

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

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

For the Year Ended June 30, 2024

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

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

JUNE 30, 2024

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

Opinion

We have audited the accompanying financial statements of Arts Education in Maryland Schools Alliance, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2024, 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 present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 of America GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 controls 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 GAAS 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 controls. 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 GAAS, 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Owings Mills, MD
August 30, 2024

SBC + Company, LLC

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

**Statement of Financial Position
As of June 30, 2024**

ASSETS	
Cash	\$ 221,692
Grants receivable	39,694
Prepaid expenses	3,130
Right of use assets - operating, net	<u>34,202</u>
Total Assets	<u>\$ 298,718</u>
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 15,000
Lease liability - operating	<u>32,579</u>
Total Liabilities	<u>47,579</u>
Net Assets	
Without donor restrictions	(84,293)
With donor restrictions	<u>335,432</u>
Total Net Assets	<u>251,139</u>
Total Liabilities and Net Assets	<u>\$ 298,718</u>

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

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024**

	Net Assets Without Donor	Net Assets With Donor Restrictions	Total
Revenue			
Contributions	\$ 117,918	\$ -	\$ 117,918
Grants	299,653	398,133	697,786
Program income	190,507	-	190,507
Interest income	6,376	-	6,376
Other Income	461	-	461
Net assets released from restrictions	170,072	(170,072)	-
Total Revenue and Support	784,987	228,061	1,013,048
Expenditures			
Program services	484,863	-	484,863
Management and general	264,743	-	264,743
Fundraising	97,078	-	97,078
Total Expenditures	846,684	-	846,684
Changes in net assets	(61,697)	228,061	166,364
Net assets, beginning of year	(22,596)	107,371	84,775
Net Assets, End of year	\$ (84,293)	\$ 335,432	\$ 251,139

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, 2024**

	Program Expenses	Management and General	Fundraising	Total
Fringe benefits	\$ 11,682	\$ 6,379	\$ 2,339	\$ 20,400
Insurance	4,186	2,286	838	7,310
Interest expense	14	7	3	24
Equipment rental	1,926	1,051	385	3,362
Rent expense	11,799	6,443	2,362	20,604
Payroll	187,091	102,155	37,459	326,705
Payroll taxes	14,235	7,775	2,851	24,861
Printing & reproduction	590	322	118	1,030
Professional fees	35,700	19,493	7,148	62,341
Program expenses:				
Arts Education Advocacy	268	147	54	469
Webinar	229	125	46	400
MPHSDS	18,279	9,980	3,660	31,919
Annual Conference	1,375	750	275	2,400
MCCC	113,452	61,947	22,715	198,114
BCYF	80,890	44,167	16,195	141,252
Supplies	1,034	564	207	1,805
Travel	269	147	54	470
Other	1,844	1,005	369	3,218
Total Expenses	\$ 484,863	\$ 264,743	\$ 97,078	\$ 846,684

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

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

**Statements of Cash Flows
For the Year Ended June 30, 2024**

Cash Flows from Operating Activities

Changes in net assets	\$ 166,364
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Noncash amortization of right-of-use asset	1,740
Effect of changes in noncash operating assets and liabilities:	
Grants receivable	26,481
Prepaid expenses	323
Lease deposit	(1,740)
Accounts payable	<u>(30,105)</u>
Net Cash From Operating Activities	163,063
Cash, beginning of year	<u>58,629</u>
Cash, End of Year	<u>\$ 221,692</u>
Cash Paid For Interest	<u>\$ 24</u>

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

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements

June 30, 2024

1. DESCRIPTION OF THE 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.

2. 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.

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.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of three (3) months or less to be cash equivalents. Cash equivalents consisted of money market funds.

Grant Receivable

Receivables are valued at management's estimate of the net realizable value. An allowance for doubtful accounts, if needed, is based on specific identification of uncollectible accounts and the Organization's historical collection experience and current knowledge. Based on the Organization's assessment of the credit history with grantors having outstanding balances and current relationships with them, the Organization believes all accounts are collectible as of June 30, 2024.

Net Assets

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net assets with donor restrictions was \$335,432 and net assets without donor restrictions was \$(84,290) as of June 30, 2024.

Right-of-Use Asset and Lease Liability

The Organization records a right-of-use asset related to the office facility where the Organization conducts its operations, and a copier used at the facility. The right-of-use asset is being amortized over the term of the lease. During the year ended June 30, 2024, the lease expense was \$20,604. As of June 30, 2024, the carrying value of the right-of-use asset was \$34,202.

The lease liability represents the net present value of the future payments for the Organization's office and copier leases. The term of a lease is assessed as the non-cancellable period of the lease, plus any extension options that the Organization is reasonably certain to exercise. The lease liability is discounted using the Organization's estimated borrowing rate. Other costs related to the lease are expensed as incurred. As of June 30, 2024, the net present value of the right-of-use lease liability was \$32,579.

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 with donor restrictions 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 statement of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions are reported as net assets with donor restrictions if the restrictions are met in the same period as received.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements

June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Expenses which can be identified with a specific program or support service are allocated directly, according to their natural expense 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.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Accounting principles generally accepted in the United States 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 Organization performed an evaluation of uncertain tax positions as of June 30, 2024, and determined that there were no matters that would require recognition in the accompanying financial statements, or which may have any effect on its tax-exempt status. As of June 30, 2024, the statute of limitations for fiscal years 2020 through 2024 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

3. 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 \$39,694 for the year ended June 30, 2024. No allowance for doubtful accounts was recorded as management deemed all grants receivable as fully collectible.

4. LINE OF CREDIT

The Organization has access to a line of credit with a in the amount of \$100,000. The line of credit has a zero balance as of June 30, 2024.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements

June 30, 2024

5. OPERATING LEASE

The Organization has an obligation as a lessee for office space in excess of one year. The Organization has classified this lease as an operating lease. The lease has a remaining lease term of 1.66 years as of June 30, 2024. The lease specifies monthly rent will be \$1,700 with an annual increase of 3%. The lease will automatically renew every six months with rent increasing by one hundred dollars at the beginning of each period unless written notice is given to terminate at least forty- five days before the end of the current renewal period. The Organization can also renew for a term of twelve, eighteen or twenty-four months within thirty days of commencement of the renewal period.

The Organization is not reasonably certain to exercise the renewal options, therefore the optional periods are not included in determining the lease term. The lease does not specify the Organization's right to terminate. The incremental borrowing rate was used to determine the lease discount rate. The lease agreement does not include any material residual values or guarantees.

Future minimum lease payments as of June 30, 2024 were as follows:

<u>Period Ending June 30,</u>	<u>Operating Leases</u>
2025	\$ 21,829
2026	14,897
Total future minimum lease payments	36,726
Less: present value discount	4,147
Lease Liability	\$ 32,579

6. 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.

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.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements June 30, 2024

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The following reflects the Organization's financial assets as June 30, 2024:

Cash	\$ 221,692
Grants receivable	<u>39,694</u>
Financial assets, at year-end	<u>261,386</u>
Less those unavailable for general expenditures within one year, due to:	
Donor restrictions	<u>335,432</u>
Financial assets available to meet cash needs for general expenses within one year	<u><u>\$ (74,046)</u></u>

Refer to the statement of activities, which identifies the sources of the Organization's cash and decrease in net assets without donor restrictions for the years ended June 30, 2024.

As disclosed in Note 4, the Organization has a line of credit that they can draw upon to meet cash needs with \$100,000 available as of June 30, 2024.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the year ended June 30, 2024, subject to expenditure for specified purposes. During the year ended June 30, 2024, net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction.

	<u>June 30,</u> <u>2023</u>	<u>Contributions</u>	<u>Releases</u>	<u>June 30,</u> <u>2024</u>
MC3 Project	\$ (9,650)	\$ 9,650	\$ -	\$ -
Arts Education Data Initiative	117,021	-	-	117,021
BCYF	-	355,163	(136,752)	218,411
ARSS	-	1,000	(1,000)	-
MSAC Sponsorships	-	27,320	(27,320)	-
MPHSDS	-	5,000	(5,000)	-
Total Net Assets with Donor Restrictions	<u>\$ 107,371</u>	<u>\$ 398,133</u>	<u>\$ (170,072)</u>	<u>\$ 335,432</u>

8. SUBSEQUENT EVENTS

The Organization evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2024, 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.