817
Fundraising	321,294	-	-	321,294	315,044
Total expenses	3,570,408	-	-	3,570,408	3,416,510
Change in net assets	193,049	165,743	-	358,792	437,494
Net assets, beginning of year	828,064	642,778	2,053,570	3,524,412	3,086,918
Net assets, end of year	**$ 1,021,113**	**$ 808,521**	**$ 2,053,570**	**$ 3,883,204**	**$ 3,524,412**

The accompanying notes are an integral part of these financial statements.

P.S. ARTS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
(with Summarized Financial Information for 2016)

	2017				2016
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries and related expenses	$ 2,648,390	$ 146,925	$ 255,032	$ 3,050,347	$ 2,918,181
Art supplies	88,474	-	-	88,474	77,477
Community outreach	62,809	74	-	62,883	63,852
Depreciation and amortization	22,240	2,018	2,222	26,480	30,690
Faculty development	2,235	-	-	2,235	5,514
Insurance	5,621	11,996	-	17,617	16,858
Occupancy	96,973	21,024	39,390	157,387	102,170
Office	19,900	22,974	15,960	58,834	44,716
Other	-	1,160	6,439	7,599	17,196
Professional services	25,000	44,714	-	69,714	115,333
Telephone	4,838	2,382	2,157	9,377	11,229
Travel	14,295	5,072	94	19,461	13,294
Total	**$ 2,990,775**	**$ 258,339**	**$ 321,294**	**$ 3,570,408**	**$ 3,416,510**

The accompanying notes are an integral part of these financial statements.

P.S. ARTS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017
(with Summarized Financial Information for 2016)

	2017	2016
Cash flow from operating activities		
Increase in net assets	$ 358,792	$ 437,494
Adjustments to reconcile increase in net assets		
to net cash from operating activities:		
Depreciation and amortization	27,153	31,428
Contributions restricted for investment in endowment	(55,367)	(798,645)
Net realized gain on investments	(4,378)	(7,603)
Net realized gain on endowment investments	(105,242)	(21,205)
Net unrealized (gain) loss on investments	5,031	(10,163)
Net unrealized (gain) loss on endowment investments	(181,938)	(39,338)
Inventory reserve	6,002	(27,735)
Receipt of donated property and equipment	-	(2,500)
Receipt of donated other assets	-	(10,165)
Loss on disposal of property and equipment	-	3,298
(Increase) decrease in:		
Accounts and pledges receivable	392,226	219,221
Endowment pledges receivable	(4,215)	195
Inventory	(8,086)	40,934
Prepaid expenses and other current assets	(23,619)	(925)
Increase (decrease) in:		
Accounts payable and accrued expenses	(50,402)	(125,902)
Deferred revenue	-	(20,000)
Deferred rent incentive	(8,360)	42,501
Net cash from operating activities	347,597	(289,110)
Cash flows from investing activities		
Purchase of property and equipment	(1,228)	(8,872)
Purchase of investments	-	(100,000)
Payment of security deposits	33,000	(113,126)
Proceeds from sale of investments	-	250,000
Purchase of endowment investments	(234,852)	(1,348,472)
Proceeds from sale of endowment investments	187,761	585,261
Net cash used in investing activities	(15,319)	(735,209)
Cash flows from financing activities		
Collections of contributions restricted for investment in endowment	55,367	798,645
Net cash from financing activities	55,367	798,645
Net change in cash and cash equivalents	387,645	(225,674)
Cash and cash equivalents, beginning of year	483,363	709,037
Cash and cash equivalents, end of year	**$ 871,008**	**$ 483,363**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

P.S. ARTS (a nonprofit organization) (the "Organization") was founded in 1991 to improve the lives of children by providing arts education to underserved public schools and communities. P.S. ARTS' school-based arts programs are regularly assessed by independent consultants and serve as a national model for arts education.

Description of Programs
The Organization provides high-quality California Visual and Performing Arts ("VAPA") standards-based education in music, dance, drama and visual arts for children in 58 schools throughout the Los Angeles Unified, Lawndale Elementary, Lennox, Wiseburn, Reef-Sunset, Avenal, and Santa Monica/Malibu Unified school districts where arts programs have been reduced or eliminated. Currently, P.S. ARTS in-school Classroom Studio programs and the P.S. ARTS after school program, Inside Out Community Arts, serves approximately 25,000 K – 8 students, the great majority of whom live below the Federal Poverty line. In addition to instruction, the Organization provides support for visual arts exhibits, public performances, community arts events, field trips and professional development workshops for classroom teachers and teaching artists.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Organization. Contributions with donor imposed restrictions which are satisfied in the year received are presented as unrestricted in the statement of activities.

- Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

- Permanently restricted net assets – Net assets subject to donor-imposed restrictions requiring that the amounts contributed be invested in perpetuity. The investment income generated from these funds is available for general support of the Organization's programs and operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)
The financial statements include certain prior-year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications
Certain reclassifications have been made to the prior year's balances in order to conform to the current year's presentation. Such reclassifications or title changes had no effect on net income as previously reported.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include short-term, highly liquid debt securities with maturities of three months or less at the time of purchase. Such investments are deemed to be cash equivalents on the statement of financial position and for the purposes of the statement of cash flows.

Contributions and Pledges
Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenue in the period pledged by donors. Conditional contributions are recorded as support in the period in which the condition is met.

Contributions with donor imposed restrictions are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent or when the condition is met in the year given. Pledges for future contributions are recorded as receivables and reported at their estimated realizable values.

Inventory
Inventory consists of goods donated to the Organization for fundraising purposes, and such goods are valued at fair value at the date of donation. Obsolete inventory is charged to expense when identified. The Organization has established an inventory reserve of $29,267 and $23,265 as of June 30, 2017 and 2016, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices. Interest, dividends and realized and unrealized gains and losses have been netted on the statement of activities.

Property and Equipment
Property and equipment are stated at cost if purchased, or fair value if donated. The cost of assets purchased under $1,000 is charged to expense. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets as follows:

Portable classroom	31 years
Musical instruments	7 years
Computers and software	3 to 7 years
Office equipment	5 to 7 years
Website	3 to 7 years

Impairment or Disposal of Long-lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impairment loss is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. The Organization did not recognize any impairment of long-lived asset losses in the fiscal year ended June 30, 2017 and 2016, respectively.

Deferred Rent Incentive
The Organization amortizes its tenant allowance on a straight line basis over the term of the related lease. The accounting results in a deferred liability recorded on the statement of financial position.

In-kind Contributions
In-kind contributions include gifts-in-kind and contributed services primarily utilized in conjunction with special events. The gifts-in-kind are contributions of noncash assets that can be used or sold by the Organization. The contributed services received either create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization recognizes all in-kind contributions at fair value on the date of donation.

The Organization also receives a significant amount of contributed time from volunteers, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses
Directly identifiable expenses are charged to programs, general and administrative expense and fundraising services. Expenses related to more than one function are allocated based on the proportion of total time spent by the staff of the Organization on the activity.

Income Taxes
The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization is classified as an organization that is not a private foundation under Section 509(a)(2) of the IRC. Accordingly, a provision for federal or state income taxes has not been made in the accompanying financial statements.

The Organization recognizes the impact of tax positions on the financial statements in accordance with U.S. GAAP and clarifies the uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization would recognize accrued interest and penalties related to uncertain tax positions in income tax expense if such interest and penalties are incurred.

Concentrations of Credit Risk
Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash, money market accounts and accounts and pledges receivable. Cash and cash equivalents are placed with high-credit, quality financial institutions. At times, such investment balances may be in excess of the Federal Deposit Insurance Corporation insurance limit of $250,000. As of June 30, 2017 and 2016, bank balances totaling $625,151 and $221,409, respectively, were uninsured. Cash in money market accounts is maintained in a separate account, which is insured for up to $500,000 through the Securities Investor Protection Corporation ("SIPC").

In addition, the Organization holds significant investments in the form of debt and equity securities. Credit risk is the failure of another party to perform in accordance with the contract terms. The Organization is exposed to credit risk for the amount of the investments. The Organization has never sustained a loss on any investment due to nonperformance and does not anticipate any nonperformance by the users of the securities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Contributors

With respect to accounts and pledges receivable, the Organization routinely assesses the financial strength of its donors and, as a consequence, believes that credit risk exposure related to the accounts and pledges receivable is limited. At June 30, 2017, $200,000 represented receivable from two donors and $70,000 represented an endowment receivable from one donor. At June 30, 2016, $300,000 represented receivables from two donors.

Fair Value

The Organization has adopted Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”), which defines fair value, establishes a framework for consistent measuring of fair value under generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

The fair value hierarchy described by the standards is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value and include the following:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices as in Level 1. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the Organization.

In accordance with ASC 820, the Organization classified all its cash and cash equivalents, investments and endowment restricted investments as Level 1 as of June 30, 2017 and 2016, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements
In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In March 2016, the FASB issued ASU No. 2016-08, which finalized its amendments to the guidance in the new revenue standard on assessing whether an entity is a principal or an agent in a revenue transaction. This conclusion impacts whether an entity reports revenue on a gross or net basis. In April 2016, the FASB issued ASU No. 2016-10, which finalized amendments to the guidance in the new revenue standard on identifying performance obligations and accounting for licenses of intellectual property (IP). In May 2016, the FASB issued ASU No. 2016-12, which finalized amendments to the guidance in the new revenue standard on collectability, noncash consideration, presentation of sales tax and transition. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this standard on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is in the process of evaluating the impact of these rules on the Organization's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13), which adds a new Topic 326 to the Codification and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the organization expects to collect over the instrument's contractual life. ASU 2016-13 for fiscal years beginning after December 15, 2020 and for interim periods within fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is in the process of evaluating the impact of these rules on the Organization's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), which focuses on improving the current net asset classification requirements and information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and early application is permitted. ASU 2016-14 should be applied on a retrospective basis in the year that it is first applied. Management is in the process of evaluating the impact of these rules on the Organization's financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a Consensus of the FASB Emerging Issues Task Force)* ("ASU 2016-18"), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For public companies, these amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For nonpublic companies, these amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. Management is in the process of evaluating the impact of these rules on the Organization's financial statements.

NOTE 3 – INVESTMENTS

The Organization invests in bond index funds. The purpose of investing in the bond index funds is to obtain a higher rate than the prevailing savings rate. These bond index funds offer a low-cost, low-risk, diversified approach to bond investing, with investment-grade bonds that have maturities ranging from short, intermediate and long-term issues.

NOTE 3 – INVESTMENTS (Continued)

Investments held at fair value at June 30, 2017 consisted of the following:

	Cost	Fair Value
Bond funds	$ 237,509	$ 236,432
Total investments	**$ 237,509**	**$ 236,432**

Investments held at fair value at June 30, 2016 consisted of the following:

	Cost	Fair Value
Bond funds	$ 232,787	$ 237,085
Total investments	**$ 232,787**	**$ 237,085**

The Organization maintains a custodial account with UBS Financial Services, Inc. The funds in this account are managed by investment managers who are given discretionary authority, subject to investment guidelines established by the Organization's board of trustees, to invest the assets under their respective management.

Endowment investments held at fair value at June 30, 2017 consisted of the following:

	Cost	Fair Value
Cash	$ 76,524	$ 76,524
Stocks and stock funds	1,010,730	1,145,643
Bond funds	687,743	702,111
Broad commodity funds	284,440	317,118
Total endowment investments	**$ 2,059,437**	**$ 2,241,396**

Endowment investments held at fair value at June 30, 2016 consisted of the following:

	Cost	Fair Value
Cash	$ 32,577	$ 32,577
Stocks and stock funds	1,060,118	1,035,868
Bond funds	631,538	632,406
Broad commodity funds	208,287	206,274
Total endowment investments	**$ 1,932,520**	**$ 1,907,125**

NOTE 4 – ACCOUNTS, PLEDGES AND ENDOWMENT PLEDGES RECEIVABLE

Accounts, pledges and endowment pledges receivable at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Accounts and pledges receivable		
Accounts receivable	$ 239,944	$ 569,114
Pledges receivable	7,125	16,542
Total accounts and pledges receivable	**$ 247,069**	**$ 585,656**

	2017	2016
Endowment pledges receivable		
Endowment pledges receivable, current	$ 128,082	$ 123,867
Endowment pledges receivable, long-term	16,281	69,920
Total endowment pledges receivable	**$ 144,363**	**$ 193,787**

Receivables and pledges not designated as current are due in one to five years.

At June 30, 2012, the Organization received a conditional $1,000,000 matching-gift pledge for the purpose of developing a permanently restricted endowment. The $1,000,000 matching grant goal was met in December 2015. The donor agreed to match dollar for dollar every donation received under the campaign in excess of the $1,000,000. As of June 30, 2017 and 2016, the Organization has received cumulative amount of $1,026,535 in relation to the matching-gift pledge from the donor.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,

	2017	2016
Portable classroom	$ 116,500	$ 116,500
Musical instruments	89,969	89,969
Computers and software	77,627	76,399
Office equipment	30,683	30,683
Website	15,000	15,000
	329,779	328,551
Less accumulated depreciation and amortization	(237,090)	(209,937)
Property and equipment, net	**$ 92,689**	**$ 118,614**

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Total depreciation and amortization expense for the fiscal year ended June 30, 2017 and 2016 was $27,153 and $31,428, respectively. Of this amount, $26,480 and $30,690, respectively, was included in functional expenses, and $673 and $738, respectively, was included in special events, net of related costs.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 were restricted by donors for specific programs of the Organization as follows:

Restricted for	Available June 30, 2016	New Revenue	Releases/ Expenditures	Available June 30, 2017
Los Angeles Unified School District	$ 75,137	$ 100,000	$ 75,137	$ 100,000
Take Part	227,100	-	227,100	-
Unappropriated but accumulated earnings on endowment	47,341	287,180	-	334,521
Other	293,200	324,000	243,200	374,000
Total temporarily restricted net assets	**$ 642,778**	**$ 711,180**	**$ 545,437**	**$ 808,521**

NOTE 7 – ENDOWMENTS

During the years ended June 30, 2017 and 2016, the Organization received contributions totaling $0 and $798,645, respectively, from donors who specified that the funds would be used to create an endowment fund that will be invested in perpetuity, with income to be used for the support of the Organization.

At June 30, 2017 and 2016, the fair value of the investments was $2,241,396 and $1,907,125, respectively. The remaining grant amounts not received are classified as endowment pledge receivables at June 30, 2017 and 2016.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value

NOTE 7 – ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)
of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the endowment as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

For the year ended June 30, 2017, the Organization's endowment net assets changed as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ 47,341	$ 2,053,570	$ 2,100,911
Net investment return			
Interest and dividends	90,163	-	90,163
Net realized appreciation on investments	15,079	-	15,079
Net unrealized appreciation on investments	181,938	-	181,938
Total net investment return	287,180	-	287,180
Balance, end of year	**$ 334,521**	**$ 2,053,570**	**$ 2,388,091**

NOTE 7 – ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)
Earnings in the endowment are managed as endowment funds and are classified as temporarily restricted.

Return Objectives and Risk Parameters
The Organization has adopted an investment policy that targets an annual rate of return of 7% over a market cycle (3–5 years) with an emphasis on total return irrespective of source. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The Organization has designated an investment policy, which has been approved by the board of trustees that establishes guidelines for management of the Endowment and asset class allocations. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization has a policy of appropriating for distribution that occurs on a yearly basis. A recommendation for maximum amount to a transfer will be submitted to the board of trustees for approval. The amount of the transfer will be calculated based on the lesser of: 1) 5% of its endowment fund's fair value as of year-end or b) 95% of total return. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. During the years ended June 30, 2017 and 2016, the Organization elected to appropriate $0 and $35,534 of earnings on the endowment, respectively.

NOTE 8 – SPECIAL EVENTS

The Organization conducts several special events in order to assist with its mission. All revenue received from such events, which includes in-kind donations such as professional services and food and inventory merchandise, in excess of expenses is used for current program operations. In-kind donations related to special events amounted to $25,000 and $58,045 for the years ended June 30, 2017 and 2016, respectively. Income from special events for the years ended June 30, 2017 and 2016 was $739,775 and $743,132, respectively. Related costs for such events for the year ended June 30, 2017 and 2016 amounted to $430,862 and $493,640, respectively.

NOTE 9 – COMMITMENTS

The Organization leases its office space in Los Angeles, California that requires minimum monthly payments of $11,668 and expires on July 31, 2021. Provided the Organization is not in default, the security deposit will be reduced by $33,300 per year effective August 2017, August 2018 and August 2019, respectively. At the lessor's option, reduction in security deposit will either be paid by the lessor as check payable to the Organization or as credit reduction against the next coming rental payment due.

The expected future minimum lease payments for the office lease are as follows:

Year Ending June 30,	
2018	$ 141,392
2019	145,537
2020	149,836
2021	167,567
Total	**$ 604,332**

Rent expense was $138,995 and $93,303 for the years ended June 30, 2017 and 2016, respectively. Of this amount, $128,034 and $79,160, respectively, was included in occupancy expense and $10,961 and 14,143, respectively, was included in special events, net of related costs.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization receives donations from its board of directors, members and other related parties throughout the year. For the years ended June 30, 2017 and 2016, the Organization received $414,146 and $939,119, respectively, of contributions including special events donations, merchandise sales, board member fees and other pledges from related parties. As of June 30, 2017 and 2016, $133,763 and $357,292 of these donations from related parties are outstanding and are included in the accompanying statement of financial position.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 5, 2017, which is the date the financial statements were available to be issued.