

P.S. ARTS

**FINANCIAL REPORT
JUNE 30, 2024**

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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets 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 required to be independent of P.S. ARTS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 available to be issued.

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 generally accepted auditing standards 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 generally accepted auditing standards, 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' 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' ability to continue as a going concern for a reasonable period of time.

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 5, 2024

P.S. ARTS
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

ASSETS

	2024	2023
Current assets		
Cash and cash equivalents	\$ 582,700	\$ 794,148
Investments	3,394,036	2,944,585
Contributions receivable, current	1,164,467	2,203,505
Accounts receivable	338,608	237,686
Prepaid expenses and other current assets	53,912	29,344
Total current assets	5,533,723	6,209,268
Noncurrent assets		
Contributions receivable, noncurrent	50,000	-
Equipment, net	32,307	38,243
Security deposits	40,832	25,479
Endowment assets	3,351,903	2,983,591
Total noncurrent assets	3,475,042	3,047,313
Total assets	\$ 9,008,765	\$ 9,256,581

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 272,642	\$ 238,810
Total liabilities	272,642	238,810
Net assets		
Without donor restrictions		
Undesignated	2,034,049	1,658,877
Board designated	2,070,000	2,070,000
Total without donor restrictions	4,104,049	3,728,877
With donor restrictions	4,632,074	5,288,894
Total net assets	8,736,123	9,017,771
Total liabilities and net assets	\$ 9,008,765	\$ 9,256,581

See notes to financial statements.

P.S. ARTS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions	\$ 1,380,559	\$ 269,232	\$ 1,649,791
School program income	2,320,046	-	2,320,046
Special events, net	143,748	-	143,748
In-kind contributions	15,000	-	15,000
Net investment return	149,608	368,312	517,920
Net assets released from restrictions	1,294,364	(1,294,364)	-
Total revenue, support, and gains	5,303,325	(656,820)	4,646,505
Expenses			
Program services	3,640,995	-	3,640,995
General and administrative	589,847	-	589,847
Fundraising	697,311	-	697,311
Total expenses	4,928,153	-	4,928,153
Change in net assets	375,172	(656,820)	(281,648)
Net assets, beginning	3,728,877	5,288,894	9,017,771
Net assets, ending	\$ 4,104,049	\$ 4,632,074	\$ 8,736,123

See notes to financial statements.

P.S. ARTS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions	\$ 2,397,524	\$ 2,258,008	\$ 4,655,532
School program income	2,089,411	-	2,089,411
Special events, net	94,007	-	94,007
In-kind contributions	74,224	-	74,224
Net investment return	90,498	270,752	361,250
Net assets released from restrictions	347,413	(347,413)	-
Total revenue, support, and gains	5,093,077	2,181,347	7,274,424
Expenses			
Program services	3,531,609	-	3,531,609
General and administrative	519,118	-	519,118
Fundraising	674,941	-	674,941
Total expenses	4,725,668	-	4,725,668
Change in net assets	367,409	2,181,347	2,548,756
Net assets, beginning	3,361,468	3,107,547	6,469,015
Net assets, ending	\$ 3,728,877	\$ 5,288,894	\$ 9,017,771

See notes to financial statements.

P.S. ARTS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

	Program Services	General and Administrative	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries, taxes, and benefits	\$ 3,402,129	\$ 409,551	\$ 619,299	\$ -	\$ 4,430,979
Art supplies	86,053	-	-	-	86,053
Community outreach	10,762	-	-	-	10,762
Depreciation	4,211	1,192	533	-	5,936
Faculty development	22,442	-	-	-	22,442
Insurance	237	40,848	-	-	41,085
Occupancy	35,422	20,345	17,807	-	73,574
Office	26,511	47,127	33,938	-	107,576
Other	4,741	5,739	18,608	-	29,088
Professional services	39,593	40,917	6,300	-	86,810
Production and venue	-	-	-	261,575	261,575
Travel	8,894	24,128	826	-	33,848
Total expenses by function	3,640,995	589,847	697,311	261,575	5,189,728
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(261,575)	(261,575)
Total expenses included in the expense section on the statement of activities	\$ 3,640,995	\$ 589,847	\$ 697,311	\$ -	\$ 4,928,153

See notes to financial statements.

P.S. ARTS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services	General and Administrative	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries, taxes, and benefits	\$ 3,186,585	\$ 327,519	\$ 459,288	\$ -	\$ 3,973,392
Art supplies	146,667	-	-	-	146,667
Community outreach	8,220	-	-	-	8,220
Depreciation	8,962	1,617	868	-	11,447
Faculty development	23,507	-	-	-	23,507
Insurance	239	37,849	-	-	38,088
Occupancy	40,206	12,768	19,130	-	72,104
Office	24,495	58,475	49,343	-	132,313
Other	(613)	4,723	46,427	-	50,537
Professional services	86,589	53,014	89,841	-	229,444
Production and venue	-	-	-	259,915	259,915
Travel	6,752	23,153	10,044	-	39,949
Total expenses by function	3,531,609	519,118	674,941	259,915	4,985,583
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(259,915)	(259,915)
Total expenses included in the expense section on the statement of activities	\$ 3,531,609	\$ 519,118	\$ 674,941	\$ -	\$ 4,725,668

See notes to financial statements.

P.S. ARTS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flow from operating activities		
Change in net assets	\$ (281,648)	\$ 2,548,756
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	5,936	11,447
Realized and unrealized gain on investments	(316,339)	(229,181)
Changes in operating assets and liabilities:		
Contributions receivable	989,038	(1,630,374)
Accounts receivable	(100,922)	(150,980)
Prepaid expenses and other current assets	(24,568)	7,536
Security deposits	(15,353)	22,894
Accounts payable and accrued expenses	33,832	4,474
Net cash provided by operating activities	289,976	584,572
Cash flows from investing activities		
Purchases of endowment securities	(903,963)	(684,315)
Proceeds from sales of endowment investments	779,547	555,559
Purchases of investment securities	(1,800,000)	(2,500,010)
Proceeds from sales of investment securities	1,500,000	2,100,000
Reinvested interest and dividends	(75,104)	(3,153)
Purchases of equipment	-	(3,199)
Net cash used in investing activities	(499,520)	(535,118)
Cash flows from financing activities		
Collections of contributions restricted to endowment	(1,904)	(533)
Net change in cash and cash equivalents	(211,448)	48,921
Cash and cash equivalents, beginning	794,148	745,227
Cash and cash equivalents, ending	\$ 582,700	\$ 794,148

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* – P.S. ARTS offers options for extended learning during the school year and in the summers to support creative expression, identity development, and critical thinking skills. P.S. ARTS provides lunchtime, after-school, and summer programs in multiple arts disciplines, including P.S. ARTS' national award-winning theater-based youth development program, *Inside Out Community 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 offers a range of professional development programs designed to enhance the skills of both classroom teachers and Teaching Artists. Through arts integration coaching and customizable faculty workshops, P.S. ARTS supports school teachers in embedding arts into core curricula to foster student engagement and meet State Common Core Standards. Teaching Artists Seasonal Institutes are designed for those new to the field of arts education, as well as seasoned Teaching Artists looking to expand and deepen their practice. The training provides participants with the foundational skills and knowledge to create an inclusive and engaging arts experience for students. P.S. ARTS also provides its own faculty with a minimum of 30 hours of professional development courses, offering them the knowledge and tools to create inclusive and impactful arts education experiences.

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).

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 contributions 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, 2024 and 2023, 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Equipment is stated at cost if purchased, or if donated, at fair value on the date of donation. The cost of assets purchased under \$2,500 is charged to expense. Depreciation is 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 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.

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, 2024 and 2023, respectively.

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 program services, general and administrative and fundraising. Expenses related to more than one function, which includes salaries, taxes, and benefits, 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, 2024 or 2023. At June 30, 2024, two donors accounted for 32% of contributions. At June 30, 2023, one donor accounted for 52% of contributions.

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.

Contributed services are used in program services and are recognized at fair value based on current rates for similar services. During the years ended June 30, 2024 and 2023, contributed services amounted to \$15,000 and \$74,224, 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, 2024 and 2023, 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.

Subsequent Events

Management evaluated all activity through September 5, 2024, the date the financial statements were available to be issued.

P.S. ARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2024 and 2023, 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 statements of financial position date due to internal board designations.

	2024	2023
Cash and cash equivalents	\$ 582,700	\$ 794,148
Investments	3,394,036	2,944,585
Contributions receivable, due in one year	1,164,467	2,203,505
Accounts receivable	338,608	237,686
 Total financial assets	 5,479,811	 6,179,924
 Board-designated operating reserve	 (2,070,000)	 (2,070,000)
 Financial assets available to meet general expenditures within one year	 <u>\$ 3,409,811</u>	 <u>\$ 4,109,924</u>

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 – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give at June 30, 2024 and 2023, are expected to be collected as follows:

	2024	2023
Within one year	\$ 1,164,467	\$ 2,203,505
One to five years	50,000	-
 Total	 <u>\$ 1,214,467</u>	 <u>\$ 2,203,505</u>

NOTE 5 – 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, 2024 and 2023, 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. As of June 30, 2024 and 2023, P.S. ARTS investments consist of the following:

	2024	2023
Highly liquid investments	\$ 3,623,779	\$ 3,252,527
Stocks and stock funds	2,398,419	1,928,638
Bond funds	428,504	739,440
Other	289,570	-
	<u>\$ 6,740,272</u>	<u>\$ 5,920,605</u>

NOTE 6 – EQUIPMENT

As of June 30, 2024 and 2023, equipment consists of the following:

	2024	2023
Portable classroom	\$ 114,000	\$ 114,000
Musical instruments	86,974	86,974
Website	15,000	15,000
Office equipment	5,968	5,968
Computers and software	3,199	3,199
	225,141	225,141
Less accumulated depreciation	(192,834)	(186,898)
	\$ 32,307	\$ 38,243

NOTE 7 – RISKS AND UNCERTAINTIES

Financial instruments that potentially expose P.S. ARTS to concentrations of credit risk consist primarily of cash, money market accounts, trade accounts receivable, 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.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because the outstanding amounts are due from organizations supportive of the Organization’s mission. At June 30, 2024 and 2023, two donors made up 79% and one donor made up 74%, respectively, of contributions receivable.

P.S. ARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2024 and 2023, net assets with donor restrictions are restricted for the following purposes or periods:

	2024	2023
<i>Subject to expenditure for specified purpose</i>		
Classroom studio	\$ -	\$ 78,500
Extended learning	92,370	100,749
Other	6,851	44,054
	99,221	223,303
<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	1,180,950	2,082,000
<i>Subject to P.S. ARTS's spending policy and appropriation</i>		
Endowment funds restricted in perpetuity	2,035,868	2,035,868
Unappropriated endowment earnings	1,316,035	947,723
	3,351,903	2,983,591
Total net assets with donor restrictions	<u>\$ 4,632,074</u>	<u>\$ 5,288,894</u>

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, 2024 and 2023:

	2024	2023
<i>Satisfaction of purpose restrictions</i>		
Classroom studio	\$ 78,500	\$ 50,000
Extended learning	100,749	101,867
Other	44,115	22,857
	223,364	174,724
Satisfaction of time restrictions	1,071,000	172,689
	<u>\$ 1,294,364</u>	<u>\$ 347,413</u>

NOTE 9 – 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 net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets with donor restrictions 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, 2024 and 2023, endowment net assets with donor restrictions composition by type of fund are as follows:

	2024	2023
Original donor-restricted gift	\$ 2,030,201	\$ 2,028,297
Accumulated investment gains	1,316,035	947,723
Contributions receivable	5,667	7,571
	\$ 3,351,903	\$ 2,983,591

NOTE 9 – 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, 2024 and 2023, 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 is 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: a) 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, 2024 and 2023 are as follows:

	2024	2023
Balance, beginning of year	\$ 2,983,591	\$ 2,712,839
Net investment return	368,312	270,752
	\$ 3,351,903	\$ 2,983,591

NOTE 10 – 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, 2024 and 2023, P.S. ARTS received \$379,650 and \$174,271, respectively, of contributions including special events donations, merchandise sales, board member fees and other promises to give from related parties. As of June 30, 2024 and 2023, \$5,667 and \$7,571 of these donations from related parties, respectively, are outstanding and are included as contributions receivable in the accompanying statements of financial position.

NOTE 11 – COMMITMENTS

On May 16, 2024, P.S. ARTS entered into a three-year non-cancellable operating lease agreement for office space, with the lease term commencing on July 1, 2024. The lease includes one option to extend for an additional two years. Future minimum lease payments amounted to \$510,963.