

**ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Years Ended June 30, 2021 and 2020**



**S B & COMPANY Y, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**JUNE 30, 2021 AND 2020**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors  
Arts Education in Maryland Schools Alliance, Inc.

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of Arts Education in Maryland Schools Alliance, Inc. (the Alliance) as of June 30, 2021 and 2020, 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.

### ***Management's Responsibility 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; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of June 30, 2021 and 2020, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Owings Mills, Maryland  
December 22, 2021

*SB & Company, LLC*

**ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.**

**Statements of Financial Position  
As of June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 366,923	\$ 354,880
Grants and accounts receivable	190,190	159,265
Prepaid expenses	8,889	8,855
Capital assets, net	144,662	148,375
<b>Total Assets</b>	<b><u>\$ 710,664</u></b>	<b><u>\$ 671,375</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 1,500
Note payable - PPP loan	59,995	44,000
<b>Total Liabilities</b>	<b><u>59,995</u></b>	<b><u>45,500</u></b>
<b>Net Assets</b>		
Without donor restrictions	233,266	250,445
Without donor restrictions - board designated	100,000	100,000
With donor restrictions	317,403	275,430
<b>Total Net Assets</b>	<b><u>650,669</u></b>	<b><u>625,875</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 710,664</u></b>	<b><u>\$ 671,375</u></b>

The accompanying notes are an integral part of these financial statements.

**ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.**

**Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Support and Revenue</b>		
Contributions	\$ 293,697	\$ 143,194
Grants	96,374	208,292
Conferences and workshops	32,734	61,972
Interest income	80	514
Grants - federal	44,000	-
<b>Total Revenue</b>	<u>466,885</u>	<u>413,972</u>
Net assets released from restrictions	<u>227,782</u>	<u>281,572</u>
<b>Total Support and Revenue</b>	<u>694,667</u>	<u>695,544</u>
<b>Expenses</b>		
Program services	259,834	420,366
General and administrative	227,118	107,372
Fundraising	224,894	90,190
<b>Total Expenses</b>	<u>711,846</u>	<u>617,928</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>(17,179)</u>	<u>77,616</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Grants and contributions	269,755	273,694
Net assets released from restrictions	<u>(227,782)</u>	<u>(281,572)</u>
<b>Change in Net Assets With Donor Restrictions</b>	<u>41,973</u>	<u>(7,878)</u>
Changes in net assets	24,794	69,738
Net assets, beginning of year	<u>625,875</u>	<u>556,137</u>
<b>Net Assets, End of Year</b>	<u>\$ 650,669</u>	<u>\$ 625,875</u>

The accompanying notes are an integral part of these financial statements.

**ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.**

**Statement of Functional Expenses  
For the Year Ended June 30, 2021, with Comparative 2020 Totals**

	<b>2021</b>				<b>2020 Totals</b>
	<b>Direct Programming</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>	
Salaries	\$ 132,639	\$ 128,619	\$ 140,678	\$ 401,936	\$ 404,531
Benefits	6,666	6,464	7,070	20,200	18,900
Payroll taxes	6,585	6,385	6,984	19,954	17,446
Printing and production	356	178	356	890	684
Professional fees	7,210	4,807	-	12,017	12,720
Occupancy	8,331	8,077	8,837	25,245	24,844
Accounting/audit	-	8,610	-	8,610	5,125
Insurance	-	2,482	-	2,482	2,482
Depreciation	8,155	7,908	8,650	24,713	1,607
Communications	895	868	950	2,713	2,812
Travel	40	8	32	80	10,350
Postage and delivery	109	434	543	1,086	1,394
Supplies	2,504	10,018	12,522	25,044	13,127
Marketing and publications	9,869	9,570	10,467	29,906	4,941
Conferences and meetings	9,319	5,435	777	15,531	48,140
Equipment rent	2,759	2,843	2,759	8,361	9,212
Website subscription	8,972	8,701	9,516	27,189	20,342
Dues and memberships	-	1,268	-	1,268	1,061
Program administration	52,027	11,148	11,149	74,324	15,507
Information and dissemination	98	95	104	297	654
Bad debt	3,300	3,200	3,500	10,000	-
Other	-	-	-	-	2,049
<b>Totals</b>	<b>\$ 259,834</b>	<b>\$ 227,118</b>	<b>\$ 224,894</b>	<b>\$ 711,846</b>	<b>\$ 617,928</b>

The accompanying notes are an integral part of this financial statement.

**ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.**

**Statement of Functional Expenses  
For the Year Ended June 30, 2020**

	<b>Direct Programming</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$319,579	\$40,453	\$44,499	\$ 404,531
Benefits	6,426	6,237	6,237	18,900
Payroll taxes	5,932	5,757	5,757	17,446
Printing and production	233	226	225	684
Professional fees	10,176	1,272	1,272	12,720
Occupancy	9,441	8,694	6,709	24,844
Accounting/audit	3,844	1,025	256	5,125
Insurance	-	2,482	-	2,482
Depreciation	-	1,607	-	1,607
Communications	844	1,125	843	2,812
Travel	4,347	3,416	2,587	10,350
Postage and delivery	697	279	418	1,394
Supplies	6,301	6,564	262	13,127
Marketing and publications	2,471	494	1,976	4,941
Conferences and meetings	16,368	15,886	15,886	48,140
Equipment rent	-	9,212	-	9,212
Website subscription	20,342	-	-	20,342
Dues and memberships	-	1,061	-	1,061
Program administration	12,406	775	2,326	15,507
Information and dissemination	262	131	261	654
Other	697	676	676	2,049
<b>Totals</b>	<b>\$420,366</b>	<b>\$107,372</b>	<b>\$90,190</b>	<b>\$ 617,928</b>

The accompanying notes are an integral part of this financial statement.



# ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

## Statements of Cash Flows For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 24,794	\$ 69,738
Depreciation	24,713	1,607
Loan conversion to grant	(44,000)	-
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Effect of changes in non-cash operating assets and liabilities:		
Grants and accounts receivable	(30,925)	(19,130)
Prepaid expenses	(34)	(6,183)
Accounts payable and accrued liabilities	(1,500)	(12,012)
<b>Net Cash from Operating Activities</b>	<u>(26,952)</u>	<u>34,020</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(21,000)	(90,875)
<b>Net Cash from Investing Activities</b>	<u>(21,000)</u>	<u>(90,875)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from note payable - PPP loan	59,995	44,000
<b>Net Cash from Financing Activities</b>	<u>59,995</u>	<u>44,000</u>
Net changes in cash and cash equivalents	<u>12,043</u>	<u>(12,855)</u>
Cash and cash equivalents, beginning of year	<u>354,880</u>	<u>367,735</u>
<b>Cash, End of Year</b>	<u>\$ 366,923</u>	<u>\$ 354,880</u>

The accompanying notes are an integral part of these financial statements.

# **ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.**

## **Notes to the Financial Statements**

**June 30, 2021 and 2020**

### **1. BACKGROUND OF THE ALLIANCE**

Arts Education in Maryland Schools Alliance, Inc. (the Alliance) is a non-profit organization incorporated in the State of Maryland and located in Baltimore, Maryland. The Alliance's mission is to build support for high-quality systemic arts education in dance, music, theatre, and visual arts for all Maryland school children.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **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 certain reported amounts and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investments, which have an original maturity of three months or less. Cash equivalents as of June 30, 2021 and 2020, consisted of money market funds.

#### **Grants and Accounts Receivable**

Grants and accounts receivable consist of various amounts owed to the Alliance. The Alliance records all accounts receivable at their estimated net realizable value. No allowance for doubtful accounts was recorded as of June 30, 2021 and 2020, as management deemed all accounts receivable fully collectible.

#### **Property and Equipment**

Property and equipment over \$1,000, are capitalized at cost and depreciated using the straight-line method over estimated useful lives, generally five years. The cost of maintenance and repairs are expensed as incurred. Website development costs are capitalized as incurred.

# ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

## Notes to the Financial Statements June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the Alliance has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

#### Support and Revenue

Contributions and grants received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in without donor restrictions or with donor restrictions net assets, depending on the nature of the restrictions.

Gifts of cash and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Conferences and workshops are recognized when events occur.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Fiscal agency encompasses the organization's work as a fiscal agent for the Maryland State Department of Education Office of Fine Arts programs for professional development, teaching artist training, and arts education recognition. Direct Programming includes those expenses arising from administration of the Alliance's proprietary programming, which includes advocacy for arts education, arts integration professional development, convening stakeholders, recognize excellence in the field, and researching, collecting, and disseminating information.

# ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

## Notes to the Financial Statements June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Functional Allocation of Expenses (continued)

Management and general expenses include those expenses associated with the administrative operation of the organization, and other core functions that are not discrete programs (such as the organization's participation in advocacy coalitions, meetings with elected representatives, etc.). Fundraising expenses include the costs involved in grant application submission, donor solicitation and management, social media management, and information dissemination for the purposes of raising awareness and donations. Employee time and effort are considered a representative measure of the organizational effort applied to joint objectives and serve as the basis for allocation of shared expenses.

#### Income Taxes

The Alliance is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The provisions included in accounting principles generally accepted in the United States (U.S.) of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Alliance performed an evaluation of uncertain tax positions as of June 30, 2021 and 2020, and determined that there were no matters that would require recognition in the financial statements or, which may have any effect on its tax-exempt status. As of June 30, 2021, the statute of limitations for fiscal years 2018 through 2021, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Alliance files tax returns. It is the Alliance's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

#### Liquidity and Availability of Resources

The following reflects the Alliance's financial assets as of June 30, 2021, reduced by amounts not available for general use within one year because of restrictions.

Cash and cash equivalents	\$ 366,923
Grants and accounts receivable	190,190
Financial assets, at year-end	<u>557,113</u>
Less those unavailable for general expenditures within one year, due to:	
Board-designated	100,000
Donor restrictions	317,403
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 139,710</u>

# ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

## Notes to the Financial Statements

June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Liquidity and Availability of Resources (continued)

The Alliance manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and, maintaining adequate liquid assets to fund near-term operating needs. The board designated funds can be made available to cover general operating needs upon request from management and approval by the board.

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Updated (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the Alliance to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. This standard will be effective for periods beginning after December 15, 2021.

In July 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which presents contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. This standard is effective retrospectively for periods beginning after June 15, 2021.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

#### Subsequent Events

The Alliance evaluated the accompanying financial statements for subsequent events and transactions through December 22, 2021, the date the financial statements were available for issue, and has determined that there was one material subsequent events that occurred. The second PPP loan of \$59,995 was forgiven. The loan forgiveness was approved on October 19, 2021, requiring additional disclosure to the information presented in the accompanying financial statements.

# ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

## Notes to the Financial Statements June 30, 2021 and 2020

### 3. PROPERTY AND EQUIPMENT

As of June 30, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>Useful lives</u>
Computer equipment	\$ 16,069	\$ 16,069	5 years
Website construction in process	164,750	143,750	5 years
<b>Total Assets</b>	<b>180,819</b>	159,819	
Less: accumulated depreciation	36,157	11,444	
<b>Property and Equipment, Net</b>	<b>\$ 144,662</b>	<b>\$ 148,375</b>	

Depreciation expense was \$24,713 and \$1,607, for the years ended June 30, 2021 and 2020, respectively.

### 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020, were available for the following purposes:

	<u>2021</u>	<u>2020</u>
MC3	\$ 122,355	\$ 126,436
Artlook Campaign	172,648	132,836
A-Reall	22,400	-
Other	-	16,158
	<u>\$ 317,403</u>	<u>\$ 275,430</u>

### 5. NOTE PAYABLE

On May 7, 2020, the Alliance received a Paycheck Protection Program loan (the Loan) with PNC Bank for \$44,000. The terms of the Loan require the proceeds to be spent on eligible expenses, which are primarily payroll related costs. Part or all of the Loan may be forgiven based on meeting certain conditions as set forth in the loan agreement. Any portion of the Loan that is not forgiven must be repaid over two years after a six-month deferral period at an interest rate of 1%.

The PPP loan was received from the U.S federal government under the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress. The loan was forgiven as of June 30, 2021, and was recorded as income in the accompanying statements of activities and changes in net assets.

During the year ended June 30, 2021, the Organization received a second PPP loan in the amount of \$59,995. The terms of the second PPP loan are the same as the PPP loan received during fiscal year 2020.

## **ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.**

### **Notes to the Financial Statements**

**June 30, 2021 and 2020**

#### **5. NOTE PAYABLE (continued)**

Subsequent to year end, the Alliance met the conditions to have the second PPP loan of \$59,995 forgiven. The loan forgiveness was approved on October 19, 2021.

#### **6. COMMITMENTS AND CONTINGENCIES**

##### **Lease**

The Alliance signed a lease agreement, effective March 1, 2017, for its office space. The lease will expire on February 28, 2022, and includes assessments for common area expenses. Total rent expense for the lease, including related expenses, during the years ended June 30, 2021 and 2020, was \$25,245 and \$24,544, respectively.

For the year ended June 30, 2022, the minimum lease payment is \$16,320.