

THE PEOPLE'S MUSIC SCHOOL

FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024



The
People's
Music
School

THE PEOPLE'S MUSIC SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The People's Music School

Opinion

We have audited the accompanying financial statements of The People's Music School (a nonprofit organization), which comprise the statements of financial position as of August 31, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The People's Music School as of August 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 People's Music School 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.

Prior Period Financial Statements

The financial statements as of August 31, 2024, were audited by KRD, Ltd., who merged with Aprio, LLP as of January 1, 2025, and whose report dated December 19, 2024, expressed an unmodified opinion on those statements.

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 The People's Music School'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 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 People's Music School'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 People's Music School'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.

A handwritten signature in black ink that reads "Aprio, LLP". The letters are cursive and somewhat stylized, with the "A" being particularly large and the "P"s having long, sweeping tails.

Schaumburg, Illinois
February 6, 2026

**THE PEOPLE'S MUSIC SCHOOL
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2025 AND 2024**

ASSETS

	<u>2025</u>	<u>2024</u>
<u>Current assets:</u>		
Cash and cash equivalents	\$ 2,353,634	\$ 2,450,196
Contributions and grants receivable	1,141,445	247,702
Prepaid expenses	74,660	67,555
Investments, restricted	<u>-</u>	<u>84,482</u>
Total current assets	<u>3,569,739</u>	<u>2,849,935</u>
Property, plant and equipment, net	390,727	451,355
<u>Other assets</u>		
Right of use assets - operating lease, net	809,520	26,569
Accounts receivable - non-current	311,935	37,435
Restricted cash	<u>26,874</u>	<u>27,771</u>
Total assets	<u>\$ 5,108,795</u>	<u>\$ 3,393,065</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities:</u>		
Accounts payable	\$ 64	\$ 1,010
Accrued expenses	138,686	86,894
Current maturities of operating lease liabilities	160,344	7,816
Deferred compensation	<u>-</u>	<u>83,476</u>
Total current liabilities	<u>299,094</u>	<u>179,196</u>
<u>Long-term liabilities:</u>		
Operating lease liabilities, net of current maturities	<u>651,290</u>	<u>18,753</u>
Total long-term liabilities	<u>651,290</u>	<u>18,753</u>
Total liabilities	<u>950,384</u>	<u>197,949</u>
<u>Net assets:</u>		
Without donor restrictions		
Undesignated	1,008,175	905,773
Board designated	1,327,396	1,646,134
With donor restrictions	<u>1,822,840</u>	<u>643,209</u>
Total net assets	<u>4,158,411</u>	<u>3,195,116</u>
Total liabilities and net assets	<u>\$ 5,108,795</u>	<u>\$ 3,393,065</u>

See notes to the financial statements

**THE PEOPLE'S MUSIC SCHOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and other support:</u>			
Foundations	\$ 1,238,588	\$ 1,121,000	\$ 2,359,588
Individuals	914,849	85,000	999,849
Corporations	211,006	-	211,006
Government	140,000	502,531	642,531
In-kind	118,625	-	118,625
Investment gain	50,654	906	51,560
Miscellaneous income	1,081	-	1,081
Net assets released from restrictions	<u>529,806</u>	<u>(529,806)</u>	<u>-</u>
Total revenues and other support	<u>3,204,609</u>	<u>1,179,631</u>	<u>4,384,240</u>
<u>Expenses:</u>			
Program	2,428,989	-	2,428,989
Supporting activities:			
Management and general	262,539	-	262,539
Fundraising	<u>729,417</u>	<u>-</u>	<u>729,417</u>
Total expenses	<u>3,420,945</u>	<u>-</u>	<u>3,420,945</u>
Change in net assets	(216,336)	1,179,631	963,295
Net assets at beginning of year	<u>2,551,907</u>	<u>643,209</u>	<u>3,195,116</u>
Net assets at end of year	<u>\$ 2,335,571</u>	<u>\$ 1,822,840</u>	<u>\$ 4,158,411</u>

See notes to the financial statements

**THE PEOPLE'S MUSIC SCHOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Foundations	\$ 1,010,891	\$ 325,000	\$ 1,335,891
Individuals	957,479	25,500	982,979
Corporations	190,066	15,000	205,066
Government	446,682	-	446,682
In-kind	82,548	-	82,548
Investment gain	67,968	294	68,262
Miscellaneous income	4,182	-	4,182
Net assets released from restrictions	<u>490,494</u>	<u>(490,494)</u>	<u>-</u>
Total revenues and other support	<u>3,250,310</u>	<u>(124,700)</u>	<u>3,125,610</u>
<u>Expenses:</u>			
Program	2,496,331	-	2,496,331
Supporting activities:			
Management and general	293,596	-	293,596
Fundraising	<u>778,635</u>	<u>-</u>	<u>778,635</u>
Total expenses	<u>3,568,562</u>	<u>-</u>	<u>3,568,562</u>
Change in net assets	(318,252)	(124,700)	(442,952)
Net assets at beginning of year	<u>2,870,159</u>	<u>767,909</u>	<u>3,638,068</u>
Net assets at end of year	<u>\$ 2,551,907</u>	<u>\$ 643,209</u>	<u>\$ 3,195,116</u>

See notes to the financial statements

**THE PEOPLE'S MUSIC SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025**

	<u>Program Services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,903,559	\$ 211,441	\$ 423,238	\$ 2,538,238
Professional fees	17,373	19,133	4,190	40,696
Consultants and contractors	66,843	10,425	2,550	79,818
Instrument costs	27,574	-	-	27,574
Music and books	1,054	-	-	1,054
Teaching supplies and equipment	2,569	-	-	2,569
Scholarships	25,839	-	-	25,839
Building costs	92,131	2,540	6,667	101,338
Telephone and internet	14,639	1,516	3,979	20,134
Insurance	27,890	3,134	8,228	39,252
Office supplies	4,129	906	984	6,019
Computer hardware and software	31,140	4,217	33,531	68,888
Furniture and equipment	9,014	893	2,343	12,250
Travel	77,960	51	3,082	81,093
Advertising and marketing	-	-	5,163	5,163
Stewardship	16	-	4,213	4,229
Staff development	726	4,031	-	4,757
Events and performances	9,309	281	169,982	179,572
Depreciation	52,419	2,580	5,630	60,629
Bank fees	-	795	-	795
Taxes and fees	-	142	51	193
Dues and subscriptions	1,425	454	341	2,220
In-kind donations	<u>63,380</u>	<u>-</u>	<u>55,245</u>	<u>118,625</u>
	<u>\$ 2,428,989</u>	<u>\$ 262,539</u>	<u>\$ 729,417</u>	<u>\$ 3,420,945</u>

See notes to the financial statements

**THE PEOPLE'S MUSIC SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024**

	<u>Program Services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,935,227	\$ 217,424	\$ 470,324	\$ 2,622,975
Professional fees	16,527	22,792	2,741	42,060
Consultants and contractors	82,254	6,610	80	88,944
Instrument costs	37,329	-	-	37,329
Music and books	1,608	-	-	1,608
Teaching supplies and equipment	5,207	-	99	5,306
Scholarships	28,003	-	-	28,003
Building costs	78,155	2,686	4,799	85,640
Telephone and internet	12,661	1,809	3,617	18,087
Insurance	24,068	3,450	6,876	34,394
Office supplies	4,388	829	1,355	6,572
Computer hardware and software	21,305	9,896	29,876	61,077
Furniture and equipment	8,983	1,880	1,543	12,406
Travel	88,168	275	2,657	91,100
Advertising and marketing	-	-	5,630	5,630
Stewardship	303	-	818	1,121
Staff development	1,905	16,626	39	18,570
Events and performances	6,136	-	206,054	212,190
Depreciation	92,539	4,755	10,375	107,669
Bank fees	-	2,817	-	2,817
Taxes and fees	-	1,328	-	1,328
Dues and subscriptions	667	419	102	1,188
In-kind donations	<u>50,898</u>	<u>-</u>	<u>31,650</u>	<u>82,548</u>
	<u>\$ 2,496,331</u>	<u>\$ 293,596</u>	<u>\$ 778,635</u>	<u>\$ 3,568,562</u>

See notes to the financial statements

**THE PEOPLE'S MUSIC SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<u>Cash flows from operating activities</u>		
Net income (loss)	\$ 963,295	(442,952)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation	60,628	107,668
Right of use assets - operating lease amortization	32,560	35,592
Deferred compensation	-	(7,218)
Realized and unrealized gain (loss) on investments	-	7,308
(Increase) decrease in assets:		
Contributions and grants receivable	(1,168,318)	236,502
Receivable, other	75	-
Prepaid expenses	(7,105)	(41,132)
Increase (decrease) in liabilities:		
Accounts payable	(946)	(9,967)
Accrued expenses	51,792	3,005
Operating lease liability	<u>(30,446)</u>	<u>(35,592)</u>
Net cash used in operating activities	<u>(98,465)</u>	<u>(146,786)</u>
<u>Cash flows from investing activities</u>		
Purchases of property and equipment	-	(54,911)
Purchases of deferred compensation	<u>1,006</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>1,006</u>	<u>(54,911)</u>
Net decrease in cash	(97,459)	(201,697)
Cash, cash equivalents, and restricted cash, beginning	<u>2,477,967</u>	<u>2,679,664</u>
Cash, cash equivalents, and restricted cash, ending	<u>\$ 2,380,508</u>	<u>\$ 2,477,967</u>
<u>Supplemental disclosure of non-cash investing activity</u>		
Receipt of donated equipment	<u>\$ 118,625</u>	<u>\$ 82,548</u>
<u>Cash, cash equivalents, and restricted cash consisted of the following</u>		
Cash and cash equivalents	\$ 2,353,634	\$ 2,450,196
Restricted cash	<u>26,874</u>	<u>27,771</u>
	<u>\$ 2,380,508</u>	<u>\$ 2,477,967</u>

See notes to the financial statements

**THE PEOPLE'S MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

Note 1

Nature of Organization

Organization:

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.

Note 2

Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation:

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

- *Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- *Net Assets With Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents:

The Organization considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

The Organization maintains cash balances at several commercial banks, these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At August 31, 2025 and 2024, the Organization's cash balances held at the commercial banks exceeded the FDIC limit by approximately \$1,985,574 and \$2,081,330. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

**THE PEOPLE'S MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

Note 2

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 ten years of the balance sheet date. The Organization periodically reviews contributions receivable for collectability and an allowance for credit losses is recorded, if necessary. Management believes all amounts to be collectible. Therefore, no allowance for credit losses has been recorded at August 31, 2025 and 2024.

Investments:

Investments are reported at fair value and consist of mutual funds. Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis for measurement. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increase in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gain are recognized.

Property and Equipment:

Property, plant and equipment are stated at cost. Expenditures for minor additions of equipment are charged to expense when incurred. The Organization capitalizes all acquisitions of property and equipment in excess of \$2,500. The Organization capitalizes interest as a component of the cost of property and equipment when the property and equipment is constructed using borrowed funds.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, as follows:

Land	Not depreciable
Building	5 - 30 years
Equipment	3 - 10 years
Building improvements	5 - 30 years

**THE PEOPLE'S MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

Note 2

Summary of Significant Accounting Policies (Continued)

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.

Donated Goods and Services:

The Organization's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair value when received.

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 Expense Allocation:

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities and changes in net assets. Expenses are directly charged to the program services and supporting activities other than those that benefit multiple functions. The financial statements report certain categories of expenses that are attributable to one or more program or supporting activities of the Organization. Those expenses include occupancy, computer support and maintenance, and insurance. Occupancy is allocated based on a square footage basis, computer support and maintenance are allocated based upon individual departmental users, and insurance is allocated based upon salaries.

Tax Exempt Status:

The Organization is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income taxes is required. The Organization applies the guidance on accounting for uncertain tax positions in FASB ASC 740 Income Taxes. The Organization is no longer subject to income tax examinations for tax years up to and including 2022.

**THE PEOPLE'S MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

Note 2

Summary of Significant Accounting Policies (Continued)

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Leases:

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are disclosed as right-of-use asset– operating lease and the related liabilities are included in lease liability – operating in the statements of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying statements of functional expenses. Lease and non-lease components of office lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization determines if an arrangement is a lease at inception. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

Fair Value Measurements:

The Organization applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

**THE PEOPLE'S MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

Note 2

Summary of Significant Accounting Policies (Continued)

The three general valuation techniques that may be used to measure fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Impairment of Long-Lived Assets:

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. No impairment loss has been recognized during the years ended August 31, 2025 and 2024.

**THE PEOPLE'S MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

Note 3

Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of August 31, 2025 and 2024:

	2025	2024
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 2,353,634	\$ 2,450,196
Contributions and grants receivable	1,141,445	247,627
Total financial assets	3,495,079	2,697,823
Less: donor-restricted net assets	(1,822,840)	(643,209)
Total financial assets available for general expenditure within one year	\$ 1,672,239	\$ 2,054,614

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. In addition to financial assets available for general expenditure within one year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Because the donor restrictions require resources to be used in a particular manner or in future periods, the Organization maintains sufficient resources to meet the responsibility to its donors. Thus, financial assets as they relate to donor restrictions may not be available for general expenditure within one year.

Note 4

Investments

Investments consisted of the following as of August 31, 2025 and 2024:

	2025	2024
Equity mutual funds	\$ -	\$ 84,482
Total investments	\$ -	\$ 84,482

In accordance with the ASC 820, the Organization's investments are considered to be Level 1 within the fair value hierarchy. There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

**THE PEOPLE'S MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

Note 5
Property and Equipment

The following is a summary of property and equipment at cost at August 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land	\$ 60,000	\$ 60,000
Building	1,289,263	1,289,263
Equipment	283,728	283,728
Building improvements	<u>481,089</u>	<u>481,089</u>
	2,114,080	2,114,080
Less: accumulated depreciation	<u>(1,723,353)</u>	<u>(1,662,725)</u>
Property and equipment, net	<u>\$ 390,727</u>	<u>\$ 451,355</u>

Depreciation expense for the years ended August 31, 2025 and 2024, totaled \$60,629 and \$107,667, respectively.

Note 6
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.

Board designated amounts consist of the following for the years ended August 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating Reserve Fund	\$ 851,164	\$ 1,185,029
Growth Fund	<u>476,232</u>	<u>461,105</u>
Total board designated net assets	<u>\$ 1,327,396</u>	<u>\$ 1,646,134</u>

Net Assets with Donor Restrictions: The Organization has net assets with donor restrictions consisting of the following as of August 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Time restricted grants	\$ 1,096,000	\$ 445,506
Purpose restricted grants:		
Program activities	<u>699,966</u>	<u>169,935</u>
	1,795,966	615,441
Endowments:		
Scholarship Fund	<u>26,874</u>	<u>27,768</u>
Total net assets with donor restrictions	<u>\$ 1,822,840</u>	<u>\$ 643,209</u>

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Note 6
Segregation of Net Assets (Continued)

During the years ended August 31, 2025 and 2024, 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:

	2025	2024
Time restricted grants	\$ 375,506	\$ 254,994
Purpose restricted grants:		
Program activities	154,300	235,500
Total net assets released from restriction	\$ 529,806	\$ 490,494

Note 7
Endowment

The Organization's endowment assets consist of funds to support continuing operations, growth, and student scholarships. The endowment includes donor-restricted endowment funds. 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.

Interpretation of Relevant Law:

The state of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization has interpreted 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, the Organization classifies as endowment net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted 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 related to the corpus is classified as net assets with restrictions until amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

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**Note 7
Endowment (Continued)**

Endowment net asset composition by type of fund as of August 31, 2025:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 26,874	\$ 26,874
Board-designated reserve funds	851,164	-	851,164
Board-designated growth funds	<u>476,232</u>	<u>-</u>	<u>476,232</u>
	<u>\$ 1,327,396</u>	<u>\$ 26,874</u>	<u>\$ 1,354,270</u>

Changes in endowment net assets for the year ended August 31, 2025:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,646,134	\$ 27,768	\$ 1,673,902
Investment income	42,107	906	43,013
Transfers	<u>(360,845)</u>	<u>(1,800)</u>	<u>(362,645)</u>
Endowment net assets, end of year	<u>\$ 1,327,396</u>	<u>\$ 26,874</u>	<u>\$ 1,354,270</u>

Endowment net asset composition by type of fund as of August 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 27,768	\$ 27,768
Board-designated reserve funds	1,185,029	-	1,185,029
Board-designated growth funds	<u>461,105</u>	<u>-</u>	<u>461,105</u>
	<u>\$ 1,646,134</u>	<u>\$ 27,768</u>	<u>\$ 1,673,902</u>

Changes in endowment net assets for the year ended August 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,581,922	\$ 30,874	\$ 1,612,796
Investment income	61,036	294	61,330
Transfers	<u>3,176</u>	<u>(3,400)</u>	<u>(224)</u>
Endowment net assets, end of year	<u>\$ 1,646,134</u>	<u>\$ 27,768</u>	<u>\$ 1,673,902</u>

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Note 8
Lease Commitments

The Organization leases one storage location in Illinois. The lease agreement for storage space calls for monthly rents of \$2,400 ending in August, 2025 plus additional charges for utilities. The Organization updated this lease at August, 2024 and reduced the amount of space in half. The updated lease calls for monthly rents of \$1,200 ending in August, 2025 plus additional charges to utilities. The Organization leases one school location in Illinois. The lease agreement for school space calls for monthly rent of \$15,000 ending in June, 2030 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, 2025, operating lease expense totaled \$62,650 and is included in program services expenses on the statements of activities and changes in net assets.

The components of the leases for the year ending August 31, 2025, are as follows:

	<u>Amount</u>
Operating lease cost	\$ 62,650
Cash paid for amounts included in the measurement of lease liabilities - operating lease	\$ 50,936
Lease liabilities arising from obtaining right of use assets	\$ 811,634
Weighted-average remaining lease term - operating lease	4.77 years
Weighted-average discount rate - operating lease	3.84 %

Maturities of the lease liability under the noncancelable operating leases as of August 31, 2025 are as follows:

<u>Year Ending August 31</u>	<u>Total Lease Payment</u>
2026	\$ 188,723
2027	188,723
2028	182,181
2029	180,000
2030	<u>150,000</u>
Total undiscounted lease payments	889,627
Less: imputed interest	<u>(77,993)</u>
Total lease liability	<u>\$ 811,634</u>

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Note 9
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, 2025 and 2024, the Organization made a discretionary matching contribution of up to 2% of compensation of all employees' deferral contributions. Employer contributions totaled \$28,386 and \$25,981 for the years ended August 31, 2025 and 2024, respectively.

Note 10
Deferred Compensation

The Organization terminated the 457(f) non-qualified, tax-deferred compensation plan on August 31, 2024 for the benefit of 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, 2025 and 2024 was \$0 and \$84,482, respectively and consist primarily of money market funds. There were no contributions to the plan for the years ended August 31, 2025 and 2024. Forfeitures to the plan were \$84,482 and \$30,028, respectively for the years ended August 31, 2025 and 2024.

Note 11
Concentrations:

Revenue and Contributions and Grants Receivable:

The financial statements reflect revenue from the fundraising event amounting to approximately 15% and 21% of total revenue during years ended August 31, 2025 and 2024, respectively. Revenue from one contributor during the year ended August 31, 2025 amounting to approximately 10% of total revenue. At August 31, 2025, there was \$452,531 of contribution receivable due from this contributor.

Note 12
Subsequent Events

Management considered all events through February 6, 2026, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. The Organization is not aware of any other significant events that occurred subsequent to August 31, 2025, but prior to the issuance of this report, that would have a material impact on the financial statements.