

# P.S. ARTS

**FINANCIAL REPORT  
JUNE 30, 2022**

**P.S. ARTS**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
P.S. ARTS

### **Opinion**

We have audited the financial statements of P.S. ARTS, which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of P.S. ARTS as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of P.S. ARTS, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits, which include relevant ethical requirements in the United States of America. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about P.S. ARTS's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate P.S. ARTS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing P.S. ARTS's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 P.S. ARTS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about P.S. ARTS's ability to continue as a going concern for a reasonable period of time.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within P.S. ARTS to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit of P.S. ARTS. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

*Singer Lewak LLP*

September 23, 2022

**P.S. ARTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 745,227	\$ 250,735
Investments	2,454,237	2,120,735
Contributions and accounts receivable	659,304	600,089
Prepaid expenses and other current assets	36,880	42,523
Total current assets	3,895,648	3,014,082
<b>Noncurrent assets</b>		
Property and equipment, net	46,491	41,632
Security deposit	48,373	44,803
Endowment assets	2,712,839	3,281,324
Total noncurrent assets	2,807,703	3,367,759
<b>Total assets</b>	<b>\$ 6,703,351</b>	<b>\$ 6,381,841</b>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 234,336	\$ 202,562
Grant advance	-	568,800
Total liabilities	234,336	771,362
<b>Net assets</b>		
Without donor restrictions		
Undesignated	1,691,468	741,059
Board designated	1,670,000	1,271,308
Total without donor restrictions	3,361,468	2,012,367
With donor restrictions	3,107,547	3,598,112
Total net assets	6,469,015	5,610,479
<b>Total liabilities and net assets</b>	<b>\$ 6,703,351</b>	<b>\$ 6,381,841</b>

See notes to financial statements.

**P.S. ARTS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>			
Contributions	\$ 3,068,461	\$ 294,768	\$ 3,363,229
School program income	1,669,311	-	1,669,311
Special events, net of direct benefits to donors of \$229,016	81,123	-	81,123
In-kind contributions	15,000	-	15,000
Net investment return (loss)	3,503	(448,544)	(445,041)
Net assets released from restrictions	336,789	(336,789)	-
Total revenue, support, and gains	5,174,187	(490,565)	4,683,622
<b>Expenses</b>			
Program services	2,874,632	-	2,874,632
General and administrative	398,135	-	398,135
Fundraising	552,319	-	552,319
Total expenses	3,825,086	-	3,825,086
<b>Change in net assets</b>	1,349,101	(490,565)	858,536
<b>Net assets, beginning of year</b>	2,012,367	3,598,112	5,610,479
<b>Net assets, end of year</b>	<b>\$ 3,361,468</b>	<b>\$ 3,107,547</b>	<b>\$ 6,469,015</b>

See notes to financial statements.

**P.S. ARTS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>			
Contributions	\$ 1,809,636	\$ 136,787	\$ 1,946,423
School program income	735,729	-	735,729
Special events, net of direct benefits to donors of \$18,360	85,089	-	85,089
In-kind contributions	22,200	-	22,200
Net investment return	706	730,411	731,117
Net assets released from restrictions	582,716	(582,716)	-
Total revenue, support, and gains	3,236,076	284,482	3,520,558
<b>Expenses</b>			
Program services	2,027,313	-	2,027,313
General and administrative	297,195	-	297,195
Fundraising	502,258	-	502,258
Total expenses	2,826,766	-	2,826,766
<b>Change in net assets</b>	409,310	284,482	693,792
<b>Net assets, beginning of year</b>	1,603,057	3,313,630	4,916,687
<b>Net assets, end of year</b>	<b>\$ 2,012,367</b>	<b>\$ 3,598,112</b>	<b>\$ 5,610,479</b>

See notes to financial statements.

**P.S. ARTS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2022**

	Program Services	General and Administrative	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries, taxes, and benefits	\$ 2,538,188	\$ 224,844	\$ 477,551	\$ -	\$ 3,240,583
Art supplies	172,706	-	889	-	173,595
Community outreach	953	-	294	-	1,247
Depreciation	5,637	250	251	-	6,138
Faculty development	15,069	-	-	-	15,069
Insurance	8,725	21,083	-	-	29,808
Occupancy	49,248	21,736	32,736	-	103,720
Office	39,668	76,024	22,963	-	138,655
Other	540	4,509	8,702	-	13,751
Professional services	40,600	47,143	-	-	87,743
Production and venue	-	-	-	229,016	229,016
Travel	3,298	2,546	8,933	-	14,777
	<u>2,874,632</u>	<u>398,135</u>	<u>552,319</u>	<u>229,016</u>	<u>4,054,102</u>
Total expenses by function					
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(229,016)	(229,016)
<b>Total expenses included in the expense section on the statement of activities</b>	<b><u>\$ 2,874,632</u></b>	<b><u>\$ 398,135</u></b>	<b><u>\$ 552,319</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,825,086</u></b>

See notes to financial statements.



**P.S. ARTS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2021**

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries, taxes, and benefits	\$ 1,641,352	\$ 199,971	\$ 409,813	\$ -	\$ 2,251,136
Art supplies	118,658	318	28	-	119,004
Community outreach	1,420	12	-	-	1,432
Depreciation	7,995	747	1,113	-	9,855
Faculty development	18,811	-	-	-	18,811
Insurance	4,832	10,674	-	-	15,506
Occupancy	114,525	28,060	52,853	-	195,438
Office	65,080	24,649	22,464	-	112,193
Other	4,045	446	12,677	-	17,168
Professional services	34,000	29,088	3,160	-	66,248
Program Evaluation	14,891	-	-	-	14,891
Cost of direct benefits to donors	-	-	-	18,360	18,360
Travel	1,704	3,230	150	-	5,084
<b>Total expenses by function</b>	<b>2,027,313</b>	<b>297,195</b>	<b>502,258</b>	<b>18,360</b>	<b>2,845,126</b>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(18,360)	(18,360)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 2,027,313</b>	<b>\$ 297,195</b>	<b>\$ 502,258</b>	<b>\$ -</b>	<b>\$ 2,826,766</b>

See notes to financial statements.

**P.S. ARTS**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash flow from operating activities</b>		
Change in net assets	\$ 858,536	\$ 693,792
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	6,138	9,855
Realized and unrealized loss (gain) on investments	478,087	(647,245)
Deferred rent incentive	-	(19,763)
Loss on uncollectible contributions	-	9,000
PPP loan forgiven	(568,800)	(568,800)
Changes in operating assets and liabilities:		
Contributions and accounts receivable	(50,964)	401,047
Prepaid expenses and other current assets	5,643	16,733
Security deposits	(3,570)	(4,723)
Accounts payable and accrued expenses	31,774	30,485
Deferred revenue	-	(15,000)
Net cash provided by (used in) operating activities	756,844	(94,619)
<b>Cash flows from investing activities</b>		
Purchases of endowment securities	(3,379,968)	(1,053,951)
Proceeds from sale of endowment investments	3,805,735	995,607
Purchase of investment securities	(1,200,000)	(1,470,000)
Proceeds from sale of investment securities	870,000	750,000
Reinvested interest and dividends	(338,871)	(25,525)
Purchase of equipment	(10,997)	(1,341)
Net cash used in investing activities	(254,101)	(805,210)
<b>Cash flows from financing activities</b>		
Collections of contributions restricted to endowment	(8,251)	-
Proceeds from grant advance	-	568,800
Net cash provided by (used in) financing activities	(8,251)	568,800
<b>Net change in cash and cash equivalents</b>	494,492	(331,029)
<b>Cash and cash equivalents, beginning of year</b>	250,735	581,764
<b>Cash and cash equivalents, end of year</b>	<b>\$ 745,227</b>	<b>\$ 250,735</b>

See notes to financial statements.

**NOTE 1 – ORGANIZATION**

P.S. ARTS is a nonprofit California organization 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. Each week, P.S. ARTS provides high-quality arts education to nearly 25,000 students in 57 underserved schools across Los Angeles County and California's Central Valley.

P.S. ARTS offers the following programs:

- *Classroom studio* – provides weekly arts instruction in dance, music, theater, and/or visual arts to every child in its partner schools for the entire school year. P.S. ARTS provides two models of its Classroom Studio program: *Arts Intensive* and *Arts Rotation*.
- *Extended Learning – Inside Out Community Arts* is focused on empowering underserved middle school youth with the tools, confidence, and inspiration to make a positive difference in their lives and their communities through the arts.
- *Community Engagement* – P.S. ARTS coordinates with schools and parent groups to provide intergenerational arts programming for the entire school community. These events feature free, hands-on family-themed arts projects and reach nearly 10,000 students and family members annually. In addition to arts projects, families are given information about their students' arts classes, how to volunteer with P.S. ARTS, and additional resources to bring artmaking into the home. These events also give families an opportunity to bond through creative activities while getting to know each other as artists in a safe, fun environment.
- *Educator Training* – P.S. ARTS faculty participate in a pre-service orientation intensive and a rigorous ongoing training series. Full-time P.S. ARTS faculty are required to attend a minimum of 20 hours of professional training and development per year. In addition to reviewing the P.S. ARTS model framework, scope and sequence, approach to curriculum development and documentation annually, P.S. ARTS faculty participate in select training modules related to arts education theory and practice.

**NOTE 2 – 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).

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

P.S. ARTS considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes are excluded from this definition.

Contributions and Accounts Receivable

P.S. ARTS records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Accounts receivable consist primarily of noninterest-bearing amounts due for school program services provided.

P.S. ARTS determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022 and 2021, P.S. ARTS deemed no allowance was required.

Investments

P.S. ARTS records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Property and Equipment

Property and equipment are stated at cost if purchased, or if donated, at fair value on the date of donation. 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 ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. P.S. ARTS did not recognize any impairment of long-lived asset losses in the years ended June 30, 2022 and 2021, respectively.

Grant Advance

During the year ended June 30, 2021, P.S. ARTS received a loan, totaling \$568,000, under the SBA's Paycheck Protection Program (PPP), as authorized under the CARES Act. During the year ended June 30, 2022, the loan was fully forgiven and the corresponding income is included in the statement of activities as contributions revenue.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from its net assets without donor restrictions, net assets for an operating reserve.
- *Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. P.S. ARTS reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor restricted contributions and appropriated endowment earnings received and expended in the same reporting period are recorded as net assets without donor restrictions.

Functional Allocation of Expenses

The expenses of providing various programs and other activities have been presented on a functional basis. Directly identifiable expenses are charged to programs, general and administrative expense and fundraising services. Expenses related to more than one function, which includes salaries, depreciation, and insurance, are allocated based on the proportion of total time spent by the staff of P.S. ARTS on the activity.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue and Revenue Recognition

Revenue from school programs is recognized when the performance obligations of transferring the products and providing the services are met.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. P.S. ARTS recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. P.S. ARTS recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

P.S. ARTS recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give at June 30, 2022 or 2021.

Donated Services and 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 P.S. ARTS. 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. P.S. ARTS recognizes all in-kind contributions at fair value on the date of donation.

During the years ended June 30, 2022 and 2021, contributed services amounted to \$15,000 and \$22,200, respectively.

Income Taxes

P.S. ARTS 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. Management has analyzed the tax positions taken by P.S. ARTS, and has concluded that, as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. P.S. ARTS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 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. ASU 2016-02, as deferred one year by ASU 2020-05, will be effective for years beginning after December 15, 2021. 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 does not believe the adoption of the updated standards will have a material effect on the financial statements.

**NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of June 30, 2022 and 2021, the following table reflects P.S. ARTS’s financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date due to donor restrictions or internal board designations.

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 745,227	\$ 250,735
Investments	2,454,237	2,120,735
Contributions and accounts receivable	659,304	600,089
Total financial assets	3,858,768	2,971,559
Board-designated operating reserve	(1,670,000)	(1,271,308)
Financial assets available to meet general expenditures within one year	<b>\$ 2,188,768</b>	<b>\$ 1,700,251</b>

P.S. ARTS considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. P.S. ARTS manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event the need arises to utilize the board-designated funds for liquidity purposes, the board-designated operating reserve could be drawn upon through board resolution.

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

P.S. ARTS reports certain assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. All of P.S. ARTS investment assets are classified within Level 1, because they are valued primarily using quoted prices on an active market. At June 30, 2022 and 2021, P.S. ARTS investments consist of the following:

	<b>2022</b>	<b>2021</b>
Highly liquid investments	\$ 2,860,770	\$ 2,160,840
Stocks and stock funds	1,561,531	2,235,528
Bond funds	736,671	891,076
Closed-end funds	-	98,260
	<b><u>\$ 5,158,972</u></b>	<b><u>\$ 5,385,704</u></b>



**NOTE 5 – PROPERTY AND EQUIPMENT**

As of June 30, 2022 and 2021, property and equipment consist of the following:

	<b>2022</b>	<b>2021</b>
Portable classroom	\$ 116,500	\$ 116,500
Computers and software	94,402	89,372
Musical instruments	89,969	89,969
Office equipment	32,086	26,119
Website	15,000	15,000
	347,957	336,960
Less accumulated depreciation	(301,466)	(295,328)
	<b><u>\$ 46,491</u></b>	<b><u>\$ 41,632</u></b>

**NOTE 6 – RISKS AND UNCERTAINTIES**

Credit Risk

Financial instruments that potentially expose P.S. ARTS to concentrations of credit risk consist primarily of cash, money market accounts, and accounts and contributions receivable. P.S. ARTS manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, P.S. ARTS has not experienced losses in any of these accounts.

Investments are made by P.S. ARTS and performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of P.S. ARTS.

Uncertainties

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may have an impact on P.S. ARTS's operations. P.S. ARTS expects uncertainties to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. P.S. ARTS is closely monitoring its liquidity and actively working to minimize the impact of the pandemic on its operations.

**P.S. ARTS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditure for specified purpose</i>		
Classroom studio	\$ 100,000	\$ 150,000
Extended learning	101,867	73,424
Other	<u>20,152</u>	<u>13,364</u>
	222,019	236,788
<i>Subject to the passage of time</i>		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	172,689	80,000
<i>Subject to P.S. ARTS's spending policy and appropriation</i>		
Endowment funds restricted in perpetuity	2,035,868	2,035,809
Unappropriated endowment earnings	<u>676,971</u>	<u>1,245,515</u>
	<u>2,712,839</u>	<u>3,281,324</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 3,107,547</u></b>	<b><u>\$ 3,598,112</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<i>Satisfaction of purpose restrictions</i>		
Classroom studio	\$ 50,000	\$ 118,400
Extended learning	73,424	145,066
Other	<u>13,365</u>	<u>54,250</u>
	136,789	317,716
Satisfaction of time restrictions	80,000	260,000
Loss on uncollectible endowment receivable	-	5,000
Endowment earnings appropriated	<u>120,000</u>	<u>-</u>
	<b><u>\$ 336,789</u></b>	<b><u>\$ 582,716</u></b>

**NOTE 8 – ENDOWMENT**

P.S. ARTS’s Endowment consists of a pool of funds established by donors to provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of P.S. ARTS has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value 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, P.S. ARTS 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 P.S. ARTS in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, P.S. ARTS considers the following factors in making a determination to appropriate funds for distribution:

- (1) The duration and preservation of the fund
- (2) The purpose of P.S. ARTS 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 P.S. ARTS
- (7) The investment policies of P.S. ARTS

As of June 30, 2022 and 2021, endowment net assets with donor restrictions composition by type of fund are as follows:

	<b>2022</b>	<b>2021</b>
Original donor-restricted gift	\$ 2,027,764	\$ 2,019,454
Accumulated investment gains	676,971	1,245,515
Contributions receivable	8,104	16,355
	<b><u>\$ 2,712,839</u></b>	<b><u>\$ 3,281,324</u></b>

**NOTE 8 – ENDOWMENT (Continued)**

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor or UPMIFA requires P.S. ARTS to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2022 and 2021, there were no deficiencies of this nature.

Investment and Spending Policies

P.S. ARTS has adopted an investment policy for the Endowment that attempts to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. The target annual rate of return of 7% over a market cycle (3 – 5 years) with an emphasis on total return irrespective of source. P.S. ARTS 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.

To satisfy its long-term rate-of-return objectives, P.S. ARTS 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). P.S. ARTS targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

P.S. ARTS 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 P.S. ARTS’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.

Changes in endowment net assets with donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Balance, beginning of year	\$ 3,281,324	\$ 2,555,915
Net investment (loss) return	(448,544)	730,409
Contribution	59	-
Loss on uncollectible endowment receivable	-	(5,000)
Appropriation of endowment assets pursuant to spending rate policy	(120,000)	-
	<b><u>\$ 2,712,839</u></b>	<b><u>\$ 3,281,324</u></b>

**NOTE 9 – RELATED PARTY TRANSACTIONS**

P.S. ARTS receives donations from its Board of Trustees, members and other related parties throughout the year. For the years ended June 30, 2022 and 2021, P.S. ARTS received \$131,275 and \$63,974, respectively, of contributions including special events donations, merchandise sales, board member fees and other promises to give from related parties. As of June 30, 2022 and 2021, \$8,104 and \$16,355 of these donations from related parties, respectively, are outstanding and are included as contributions receivable in the accompanying statements of financial position.

**NOTE 10 – SUBSEQUENT EVENTS**

Management evaluated all activity through September 23, 2022, the date the financial statements were available to be issued.