



Halcyon Teed | Intermission | Pastel



ANNUAL REPORT 2015-16

Halcyon Teed 1920-1998

MESSAGE FROM SHANNON McDONNELL
EXECUTIVE DIRECTOR



“Creativity takes courage.”

- Henri Matisse

Wow! What a year it has been. We have seen our Community Engagement Programs take off – and have expanded the model we developed in partnership with Downtown Streets team to include work with the VA to serve Vets with PTSD injuries. These programs could not have happened if not for the wonderful support of our members. My deepest gratitude goes out to you for how you have welcomed these new artists into the Pacific Art League.

We received a first-time grant from Palo Alto Community Foundation and three separate grants from the California Arts Council to expand community programs and to invest in marketing. We received a general operating grant from SV Creates.

We also had an outpouring of support from our members, instructors and students. The Robin Welles Fund for Artistic Excellence has grown to more than \$6,000- this fund will continue to provide scholarships to those who have the talent but not the means to study with us.

We have seen lots of change and growth in our Education programs as well. We purchased both a small-scale ceramics kiln and a glass fusing kiln to expand our education programs. And our 3-D printer classes are just starting to gear up in conjunction with our continued iPad classes. We have expanded the role of volunteer coordinator to include a focus on membership. And we are currently providing new benefits for our members including a Members' Lounge where you can enjoy complimentary wine and premium hors' d'oeuvres each First Friday. I hope you will join us!

Shannon McDonnell

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LETTER FROM THEO KEET
BOARD PRESIDENT



Dear Members, art students and other readers,

Our previous year of 2015 was dominated by the retrofitting and expansion of our Pacific Art League home; this just completed year, 2016, has focused on establishing the roots for the new Executive Director and her staff.

We extended our community activities and introduced art activities for the underserved segment of our community. We have also expanded our education curriculum into new experimental art activities.

I'm pleased to comment that with a Board of Directors, an Advisory Council, instructors and a staff of a very diversified backgrounds and experiences, we have managed to be cohesive and positive in our goal setting, and our work together towards the common aim of expanding the Pacific Art League's service and recognition in the community.

Our Executive Director, Shannon McDonnell, who joined us in July of 2015, brings to the Pacific Art League a tremendous experience in marketing for art oriented non-profit organization; enhanced with passion and dedication to the growth and success of our organization.

I'm equally grateful to the board members, instructors, staff and the large number of volunteers who have joined us in making our vision a reality.

Please continue supporting us with your time and donations. Your contributions are a large part of our ability to continue servicing the community with our 95-year tradition of providing art education and exhibition space at affordable fees.

A handwritten signature in black ink, appearing to read 'Theo Keet'. The signature is stylized with a large, sweeping initial 'T' and a checkmark-like flourish at the end.

Theo Keet, President

BOARD & STAFF*

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Kay Culpepper
Dan Kostenbauder, Treasurer
Theresa Peek
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Glenn Rojas
Robin Scholl
Josephine Shuster
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Iris Chen
Devan John
Anna Speaker

* as of fiscal year end

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Theresa Peek, Chair
Kay Culpepper
Corinne Derringer
Helen Ju
Theo Keet
Shannon McDonnell
Robin Scholl
Josephine Shuster

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EXHIBITIONS 2015-16

AUGUST – Figures & Faces

SEPTEMBER – 94th Anniversary Exhibition, “Vive les Arts” – French Salon-themed annual fundraising exhibition featuring over 170 works of art

OCTOBER – Landscapes, Seascapes & Urbanscapes, as well as works from PAL’s iPad Art students (5th-8th grades) at the Redwood City Police Activities League in the Corridor Gallery

NOVEMBER – Exposed: A Photography Exhibit. Opening reception included an interactive performance by theatre artist, Lessa Bourchard

DECEMBER – Holiday Art Festival featuring a juried Holiday Art Market exhibit as well as the second annual Small Works Raffle. Works on display included jewelry, glass, ceramics and more.

JANUARY – Annual Members’ Exhibition

FEBRUARY – The Art of Love, featuring Kim Pourciau’s The Possibility in Broken Dreams, a life-size sculpture of a wedding dress composed of broken china.

MARCH – Fur, Feathers and Fins. The opening reception featured a fun doggie fashion show of adoptable dogs in costume.

APRIL – Abstractions, featuring artist talks by Curt Schauer, Dan McLean, Aliser Angeles and Jim Potterton

MAY- Figures & Faces. Corridor Gallery displayed works by Hilary Gomes.

JUNE – Science, Technology and the Future of Art, juried by David Evan Harris, Research Director of Institute for the Future. One gallery featured work by the Stanford Center for Computer Research in Music and Acoustics (CFRMA), culminating in a performance of experimental music.

JULY – Community, a new juried exhibition theme paired with an exhibition in the Corridor Gallery of works by students in PAL’s community engagement programs.



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ART PROGRAMS

ROBIN SCHOLL, CHAIR, ART PROGRAMS

EDUCATION

At the Pacific Art League this past year we have made great strides in our challenge of sharing classroom/gallery space for both Education and Exhibition. Classes are taught in both of our Galleries so art is created while being surrounded by art! It is, indeed, both a challenge and a perfect environment for learning!

Our team of highly qualified Instructors include several veteran PAL Instructors of 25 years plus and many new instructors as well. In fact, PAL has acquired almost 15 new Instructors and classes over the past year, expanding our class offering into new areas such as ceramics, encaustics, and linoleum block printmaking.

Every year we have an Instructors Dinner, where new Instructors meet veteran Instructors and this event is quite enjoyable for all involved. I believe it is the longest standing tradition of the Pacific Art League now in practice.

We have launched several new Art Education programs for teens and adults alike. These include Holiday Celebration Events, Art & Wine Nights for Adults, Critique Nights with Guest Instructors and Youth-time -slots to address middle school--aged young artists, Drawing Cartoons, and Comics and Anime for Teens. Summer Camp Offering expanded into offsite locations which significantly grew our community engagement programs.

EXHIBITION

Every year at the Pacific Art League, from our Members Exhibits to our Figures and Faces Exhibits, our very skilled Exhibition team consisting of staff and volunteers guide us each month through the arduous task of putting together the shows. The amount of work that goes into the show every month is impressive. First comes creating a well written prospectus. This follows with an average of about 200 submissions. Next comes selecting and securing a qualified Juror. Then all the selected artists must be notified and work must be dropped off and the show must be installed. Preparations for the First Friday Opening must be set up and volunteers must be called in. At the end of the month, the art work must be taken down, and the process starts up all over again for the next month's Exhibition.

These monthly Exhibitions are truly one of PAL'S greatest achievements in reaching out to the community and providing a place to share, teach, show, and promote art.

We are very proud to be one of a very few places in the entire Bay Area where artists can display their art and express their creativity.

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COMMUNITY ENGAGEMENT

Fiscal year 2016 saw PAL continued to grow our community engagement programs. We completed our first year of iPad art classes to Jr. High and High School students through Boys and Girls Clubs of the Peninsula, and secured grant funding for the entire year. We taught co-curricular iPad art to 30 6th & 7th graders at Taft Community School through Redwood City Police Activities League, as well as a short, 5-week printmaking class in December.

We led monthly field trips to our RWC Pal kids to see exhibitions at Pacific Art League. A favorite was the themed show, The Art of Love the collaboration with Stanford's CCRMA for the Science, Technology and the Future of Art exhibit.

We held a doggy fashion show to help publicize our Fur, Feathers and Fins exhibition. Many artists gave a portion of their sales to a local animal rescue group.

We initiated our highly successful art program with Downtown Streets Team and secured grant funding to continue the program for the entire year. We have also initiated a similar program with The VA in Menlo Park and Palo Alto to provide art lessons to Vets suffering from PTSD injuries.



NEW DAY PROGRAM
Downtown Streets Team



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FUNDRAISING EFFORTS

Glen Rojas, Chair, Development Committee

Be positive, patient and persistent

This past year the PAL Board of Directors implemented a Development Committee to assist in formulating short and long term fund raising and sponsorship programs.

The main goals of the Development Committee were as follows:

- To establish a short-term fund raising program that will build a foundation for annual giving by individuals and corporations.
- In conjunction with the short-term program establish a long-term fund raising plan that provides sustainable giving by individuals and corporations.
- To establish a comprehensive corporate sponsorship program.

Over the past year the Development Committee has made progress with the goals established.

- PAL initiated a new fund in memory of Robin Welles. The fund was set up to give financial aid to students who possessed the talent but lacked the financial means to attend PAL classes.
- PAL received a matching grant from Oliver and Company toward our partnership with Downtown Streets Team
- PAL received a grant from the Palo Alto Community Fund for the New Day Program.
- PAL received a \$20,000 in-kind donation from Primo Angeli. Primo Angeli designed the new logo that is currently being used by PAL.
- PAL received its first corporate sponsorship from Avid Bank for the Fur, Feathers and Fins exhibition
- The Development Committee initiated a path to establishing contacts with corporations and individuals. Letters were sent to several individual and corporate contacts as a beginning stage of building a sustainable list of potential supporters and donors.
- Coordination between the Development and the Marketing Committees was established to assist with outreach to larger audiences in the community.

A foundation for the establishment of a sustainable fundraising and corporate sponsorship programs has been developed. The work conducted this past year will provide an opportunity for the PAL Board of Directors and its members to build upon.

FUNDERS & CORPORATE SPONSORS

*California Arts Council for PAL Community Engagement Programs
Palo Alto Community Foundation for New Day Program
Redwood City Cultural Commission for RWC Police Activities League Programs
Silicon Valley Creates for General Operating Budget*

**Primo Angeli
*Kilpatrick Townsend
*Wilson, Sansini, Goodrich and Rosati
(* In-kind donation)*

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SPECIAL EVENTS

The event activities started this year with a Luncheon for Donors and community leaders at the renovated home of the Pacific Art League. The theme was “Vive Les Arts” and the gallery was suitably decorated in the French way. We served sumptuous French cuisine and listened to marvelous music by The Left Bank Trio. Congresswoman Anna Eshoo made remarks on our history of serving the community and honored us with a plaque.



In lieu of the traditional Gala event in February, we organized several successful home-parties. We began with an exquisite Italian dinner at the home of our long-term board member Josephine Shuster.

The next event was *Who's Afraid of Opera*, an afternoon full of opera and classical piano music at the home of our president, Theo Keet. Kip Cranna, the renowned dramaturg of the San Francisco Opera told us about the history of opera and more recently the development of the San Francisco opera house.

We completed the home-evens with a fabulous Movable Feast spreading the appetizers, entrees and desserts between three hosts, Kay Culpepper, Pallavi Holman and Sondra Murphy. The charming music of the Left Bank trio played at each location as well as while moving from one home to the next. A sommelier discussed the appropriate wines with each course, for a total of seven different wines.

The 95th Anniversary Exhibition in September had a record number of art submissions and an overwhelming First Friday attendance.

We decided to restart the tremendously successful Annual Gala event. Next year, instead of our traditional Carnival theme, we are holding a 1920's Speakeasy at the Garden Court Hotel. We hope to see you all at this grand event. Make your reservations soon because over half the seat have already been sold.

Sondra Murphy
Chair through March 2016

Theresa Peek
Chair from April 2016

VOLUNTEERS

Total Numbers of Volunteers: 51
Summer camp volunteers: 14
Total number of events: 12 exhibitions + events
Total number of hours put in by volunteers: 1867
Total number of hours put in Summer Camps: 720
Art Hanging: 624
Postcard and catalog Distribution: 0
Art Intake: 298
Events: 225
Front desk and administrative: 40



VOLUNTEERS LIST

Maria Amigo
Brian Behnke
Tara Chafey
Glenda Chavez
Katie Cheng
Kenneth Chun
Rafael De Jesus
Char Devich
Tonye Doukpolagha
Martha Elderon
Adrienne Felt
Margarita Friedman
Beatrice Geaghan-Breiner
Alyssa Gee
Louise Gibler
Mikaela Grace
Kaitlyn Ho
Monica Hruby
Ritika Kalia
Gina Keydeniers
Nick Kraus
Megha Kumar
Karin Lee
Sue Lin
Kelly Liu
Fangwen Luo
Camus Ma
Megan Mai
Deborah Mauffer
Ally Miller
Ketna Mistry
Melanie Montes
Cathryn Ng
Karen Olsen
Cherryl Pape
Robert Rivera
Geoffrey Ryder
Mickey Ryder
Craig Sereda
Ryan Shimizu
Nounie Siy
Rick Summers
Lee Tavrow
Nathan Tendido
Lilian Tham
Anahita Thornycroft
Annie Tsui
Jonathan Wagner
Gabriela Zarain
Lauma Zunte
Alan Wei

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DONORS

Robin Welles Fund for Artistic Excellence

Brigid Barton
Terry Brenneman
Jonathan Bruss
James Cabral
Joy Chase
Tim Cloonan
Steve Curl
William Dean
Corinne Derringer
Paul Devine
Sidney Espinosa
Joanne Gee
Anne Helena Gregor
Moiria E Haag
Elizabeth Hilt
Matthias Jordan
Jesse D. B. Kimball
June and Mike Klein
Dan Kostenbauder
Wendy Lowengrub
Phyllis Mayberg
Shannon McDonell
Charles Meeker
James Otieno
Layven Reguero
Robin Scholl
Craig Sereda
Ellen Shuck
Josephine Shuster
Carolyn Stewart
Kaleen Abel
Tony and Carolyn Tucher
Joey Williams

Matching Grant to Support the New Day Program

Judith Bell
Maura Carta
Tim Cloonan
Corinne Derringer
Karen Druker
Marilynn Host
Judith Kramer
Chai Lo Lai
Shannon McDonnell
Steve Oliver
Amy Rattner
Robin Scholl
Kathy Stark
Sherry Symington
Nancy Wong

Annual Campaign

Cheryl Acheson
James Cabral
Benevity Causes
Tim Cloonan
Keith Coleman
Steve Curtiss
Richard Feldman
Razoo Foundation
Patricia Jones
Martin Katz
Julie Kaufman
Theo Keet
Darren Kerr
Stephanie Koran
Chai Lo Lai
Craig Largent
Cynthia Lovewell
Michael Manente
Shannon McDonnell
Cherryl Pape
Renate Radcliffe
Susan Rinne Miklos
Lauren Herzog Schwartz
Anna Speaker
Kathy Stark
Leann Walrod
Joey Williams
Nancy Wong
Irving Zirker

General Donation

Kaleen Abel
James Cabral

mDAC Youth Scholarship Fund

Monica Austin
Sherry Symington

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Strategic Plan Compliance Committee

Leaders establish the vision for the future and set the strategy for getting there.

- John P. Kotter

The Pacific Art League (PAL) board of directors adopted the updated Strategic Plan on January 20, 2016. Over the past year the board has been focused on implementing the Overarching Goals and associated Benchmarks that were included with the three (3) year plan.

The six Overarching Goals assist staff, board of directors and members to focus on the core mission that is "To advance the expression, appreciation and enjoyment of the visual arts. Over this past year we have seen significant progress toward meeting the goals established as shown below:

Education

The Alumni Consultant Team (ACT) out of Stanford provided a marketing framework that will assist PAL with improving the student survey system. Increasing class enrollment and adding new offerings was a focus this past year.

Exhibitions

Over the past year exhibitions have increased due to the addition of a dedicated part time Gallery Manager.

Membership

PAL continues to experience membership retention that is on par with non-profit standards.

Governance and Finance

Good progress has been made with board and staff governance over the past year. A revised budget format was implemented for the 2016 fiscal year.

Development

A Development Committee was formed to formulate a comprehensive fund raising and sponsorship program.

Volunteers

This past year the volunteer needs were met. Tracking and adding volunteers where specifically needed was and will continue to be pursued by PAL.

The Strategic Plan Compliance Committee provides a monthly monitoring process that assists the board with policy decisions.

Glen Rojas
Strategic Plan Compliance Committee Chair

PACIFIC ART LEAGUE OF PALO ALTO
ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JULY 31,
2016 AND 2015

CONTENT

- AUDITOR'S REPORT
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF ACTIVITIES
- STATEMENT OF CASH FLOW
- NOTES TO THE FINANCIAL STATEMENTS

Orlene Chartain Certified Public Accountant
491 Seaport Court, Suite 101.Redwood City, CA 94063

Board of Directors

Pacific Art League of Palo Alto

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We have audited the accompanying statement of financial position of Pacific Art League of Palo Alto (a not-for-profit corporation) as of July 31,2016, the related statements of activities and cash flows and the accompanying notes to the financial statements for the year then ended. These financial statements are the responsibility of the management of Pacific Art League of Palo Alto. Our responsibility is to express an opinion on these financial statements based on our audit. We audited the financial statements of Pacific Art League of Palo Alto as of, and for the year ended July 31, 2015. Our report shows the comparison of activity for Pacific Art League of Palo Alto as of July 31,2015 and July 31, 2016.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. · An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Pacific Art League of Palo Alto as of July 31,2016 and the statements of activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statement of Pacific Art League of Palo Alto, taken as a whole. In accordance with Government Auditing Standards, we have also issued a report dated September 20, 2016 on our consideration of Pacific Art League of Palo Alto's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contract and grants. That report and the accompanying notes to the financial statements are an integral part of the audit and should be read in conjunction with this report in considering the results of our audit.



September 20, 2016

STATEMENT OF FINANCIAL POSITION

AS OF JULY 31st

	2016	2015
Assets		
Cash and cash equivalents, including marketable securities	\$242,874	\$509,658
Accounts Receivable	23,873	17,935
Prepaide Expenses	40,783	5,537
Art Inventory		7,000
Fixed Assets, Net of Accumulated Depreciation	5,680,816	5,837,744
Total Assets	\$5,988,346	\$6,377,874
Liabilities		
Accounts Payable and Accrued Expenses	33,635	129,247
Deferred Income	86,184	32,761
Lease Deposit	89,466	89,466
Bank Loan	5,234,029	5,596,785
Total Liabilities	\$5,443,314	\$5,848,259
Net Assets		
Unrestricted	521,547	515,485
Temporarily Restricted	23,485	14,130
Total Net Assets	\$545,032	\$529,615
Total Liabilities and Net Assets	\$5,988,346	\$6,377,874

The accompanying notes are an integral part of these statements

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STATEMENT OF ACTIVITIES

YEAR ENDED July 31

	2016	2015
INCOME		
Program and Service Revenue		
Art Class & Workshop Fees	\$388,199	\$463,514
Membership Dues	27,102	49,399
Art Sales Proceeds	11,304	18,420
Art Exhibition Fees	29,220	24,004
Artist Studio & Facility Usage Fees	3,120	5,594
Other Income	76	40
Total Program Service Revenue	\$459,021	\$560,971
Public Support		
Monetary donations	27,658	52,043
Grants and Sponsorship	16,000	24,850
Donated goods and services	50,184	31,666
Special event	17,971	17,987
Total Public Support	\$111,813	\$126,546
Investment Income (loss)	(7,517)	3,513
TOTAL INCOME	\$563,317	\$691,030
EXPENSES		
Program Services		
Education	190,673	189,872
Exhibition	11,413	10,759
Membership		175
Total Program Services	\$202,086	\$200,806
Supporting Services		
Management and general	546,829	503,238
Fundraising	7,727	8,097
Depreciation	60,494	59,945
Total Supporting Services	\$615,050	\$571,280
TOTAL EXPENSES	\$817,136	\$772,086
Temporary rental income net of lease and commission expenses	\$292,905	\$141,216
Excess of income over expenses	\$39,086	\$59,882
Net assets, beginning of the year	\$529,615	\$469,733
Adjustment to net assets at the beginning of the year	(\$23,669)	
Net Assets, end of the year	\$545,032	\$529,615

The accompanying notes are an integral part of these statements

STATEMENT OF CASH FLOW

	YEAR ENDED July 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$39,086	\$59,882
Non-cash expenses, mainly depreciation	167,188	160,199
Increase (decrease) in net operating assets/liabilities:	(76,373)	448,415
Net cash provided by operating activities	\$129,901	\$668,496
CASH USED FOR ACQUISITION, LOANS AND OTHER PAYMENTS		
Fixed assets acquisition	(10,261)	(191,670)
Mortgage payments including early payment of \$200,000 and \$400,000, resp.	(362,755)	(553,234)
Prior year payments, mainly for property tax reassessment	(23,669)	
Paid lease deposit, net		(98,537)
	\$(396,685)	\$(843,441)
CASH PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from loan to mortgage conversion and construction loans		441,428
Deferred Tenant Improvements reversal		(243,776)
		\$197,652
NET CASH INCREASE (DECREASE)	(\$266,784)	\$22,707
CASH , beginning of the year	\$509,658	\$486,951
CASH , end of the year	\$242,874	\$509,658

The accompanying notes are an integral part of these statements

NOTES TO FINANCIAL STATEMENTS

(1) OPERATIONS AND NONPROFIT STATUS

Pacific Art League of Palo Alto (PAL) was founded in 1921 with a mission to provide an environment for advancing the expression, appreciation and enjoyment of the visual arts through art-focused education classes, workshops, exhibitions and events that are open to the community and members.

PAL is exempt from Federal and State income taxes as an organization formed for charitable purposes under Section 501(c) (3) of the Internal Revenue Code. Donors may deduct contributions made to PAL within the Internal Revenue Code regulations.

(2) SIGNIFICANT ACCOUNTING POLICIES

PAL prepares its financial statements in accordance with general accepted accounting standards and principles established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standard Codification.

Revenue Recognition

Contracts are recorded over the contract period as services are provided. Unrestricted grants and donations are recorded as revenue when received or unconditionally pledged.

PAL reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted grants and donations are recorded as temporarily restricted cash and public support when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions of program restrictions lapse. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program revenue and all other revenue are recognized when earned. Payments received or made in advance of services being performed are recorded either as deferred revenue or prepaid expenses.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property, equipment and services are recorded at fair market value at the time of the donation. Renewals and betterments are capitalized, while repairs and maintenance are expenses as they are incurred. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Useful lives
Building	40 years
Office and artistic equipment	3 – 5 years
Furniture and fixtures	5 years

Donated Goods and Services

PAL reports tangible gifts (such as equipment) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. PAL receives services of professional volunteers and donated goods and services in various aspects of its programs and operations. The value assigned to these services and items, based on the donor's estimate of fair value, has been reflected in the accompanying financial statements as donated goods and services.

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by PAL. PAL has grouped its unrestricted net assets as funds available to carry on the operations of PAL.

Prior Period Adjustments

Adjustments related to prior years such as re-assessment of property taxes and other losses on asset value have been reported as prior period adjustments to the opening net asset position.

Estimates

The preparation of financial statements in accordance 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.

(3) RESTRICTED CASH

The flow of the restricted donations over the last two years and the number of scholarships granted is as follows:

	Robin Welles Fund for Artistic Excellence	"New Day" Restricted Fund			Art Essentials Restricted	Scholarship Restricted Fund	Total
		Individual	Foundation	Total			
FY 2015							
Opening balance					\$29,265	\$2,742	\$32,007
Contributions					\$17,550	\$500	\$18,050
Usage					\$34,650	\$1,278	\$35,928
# of Scholarships						5	
Closing balance					\$12,165	\$1,964	\$14,129
FY 2016							
Contributions	\$5,085	\$5,941	\$8,500	\$14,441			\$19,526
Usage				\$3,620	\$5,951	\$600	\$10,171
# of Scholarships				12		3	
Closing balance	\$5,085	\$5,941	\$8,500	\$10,821	\$6,214	\$1,364	\$23,484

(4) FIXED ASSETS

The details of the fixed assets accounts are as follows:

	As of July 31	
	2016	2015
Land	32,683	32,683
Construction	6,008,516	5,854,587
Furniture and Fixtures	23,622	99,067
Tenant improvements	<u>0</u>	<u>68,224</u>
	\$6,064,821	\$6,054,561
Accumulated depreciation	(\$384,005)	(\$216,817)
Net Fixed Assets	<u>\$5,680,816</u>	<u>\$5,837,744</u>

(5) MANAGEMENT AND GENERAL EXPENSES

Management and general expenses can be detailed as follows:

	Year Ended July 31	
	2016	2015
Personnel	\$309,696	\$333,903
Contractors, including \$28,742 of pro-bono legal services	83,888	\$28,742 42,082
Occupancy	57,795	51,101
Publication/advertising and marketing, including \$20,000 for in kind logo design	68,637	18,327
Others	26,813	57,825
	<u>\$546,829</u>	<u>\$503,238</u>

(6) TEMPORARY SUBLEASING

During the years 2013 and 2014 a major retrofit for earthquake protection and an expansion of the building was carried out. The construction was substantially funded with short-term loans from a local bank and the construction company. On August 22, 2014, the various short-term loans were converted to an 8-year mortgage with monthly payments of \$34,010 and a final payment of \$4,298,000 on August 7, 2022. The final payment was reduced from the original balance due to the additional early payment of \$600,000 in fiscal 2015 and 2016. A conditional option is in place to extend the mortgage with an additional five years, if the lease is also extended.

As part of the building upgrade and retrofitting, the authorities have permitted to extend the overall floor space. In order to secure the necessary financing for the retrofitting and expansion, PAL was required to lease a part of the building, meeting the bank's requirement to have a rental income for the coming eight years equal to at least 130% of the finance payments. The lease has been effective as of May 2014 and will cover an initial period of eight years after which an optional extension of two periods of 5 years exist.

Temporary rental income net of lease and commission expenses are detailed as follows:

	Year Ended July 31	
	2016	2015
Rental income from temporary sublease	\$696,878	\$561,713
Rental income (expense) from vacated (used) temporary rental		18,162
Brokerage commission and other expenses	(50,065)	(111,197)
Mortgage interest	(245,364)	(220,894)
Depreciation related to subleased property	(108,544)	(106,568)
	<u>\$292,905</u>	<u>\$141,216</u>

(7) SUBSEQUENT EVENTS

As of September 20th, 2016, no events have taken place that could impact the financial statements as of July 31st, 2016.

Management has evaluated all material events occurring subsequent to the date of the financial statements up to the date and time the Report of the Independent Audit of these financial statements were issued.