

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

(A Non-Profit Organization)

Financial Statements
Years Ended June 30, 2022 and 2021
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Arts Education in Maryland Schools Alliance, Inc.
Baltimore, Maryland

Opinion

I have audited the accompanying financial statements of Arts Education in Maryland Schools Alliance, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts Education in Maryland Schools Alliance, Inc. as of June 30, 2022, 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

I conducted my audit in accordance with auditing standards generally accepted in the United of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Arts Education in Maryland Schools Alliance, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for

the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts Education in Maryland Schools Alliance, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I:

- 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 Arts Education in Maryland Schools Alliance, Inc.'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts Education in Maryland Schools Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

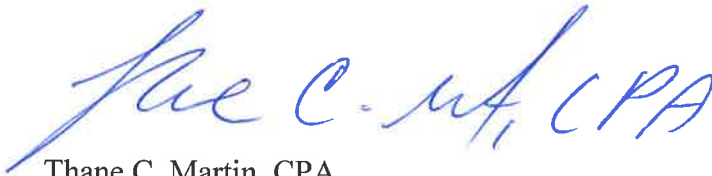
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I have identified during the audit.

Other Matter

The financial statements of Arts Education in Maryland Schools Alliance, Inc for the year ended June 30, 2021, were audited by a predecessor auditor who expressed an unmodified opinion on those statements in their audit report dated December 22, 2021.

Report on Summarized Comparative Information

The predecessor auditor audited Arts Education in Maryland Schools Alliance, Inc.'s June 30, 2021 financial statements and expressed an unmodified opinion on those audited financial statements in their audit report dated December 22, 2021. The summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Thane C. Martin, CPA". The signature is written in a cursive style with a large initial 'T' and 'M'.

Thane C. Martin, CPA
The Financial Consulting Firm Inc.
Owings Mills, MD
April 4, 2023

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Statement of Financial Position

June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 338,089	\$ 366,923
Grants Receivable	108,407	190,190
Prepaid Expenses	<u>11,559</u>	<u>8,889</u>
Total Current Assets	<u>458,055</u>	<u>566,002</u>
Property and Equipment		
Computers and Equipment	16,069	-
Accumulated Depreciation	(15,528)	-
Capital assets, net	<u>-</u>	<u>144,662</u>
Total Property and Equipment	<u>541</u>	<u>144,662</u>
Intangible Assets		
Data Platform	156,000	-
Website Design	8,750	-
Accumulated Amoritization	<u>(57,663)</u>	<u>-</u>
Total Intangible Assets	<u>107,087</u>	<u>-</u>
Deposit	<u>1,740</u>	<u>-</u>
Total Other Assets	<u>108,827</u>	<u>-</u>
Total Assets	<u>\$ 567,423</u>	<u>\$ 710,664</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Note Payable - PPP Loan	<u>\$ -</u>	<u>\$ 59,995</u>
Total Current Liabilities	<u>-</u>	<u>59,995</u>
Net Assets		
Without Donor Restrictions	66,322	233,266
Without Donor Restrictions - Board Designated Restriction	100,000	100,000
With Donor Restriction	<u>401,101</u>	<u>317,403</u>
Total Net Assets	567,423	650,669
Total Liabilities and Net Assets	<u>\$ 567,423</u>	<u>\$ 710,664</u>

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Statement of Activities

For the Years Ended June 30, 2022 and 2021

	2022		2021	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Revenue:				
Contributions	56,133	-	56,133	293,697
Donations	8,515	-	8,515	
Conferences and Workshops	-	-	-	32,734
Grants	47,423	286,087	333,510	366,129
Grants - Federal	-	36,183	36,183	44,000
Interest Income	76	-	76	80
Program Income	10,679	185,182	195,861	-
Other Income	60,012	-	60,012	-
Net Assets Released from Restrictions	449,054	(449,054)	-	-
Total Revenue	631,892	58,398	690,290	736,640
Expenditures:				
Program Services:	441,599	-	441,599	259,834
Management and General	213,371	-	213,371	227,118
Fundraising	120,306	-	120,306	224,894
Total Expenditures	775,276	-	775,276	711,846
Change in Net Assets	(143,384)	58,398	(84,986)	24,794
Net Assets, beginning of year	333,266	317,403	650,669	625,875
Prior Period Adjustment	(23,560)	25,300	1,740	-
Net Assets, end of year	<u>\$ 166,322</u>	<u>\$ 401,101</u>	<u>\$ 567,423</u>	<u>\$ 650,669</u>

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Statement of Functional Expenses

For the Years Ended June 30, 2022 and 2021

	2022				2021
	Program Expenses	Management and General	Fundraising	Total	Total
Amortization	\$ 18,123	\$ 13,180	\$ 1,647	\$ 32,950	-
Bad Debt	-	-	-	-	10,000
Bank Service Charges	-	245	-	245	-
Communications	-	-	-	-	2,713
Conferences & Meetings	389	227	32	648	15,531
Contributions	-	5,000	-	5,000	-
Depreciation	2,246	1,634	204	4,084	24,713
Equipment Rental	1,290	1,330	1,290	3,910	8,361
Fringe Benefits	7,450	5,230	3,170	15,850	20,200
Gifts	-	780	-	780	-
Insurance	-	1,759	-	1,759	2,482
Marketing	2,806	2,245	561	5,612	30,203
Meals & Entertainment	-	1,579	-	1,579	-
Memberships	-	974	-	974	1,268
Occupancy	13,530	9,500	5,758	28,788	25,245
Office Expenses	3,353	5,031	-	8,384	1,086
Payroll	117,612	82,578	50,048	250,238	401,936
Payroll Taxes	8,508	5,974	3,621	18,103	19,954
Printing & Reproduction	454	228	454	1,136	890
Professional Fees	33,946	22,631	-	56,577	20,627
Program Expenses					74,324
Arts Education Advocacy	264	56	57	377	-
Webinar	1,750	375	375	2,500	-
MPHSDS	2,384	510	511	3,405	-
Campaign School	18,025	3,863	3,863	25,751	-
A Reall	1,114	239	239	1,592	-
Annual Conference	4,690	1,005	1,005	6,700	-
MCCC	201,694	43,221	43,220	288,135	-
Supplies	727	2,906	3,633	7,266	25,044
Telephone	888	1,000	333	2,221	-
Travel	356	71	285	712	80
Website Subscription	-	-	-	-	27,189
Other	-	-	-	-	-
TOTAL EXPENSES	\$ 441,599	\$ 213,371	\$ 120,306	\$ 775,276	\$ 711,846

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Statement of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in Net Assets	\$ (84,986)	\$ 24,794
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation & Amortization	37,034	24,713
Change in assets and liabilities:		
(Increase) decrease in current assets:		
Grants Receivable	81,783	(30,925)
Prepaid Expenses	(2,670)	(34)
Increase (decrease) in current liabilities:		
Accounts Payable	-	(1,500)
Note Payable - PPP Loan	(59,995)	59,995
Loan Payable	-	(44,000)
Net cash (used by)/provide for operating activities	<u>(28,834)</u>	<u>33,043</u>
Cash flows from investing activities:		
Purchase of Property & Equipment	<u>-</u>	<u>(21,000)</u>
Net cash (used by) investing activities	<u>-</u>	<u>(21,000)</u>
Net (decrease)/increase in cash	(28,834)	12,043
Cash, beginning of year	<u>366,923</u>	<u>354,880</u>
Cash, end of year	<u>\$ 338,089</u>	<u>\$ 366,923</u>

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to Financial statements

June 30, 2022

NOTE A – ORGANIZATION

Arts Education in Maryland Schools Alliance, Inc. (the “Organization”) is a non-profit organization incorporated in the State of Maryland. The Organization’s mission is to ensure that all students in the state of Maryland have access to high quality arts education by mobilizing power to communities through advocacy programs, professional and leadership programs, and resource building and sharing.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. In accordance with accounting principles generally accepted in the United States of America, whereby revenues are recorded when earned and expenses are recorded when incurred.

Basis of Presentation

The Organizations financial statements will adhere to the new standards for external financial statements reporting issued by FASB ASU 2016-14. This pronouncement requires that:

- Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Management has designated, from net assets without donor restrictions, net assets for an operating reserve.
- Net Assets with Donor Restrictions – Net assets subject to donor – (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets with donor restrictions was \$401,101 and 317,403, net assets without donor restrictions-board designated restriction was \$100,000 and \$100,000, and net assets without donor restrictions was \$66,322 and \$233,266 for the years ended June 30, 2022 and 2021 respectively.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.
Notes to Financial statements
June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. In these financial statements, assets, liabilities, and earnings involve reliance on management's estimates.

Cash and Cash Equivalents

The Organization considers bank balances including cash on hand and deposits in transit in the form of coins, currency, checks, cashier checks, and money orders as cash and cash equivalents. Cash equivalents consists of money market funds.

Grant Receivable

Grants receivables are stated at the amount the Organization expects to collect from balances outstanding at year-end. Based on the Organization's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment

The Organization capitalizes all acquisitions of property and equipment in excess of \$1,000. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Depreciation of property and equipment is provided using the straight-line method based upon the estimated useful lives of the assets, generally three to five years. Routine maintenance and repair costs are charged to expense as incurred and major renewals and betterments are capitalized. Assets retired or otherwise disposed of and the related amounts of accumulated depreciation are eliminated from accounts.

Depreciation expense totaled \$4,084 and \$24,713, and amortization expense totaled \$32,950 and \$0 for the years ended June 30, 2022 and 2021 respectively.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Useful Lives</u>
Office Equipment, Computers	5
Website Development	3

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to Financial statements

June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Grants and contributions are reported as revenue in the year in which payments are received and/or unconditional promises made. Grants and contributions received are available for use unless specifically restricted by the grantor or donor. Amounts received that are designated for a future period or are restricted by the grantor or donor for specific purposes, are reported as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

All other revenues are recognized when earned.

Functional Expense Allocation

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated between the program and supporting services based on estimates made by the Organization's management.

Compensated Absences

Employees of the Organization are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. At June 30, 2022 there is no unpaid liability as the Organization's policy does not allow for rollover of unused leave time.

Concentrations of Risk

Factors that potentially subject Arts Education in Maryland Schools Alliance, Inc. to concentrations of risk are as follows:

Financial instruments that potentially subject the Organization to credit risk include cash deposit with a financial institution, which was insured for up to \$250,000 by U.S. Federal Deposit Insurance Corporation. The Organization's account has exceeded this limit at various times throughout the year ended June 30, 2022. The Organization believes it is not exposed to any significant concentration of credit risk on cash.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.
Notes to Financial statements
June 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation, as defined in Section 509(a) of the IRC. Accordingly, no provision for income taxes has been recorded in the statement of activities.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, Leases (Topic 842), which will require the recognition of right -to-use assets and lease liabilities for leases previously classified as operating leases by lessees. This standard will be effective for periods beginning after December 15, 2021. Early implementation will be permitted.

NOTE C – GRANTS RECEIVABLE

Grants receivables consist of amounts due the Organization under cost reimbursement arrangements and are expected to be collected within one year. Grants receivable was \$108,407 and \$190,190 for the years ended June 30, 2022 and 2021 respectively. No allowance for doubtful accounts was recorded as management deemed all grants receivable as fully collectible.

NOTE D – PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of property and equipment consists of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Computers	\$ 10,834	\$10,834
Equipment	5,235	5,235
Website construction in process	<u>-</u>	<u>164,750</u>
	\$ 16,069	\$180,819
Less Accumulated depreciation	<u>(15,528)</u>	<u>36,157</u>
	<u>\$ 541</u>	<u>\$144,662</u>

Depreciation expense was \$4,084 and \$24,713 for the years ended June 30, 2022 and 2021 respectively.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to Financial statements

June 30, 2022

NOTE E – INTANGIBLE ASSETS

Intangible assets consist of the following at June 30, 2022:

Website	\$ 164,750
Less accumulated amortization	<u>(57,663)</u>
Total	\$ <u>107,087</u>

Amortization expense for the year ended June 30, 2022 is \$ 32,950.

NOTE F - COMMITMENTS

The Organization entered into an operating lease to provide office space for management and operational services effective March 1, 2017 to February 28, 2022. The operating lease includes assessments for common area expenses.

On February 25, 2022 the Organization entered into a new 3 year lease for a different suite within the building, which requires a construction buildout. The lease specifies that the tenant will pay a monthly rental amount of \$2,115 per month until the new suite is completed. Upon relocation, the monthly rent will be \$1,700 with an annual increase of 3%. As of the date of this report, the landlord is still unable to give the Organization an estimated completion date.

Rent expense under the operating lease totaled \$26,204 and 25,245 for the years ended June 30, 2022 and 2021 respectively.

Future minimum lease payments using the emailed operating lease rental amount agreement:

Fiscal Year 2023	\$ 25,380
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NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity to meet its operating needs. The Organization's sources of liquidity at its disposal are cash and total receivables.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to Financial statements

June 30, 2022

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

For the purpose of analyzing resources available to meet general expenditures over a twelve-month period, The Organization considers all expenditures related to ongoing activities of its programs as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects The Organization’s financial assets as June 30, 2022 and 2021 respectively:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 338,089	\$ 366,923
Grants Receivable	<u>108,407</u>	<u>\$ 190,190</u>
Total	\$ <u>446,496</u>	\$ <u>557,113</u>

Refer to the statement of activities, which identifies the sources of The Organization’s cash and increase in net assets without donor restrictions for the years ended June 30, 2022 and 2021 respectively.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the year ended June 30, 2022, subject to expenditure for specified purposes. During the year ended June 30, 2022, net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction

	<u>Beginning</u>	<u>2022</u>	<u>Ending</u>	<u>2021</u>
	<u>Balance</u>	<u>Release</u>	<u>Balance</u>	<u>Balances</u>
MC3 Project				122,355
Maryland State Arts Council (MSAC)	\$ 181,772	\$ (181,772)	-	
Maryland State Department of Education (MSDE)	359,296	(191,815)	167,481	
Tee Spring	39	(39)	-	
Arts Education Data Initiative				172,648
Bloomberg	50,000	(21,000)	29,000	
Maryland State Department of Education (MSDE)	200,000	(44,931)	155,069	
T. Rowe Price	22,648	-	22,648	
A-Reall				22,400
Ann Cook Charitable Fund	22,400	(1,592)	20,808	
Maryland State Department of Education (MSDE)	4,500	(4,500)	-	

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to Financial statements

June 30, 2022

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS (continued)

	<u>Beginning</u>	<u>2022</u>	<u>Ending</u>	<u>2021</u>
	<u>Balance</u>	<u>Release</u>	<u>Balance</u>	<u>Balances</u>
MPHSDS				-
Baltimore County Comm on A&S	6,000	(850)	5,150	
Department of Commerce	3,500	(2,555)	945	
 Total Net Assets with Donor Restrictions	<u>\$ 850,155</u>	<u>\$(449,054)</u>	<u>\$401,101</u>	<u>\$ 317,403</u>

NOTE I – OTHER INCOME

Other income is primarily comprised of \$59,995 in Payroll Protection Program (PPP) loan forgiveness for the PPP loan received March 23, 2021.

NOTE J – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended 2022, management determined that restricted net assets were understated in the prior year by \$25,300 & the operating lease security deposit in the amount of \$1,740 was not recorded. This adjustment is reflected in the net assets reconciliation portion of the Statement of Activities.

NOTE K – COVID-19 PANDEMIC

The World Health Organization declared the outbreak of a novel and highly contagious strain of the coronavirus as a global pandemic on March 11, 2020. The situation is constantly evolving, and precautionary measures put in place are having significant economic impacts across the world. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak impact on our contractors, grantors, and employees all of which are uncertain and cannot be predicted. At this point, the extent of which COVID-19 may impact the Organization's financial condition or results of operations are uncertain.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.
Notes to Financial statements
June 30, 2022

NOTE L – SUBSEQUENT EVENTS

The Organization evaluated subsequent events and transactions for potential recognition or disclosure through April 4, 2023, the date the financial statements were available to be issued. The Organization has determined that none of the events occurring after the date of the balance sheet substantially affect the amounts, presentation, and disclosure of the accompanying financial statements.