

THE PEOPLE'S MUSIC SCHOOL

FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022



**The
People's
Music
School**

THE PEOPLE'S MUSIC SCHOOL
(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The People's Music School
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of The People's Music School (an Illinois nonprofit corporation) (the "Organization"), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The People's Music School as of August 31, 2023 and 2022, 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. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 the Organization'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 the Organization's 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.

KRD, Ltd.

Schaumburg, Illinois
November 30, 2023

THE PEOPLE'S MUSIC SCHOOL
(A NONPROFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2023 AND 2022

See notes to the financial statements.

	<u>2023</u>	<u>2022</u>
<i>ASSETS</i>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,648,790	\$ 2,888,248
Contributions and grants receivable	276,564	384,412
Receivable, other	75	258,263
Prepaid expenses	26,423	46,212
	<u>2,951,852</u>	<u>3,577,135</u>
Total current assets		
PROPERTY AND EQUIPMENT		
Land	60,000	60,000
Building	1,289,263	1,289,263
Equipment	283,728	283,728
Building improvements	426,178	313,539
	<u>2,059,169</u>	<u>1,946,530</u>
Less: accumulated depreciation	(1,555,057)	(1,459,597)
	<u>504,112</u>	<u>486,933</u>
Net property and equipment		
OTHER ASSETS		
Right of use assets - operating lease, net	62,161	-
Contributions and grants receivable, non-current	245,000	125,000
Restricted cash	30,874	30,646
Investments, restricted	77,264	102,180
	<u>415,299</u>	<u>257,826</u>
Total other assets		
	<u><u>\$ 3,871,263</u></u>	<u><u>\$ 4,321,894</u></u>

	<u>2023</u>	<u>2022</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES		
Accounts payable	\$ 10,977	\$ 7,040
Accrued expenses	83,889	82,313
Current maturities of operating lease liabilities	<u>35,592</u>	<u>-</u>
Total current liabilities	130,458	89,353
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current maturities	26,569	-
Deferred compensation	<u>76,168</u>	<u>102,122</u>
Total long-term liabilities	<u>102,737</u>	<u>102,122</u>
Total liabilities	<u>233,195</u>	<u>191,475</u>
NET ASSETS		
Without donor restriction		
Undesignated	1,288,237	2,014,969
Board designated	<u>1,581,922</u>	<u>1,481,268</u>
	2,870,159	3,496,237
With donor restriction	<u>767,909</u>	<u>634,182</u>
Total net assets	<u>3,638,068</u>	<u>4,130,419</u>
	<u><u>\$ 3,871,263</u></u>	<u><u>\$ 4,321,894</u></u>

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED AUGUST 31, 2023 AND 2022

See notes to the financial statements.

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUES						
Contributions						
Foundations	\$ 866,139	\$ 470,000	\$ 1,336,139	\$ 865,903	\$ 252,570	\$ 1,118,473
Individuals	1,147,909	65,035	1,212,944	1,019,766	70,966	1,090,732
Corporations	137,168	-	137,168	79,950	-	79,950
Government	85,611	67,000	152,611	343,663	-	343,663
In-kind	64,576	-	64,576	27,469	-	27,469
Investment gain	81,036	228	81,264	389	34	423
Miscellaneous Income	690	-	690	35,409	-	35,409
Assets released from restrictions	468,536	(468,536)	-	515,000	(515,000)	-
	<u>2,851,665</u>	<u>133,727</u>	<u>2,985,392</u>	<u>2,887,549</u>	<u>(191,430)</u>	<u>2,696,119</u>
EXPENSES						
Program services	2,414,699	-	2,414,699	2,616,400	-	2,616,400
General and administrative	358,658	-	358,658	560,539	-	560,539
Fundraising	704,386	-	704,386	721,088	-	721,088
	<u>3,477,743</u>	<u>-</u>	<u>3,477,743</u>	<u>3,898,027</u>	<u>-</u>	<u>3,898,027</u>
CHANGE IN NET ASSETS	<u>(626,078)</u>	<u>133,727</u>	<u>(492,351)</u>	<u>(1,010,478)</u>	<u>(191,430)</u>	<u>(1,201,908)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>3,496,237</u>	<u>634,182</u>	<u>4,130,419</u>	<u>4,506,715</u>	<u>825,612</u>	<u>5,332,327</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,870,159</u>	<u>\$ 767,909</u>	<u>\$ 3,638,068</u>	<u>\$ 3,496,237</u>	<u>\$ 634,182</u>	<u>\$ 4,130,419</u>

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STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2023 AND 2022

See notes to the financial statements.

	2023				2022			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 1,884,766	\$ 234,415	\$ 402,756	\$ 2,521,937	\$ 1,963,882	\$ 299,805	\$ 409,533	\$ 2,673,220
Professional fees	11,669	28,896	2,133	42,698	18,915	93,292	2,897	115,104
Consultants and contractors	77,224	12,808	2,800	92,832	51,514	87,068	63,603	202,185
Instrument costs	48,549	-	-	48,549	144,091	-	-	144,091
Music and books	3,170	-	-	3,170	1,665	-	-	1,665
Teaching supplies and equipment	18,307	-	-	18,307	24,502	-	-	24,502
Scholarships	25,206	-	-	25,206	8,499	-	-	8,499
Building costs	86,139	7,280	10,144	103,563	87,419	4,277	7,363	99,059
Telephone and internet	3,479	13,903	816	18,198	25,519	4,144	1,320	30,983
Insurance	21,869	3,979	5,148	30,996	17,410	2,658	3,928	23,996
Office supplies	10,214	3,366	1,651	15,231	25,753	1,966	4,025	31,744
Computer hardware and software	18,430	22,165	48,698	89,293	107,526	22,435	22,753	152,714
Furniture and equipment	6,916	271	469	7,656	18,059	261	570	18,890
Travel	78,559	241	3,029	81,829	19,943	2,000	1,434	23,377
Advertising and marketing	150	-	8,317	8,467	2,279	702	7,249	10,230
Stewardship	279	543	10,629	11,451	493	2,471	3,568	6,532
Staff development	5,885	4,189	199	10,273	1,926	11,217	44	13,187
Events and performances	11,147	-	154,210	165,357	110	-	183,835	183,945
Depreciation	80,085	6,775	8,601	95,461	78,326	3,942	8,601	90,869
Bank fees	-	18,983	-	18,983	-	23,049	-	23,049
Taxes and fees	-	115	-	115	-	513	-	513
Dues and subscriptions	866	729	2,000	3,595	-	739	365	1,104
In-kind donations	21,790	-	42,786	64,576	18,569	-	-	18,569
	<u>\$ 2,414,699</u>	<u>\$ 358,658</u>	<u>\$ 704,386</u>	<u>\$ 3,477,743</u>	<u>\$ 2,616,400</u>	<u>\$ 560,539</u>	<u>\$ 721,088</u>	<u>\$ 3,898,027</u>

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STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2023 AND 2022

See notes to the financial statements.

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (492,351)	\$ (1,201,908)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	95,461	92,293
Right of use assets - operating lease amortization	32,230	-
Deferred compensation	30,028	40,000
Realized and unrealized gain (loss) on investments	4,073	(2,721)
Donated equipment	-	(8,900)
Change in assets and liabilities		
Contributions and grants receivable	(12,152)	236,153
Receivable, other	258,188	(257,184)
Prepaid expenses	19,789	(22,657)
Accounts payable	3,937	(83,680)
Accrued expenses	1,576	38,845
Deferred compensation	-	4,907
Operating lease liability	(32,230)	-
Net cash from operating activities	<u>(91,451)</u>	<u>(1,164,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(112,639)	(35,534)
Purchases of investments	-	(40,000)
Forfeiture of deferred compensation	(35,140)	-
Net proceeds from sale of investments	-	2,663
Net cash from investing activities	<u>(147,779)</u>	<u>(72,871)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(239,230)</u>	<u>(1,237,723)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,918,894</u>	<u>4,156,617</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,679,664</u></u>	<u><u>\$ 2,918,894</u></u>
CASH AND CASH EQUIVALENTS CONSIST OF		
Cash and cash equivalents	\$ 2,648,790	\$ 2,888,248
Restricted cash	<u>30,874</u>	<u>30,646</u>
	<u><u>\$ 2,679,664</u></u>	<u><u>\$ 2,918,894</u></u>

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NATURE OF ACTIVITIES

The People's Music School the ("Organization") is an Illinois not-for-profit organization, founded in 1975, that increases access to the benefits of music education by providing 100% free, high-quality music instruction to children who otherwise could not afford it. The Organization is supported primarily through contributions and grants. The Organization provides intensive afterschool music instruction to Chicago students and supports elementary school music teachers with general music curriculum and coaching in Chicago. The program in East Palo Alto, California was discontinued in the year ended August 31, 2023.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accounting records and the accompanying financial statements have been maintained and prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation: Net assets without donor restrictions include resources that are not subject to donor-imposed restrictions plus those resources for which donor-imposed restrictions have been satisfied. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Net assets with donor restrictions are subject to donor-imposed restrictions related to specific purposes or time periods. Satisfaction of net assets with donor restrictions (i.e., when the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) is reported as a reclassification from net assets with donor restrictions to net assets without donor restrictions. The Organization reports contributions with a donor-imposed restriction whose restrictions are met in the same reporting period as without donor restrictions in the statements of activities.

Cash and Cash Equivalents: The Organization considers all highly liquid investments with maturities of less than three months and used to support daily operations to be cash equivalents.

Liquidity and Availability of Resources: The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including cash equivalents.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,648,790	\$ 2,888,248
Contributions and grants receivable	276,564	384,412
Receivables, other	75	258,263
Less: donor-restricted net assets	<u>(767,909)</u>	<u>(634,182)</u>
	<u>\$ 2,157,520</u>	<u>\$ 2,896,741</u>

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants Receivable: Contributions are recognized as revenue in the period the promise to give is received. Contributions are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized and recorded as receivable only when the donor imposed conditions are substantially met or explicitly waived, at which time the conditional promise to give becomes unconditional. All contributions and grants receivable are due within three years of the balance sheet date. The Organization periodically reviews contributions receivable for collectability and an allowance for doubtful accounts is recorded, if necessary. Management believes all amounts to be collectible. Therefore, no allowance for doubtful accounts has been recorded at August 31, 2023 and 2022.

Investments: Investments are reported 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 between market participants at the measurement date.

Property and Equipment: Property and equipment are stated at cost less accumulated depreciation for purchased assets and fair value for donated assets. The Organization capitalizes all acquisitions of property and equipment in excess of \$2,500. Depreciation of equipment is provided over the estimated useful lives of the assets on a straight line basis for a period of three to ten years. The building and building improvements are depreciated over their estimated useful lives of five to thirty years.

Contributions: Contributions received are recorded as with donor restriction or without donor restriction depending on the absence or existence and nature of any donor restrictions.

Revenue Recognition: The Organization recognizes revenue based on satisfaction of its performance obligations, with the exception of contributions. Contributions represent nonreciprocal transactions and are recorded upon receiving the promise to give.

The amount of revenue recorded reflects the consideration to which the Organization expects to be entitled in exchange of goods or services. Revenue amounts are generally believed to be collectable, as the Organization has not experienced bad debts historically. Revenue recognition policies for the Organization's primary revenue sources are summarized as follows:

<i>Program Income</i>	Program income is comprised of the East Palo Alto ("EPA") program income from Ravenswood City School District and a government grant. The government grant funds the Organization's programs on a cost reimbursement basis and revenue is recognized as the services are provided by the Organization. The program income was \$0 and \$33,000 for the years ended August 31, 2023 and 2022, respectively.
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Donated Services: The Organization recognizes the fair value of contributed services when the contributed services create or enhance nonfinancial assets, or require specialized skills, are provided by entities or individuals possessing those skills and would be purchased if not provided by donation. The primary donated services consisted of discounted music education, consulting services related to the development of an enhanced organizational business plan and other related activities. The total number of volunteer hours not meeting the criteria for financial statement recognition is approximately 3,500 for each of the years ended August 31, 2023 and 2022, respectively.

Donated Assets: The Organization records contributed property and equipment at fair value at the date of donation. In the absence of donor stipulations, contributions of property and equipment are recorded as support revenue without restriction.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash: Restricted cash represents funds received from a grantor and earnings related to those funds which were restricted for a scholarship fund based on the grant agreement.

Restricted Investments: Restricted investments represents the total of participants' account balances in a nonqualified, tax-deferred compensation plan. The balance consists of the Organization's participants' account credits and investment gains or losses.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Exempt Status: The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, any income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising: The Organization expenses advertising costs as incurred. Total advertising expenses were \$8,467 and \$10,229 for the years ended August 31, 2023 and 2022, respectively.

Subsequent Events: Management has evaluated subsequent events through November 30, 2023, the date the financial statements were available to be issued.

Recently Adopted Pronouncement: Effective September 1, 2022, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842") and subsequent amendments. The core principle of the guidance in Topic 842 is that an entity should recognize a right of use ("ROU") asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The Organization adopted this standard utilizing the modified retrospective approach. The Organization has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized.

The standard had a material impact on the Organization's statements of financial position but did not have an impact on the related statements of activities and changes in net assets, and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The adopted standard resulted in the recognition of a ROU asset with a corresponding lease liability of \$94,391. At adoption, the measurement of the lease liabilities utilized the remaining minimum rental payments as defined under the previous accounting standard and the incremental borrowing rate as of September 1, 2022. No adjustment was required to the opening balance of retained earnings at the date of the initial application.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases: The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets, other current liabilities, and non-current lease liabilities on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief, and Economic Security Act "CARES Act" as amended and extended provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to \$10,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid up to \$10,000 per employee, capped at \$5,000 per employee for the year. During the fiscal years ended August 31, 2023 and 2022, the Organization recorded \$0 and \$258,263, respectively, related to the CARES Act in Government revenue on the Company's Statements of Operations. As of August 31, 2023 and 2022, the Organization has recorded a receivable in the amount of \$0 and \$258,263, respectively, related to the CARES Act, which is included in other receivable on the Statements of Financial Position.

SEGREGATION OF NET ASSETS

Board Designations (Without Donor Restrictions): The Board of Directors created and set aside two designated funds. These two designated funds are the Operating Reserve and the Growth Fund. The purpose of the Operating Reserve is to cover situations such as sudden increases in expenses, one-time unbudgeted expenses, unanticipated losses in funding, or uninsured losses. The Growth Fund is intended to provide a source of funds to expand the capacity of the school and serve as seed capital to kick start implementation of the next strategic plan.

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SEGREGATION OF NET ASSETS (CONTINUED)

Board Designations (Without Donor Restrictions) (Continued): Board designated amounts consist of the following for the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating Reserve Fund	\$ 1,138,454	\$ 941,131
Growth Fund	<u>443,468</u>	<u>540,137</u>
Total board designated net assets	\$ <u>1,581,922</u>	\$ <u>1,481,268</u>

Net Assets with Donor Restrictions: The Organization has net assets with donor restrictions consisting of the following as of August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Time restricted grants	\$ 335,000	\$ 385,000
Purpose restricted grants:		
Program activities	<u>402,035</u>	<u>218,536</u>
	<u>737,035</u>	603,536
Endowments:		
Scholarship Fund	<u>30,874</u>	<u>30,646</u>
Total net assets with donor restrictions	\$ <u>767,909</u>	\$ <u>634,182</u>

Net Assets with Donor Restrictions: During the years ended August 31, 2023 and 2022, donor restricted net assets were released from restrictions as the Organization incurred expenses, satisfying the restricted purpose designated by the donor or the stipulated time period. Donor restricted net assets were released from restrictions to support the following programs:

	<u>2023</u>	<u>2022</u>
Time restricted grants	\$ 250,000	\$ 195,000
Purpose restricted grants:		
Program activities	<u>218,536</u>	<u>320,000</u>
Total net assets released from restriction	\$ <u>468,536</u>	\$ <u>515,000</u>

ENDOWMENT

The Organization's endowment assets consist of funds to support continuing operations, growth, and student scholarships. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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ENDOWMENT (CONTINUED)

Interpretation of Relevant Law: The Organization follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") of June 2009, and its own governing documents. UPMIFA, which replaces the Uniform Management of Institutional Funds Act ("UMIFA") of 1971, eliminates the requirement of preservation of the historical dollar amount of a donor-restricted endowment fund, in favor of considering the factors for prudent appropriation of spending of the endowment and would apply in the absence of donor restrictions on the donor endowments (not board designated endowments). The Organization's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds and, accordingly, investment income and net appreciation is classified as with donor restriction until the assets are appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 30,874	\$ 30,874
Board-designated reserve funds	1,138,454	-	1,138,454
Board-designated growth funds	443,468	-	443,468
	<u>\$ 1,581,922</u>	<u>\$ 30,874</u>	<u>\$ 1,612,796</u>

Changes in Endowment Net Assets for the Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,481,268	\$ 30,646	\$ 1,511,914
Investment income	19,468	228	19,696
Transfers	81,186	-	81,186
Endowment net assets, end of year	<u>\$ 1,581,922</u>	<u>\$ 30,874</u>	<u>\$ 1,612,796</u>

Endowment Net Asset Composition by Type of Fund as of August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 30,646	\$ 30,646
Board-designated reserve funds	941,131	-	941,131
Board-designated growth funds	540,137	-	540,137
	<u>\$ 1,481,268</u>	<u>\$ 30,646</u>	<u>\$ 1,511,914</u>

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ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,587,291	\$ 30,612	\$ 2,617,903
Investment income	977	34	1,011
Transfers	(1,107,000)	-	(1,107,000)
Endowment net assets, end of year	<u>\$ 1,481,268</u>	<u>\$ 30,646</u>	<u>\$ 1,511,914</u>

RETIREMENT PLAN

The Organization maintains a qualified 403(b) plan that covers all eligible employees. Eligible employees make deferrals under the terms of the plan. For the years ended August 31, 2023 and 2022, the Organization made a discretionary matching contribution of up to 2% of compensation of all employees' deferral contributions. Employer contributions were \$20,853 and \$18,177 for the years ended August 31, 2023 and 2022, respectively.

DEFERRED COMPENSATION

The Organization maintains a 457(f) non-qualified, tax-deferred compensation plan for several employees. The assets in the 457(f) plan do not belong to the individuals but essentially represent a promise from the Organization to the employees. The asset balance in the plan as of August 31, 2023 and 2022 was \$77,264 and \$102,180, respectively and consist primarily of money market funds. Contributions to the plan were \$0 and \$40,000 for the years ended August 31, 2023 and 2022, respectively. Forfeitures to the plan were \$30,028 for the year ended August 31, 2023. Participant accounts become fully vested August 31, 2024.

LEASE COMMITMENTS

The Organization has entered into various leasing arrangements with lessors for equipment and building space. The Organization's lease portfolio contains only operating leases.

Operating Leases: The Organization leases one office location in Illinois. The lease agreement for office space calls for monthly rents of \$2,400 ending in August, 2024 plus additional charges for utilities. The other lease agreement for equipment calls for monthly rents of \$727 ending in November, 2027 plus additional charges for usage. For the year ended August 31, 2023, operating lease expense totaled \$35,342 and is included in program services expenses on the statements of activities and changes in net assets.

Rent expense totaled \$35,824 for the year ended August 31, 2022.

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LEASE COMMITMENTS (CONTINUED)

Operating Leases (continued): As of August 31, 2023, operating lease amounts reported were as follows:

Leased facilities, net	\$ <u>62,161</u>
Total operating ROU assets	<u>62,161</u>
Operating lease liabilities – current	\$ 35,592
Operating lease liabilities – long-term	<u>26,569</u>
Total operating lease liabilities	\$ <u>62,161</u>

Future minimum lease payments under the operating leases are as follows:

Years Ending August 31,

2024	\$ 37,523
2025	8,723
2026	8,723
2027	8,723
2028	<u>2,181</u>
Total minimum lease payments	65,873
Less: present value discount	<u>(3,712)</u>
Total lease obligations	\$ <u>62,161</u>

Lease expenses for the year ended August 31, 2023 are as follows:

Operating lease expense	\$ 35,342
Short-term lease expense	<u>300</u>
Total lease expenses	\$ <u>35,642</u>

Other supplemental lease information as of August 31, 2023:

Cash paid for amounts included in the measurements of lease liabilities:

Operating cash flows for operating leases	\$ 32,230
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Weighted average remaining lease terms (years):

Operating leases	2.78
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Weighted average discount rate:

Operating leases	4.29%
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CONCENTRATIONS

Revenue and Contributions and Grants Receivable: The financial statements reflect revenue from one contributor during the year ended August 31, 2023 amounting to approximately 13% of total revenue. There was no revenue from any contributor during the year ended August 31, 2022 greater than 10% of total revenue. At August 31, 2023, there was \$150,000 of contribution receivable due from this contributor.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Schedule of non-cash investing and financing activities:

	<u>2023</u>	<u>2022</u>
Right-of-use asset obtained in exchange for operating lease obligation	\$ <u>94,391</u>	\$ <u>-</u>
Receipt of donated equipment	\$ <u>-</u>	\$ <u>8,900</u>