

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

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

For the Years Ended June 30, 2020 and 2019



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 14, 2020

SB & Company, LLC

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

**Statements of Financial Position
As of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 354,880	\$ 367,735
Grants and accounts receivable	159,265	140,135
Prepaid expenses	8,855	2,672
Capital assets, net	148,375	59,107
Total Assets	<u>\$ 671,375</u>	<u>\$ 569,649</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	1,500	13,512
Note payable	44,000	-
Total Liabilities	<u>45,500</u>	<u>13,512</u>
Net Assets		
Without donor restrictions	250,445	172,829
Without donor restrictions - board designated	100,000	100,000
With donor restrictions	275,430	283,308
Total Net Assets	<u>625,875</u>	<u>556,137</u>
Total Liabilities and Net Assets	<u>\$ 671,375</u>	<u>\$ 569,649</u>

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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue		
Contributions	\$ 143,194	\$ 223,908
Grants	208,292	238,231
Conferences and workshops	61,972	40,323
Interest income	514	503
Total Revenue	<u>413,972</u>	<u>502,965</u>
Net assets released from restrictions	<u>281,572</u>	<u>42,021</u>
Total Support and Revenue	<u>695,544</u>	<u>544,986</u>
Expenses		
Program services	420,366	380,648
General and administrative	107,372	100,538
Fundraising	90,190	96,552
Total Expenses	<u>617,928</u>	<u>577,738</u>
Change in Net Assets Without Donor Restrictions	<u>77,616</u>	<u>(32,752)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	273,694	283,308
Net assets released from restrictions	<u>(281,572)</u>	<u>(42,021)</u>
Change in Net Assets With Donor Restrictions	<u>(7,878)</u>	<u>241,287</u>
Changes in net assets	69,738	208,535
Net assets, beginning of year	556,137	347,602
Net Assets, End of Year	<u>\$ 625,875</u>	<u>\$ 556,137</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, 2020, with Comparative 2019 Totals**

	2020				2019 Totals
	Direct Programming	General and Administrative	Fundraising	Total	
Salaries	\$ 319,579	\$ 40,453	\$ 44,499	\$ 404,531	\$ 283,966
Benefits	6,426	6,237	6,237	18,900	8,200
Payroll taxes	5,932	5,757	5,757	17,446	13,519
Printing and production	233	226	225	684	6,079
Professional fees	10,176	1,272	1,272	12,720	59,412
Occupancy	9,441	8,694	6,709	24,844	23,569
Accounting/audit	3,844	1,025	256	5,125	11,075
Insurance	-	2,482	-	2,482	2,770
Depreciation	-	1,607	-	1,607	1,390
Communications	844	1,125	843	2,812	3,336
Travel	4,347	3,416	2,587	10,350	13,092
Postage and delivery	697	279	418	1,394	1,227
Supplies	6,301	6,564	262	13,127	7,969
Marketing and publications	2,471	494	1,976	4,941	31,443
Conferences and meetings	16,368	15,886	15,886	48,140	49,128
Equipment rent	-	9,212	-	9,212	8,370
Website subscription	20,342	-	-	20,342	-
Dues and memberships	-	1,061	-	1,061	2,086
Program administration	12,406	775	2,326	15,507	48,934
Information and dissemination	262	131	261	654	948
Other	697	676	676	2,049	1,225
Totals	\$ 420,366	\$ 107,372	\$ 90,190	\$ 617,928	\$ 577,738

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, 2019**

	Direct Programming	General and Administrative	Fundraising	Total
Salaries	\$ 223,100	\$ 28,060	\$ 32,806	\$ 283,966
Benefits	2,788	2,706	2,706	8,200
Payroll taxes	4,596	4,461	4,462	13,519
Printing and production	2,067	2,006	2,006	6,079
Professional fees	47,529	5,942	5,941	59,412
Occupancy	8,956	8,249	6,364	23,569
Accounting/audit	8,307	2,214	554	11,075
Insurance	-	2,770	-	2,770
Depreciation	-	1,390	-	1,390
Communications	1,001	1,334	1,001	3,336
Travel	5,499	4,320	3,273	13,092
Postage and delivery	613	246	368	1,227
Supplies	3,826	3,984	159	7,969
Marketing and publications	15,721	3,145	12,577	31,443
Conferences and meetings	16,704	16,212	16,212	49,128
Equipment rent	-	8,370	-	8,370
Dues and memberships	-	2,086	-	2,086
Program administration	39,146	2,448	7,340	48,934
Information and dissemination	379	190	379	948
Other	416	405	404	1,225
Totals	\$ 380,648	\$ 100,538	\$ 96,552	\$ 577,738

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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 69,738	\$ 208,535
Depreciation	1,607	1,390
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	(19,130)	(133,719)
Prepaid expenses	(6,183)	3,179
Accounts payable and accrued liabilities	(12,012)	3,107
Net Cash from Operating Activities	<u>34,020</u>	<u>82,492</u>
Cash Flows from Investing Activities		
Purchase of capital assets	(90,875)	(52,875)
Net Cash from Investing Activities	<u>(90,875)</u>	<u>(52,875)</u>
Cash Flows from Financing Activities		
Proceeds from note payable	44,000	-
Net Cash from Financing Activities	<u>44,000</u>	<u>-</u>
Net changes in cash and cash equivalents	<u>(12,855)</u>	<u>29,617</u>
Cash and cash equivalents, beginning of year	<u>367,735</u>	<u>338,118</u>
Cash, End of Year	<u>\$ 354,880</u>	<u>\$ 367,735</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, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, 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, 2020, the statute of limitations for fiscal years 2017 through 2020, 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.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The following reflects the Alliance's financial assets as of June 30, 2020, reduced by amounts not available for general use within one year because of restrictions.

Cash and cash equivalents	\$ 354,880
Grants and accounts receivable	159,265
Financial assets, at year-end	<u>514,145</u>
Less those unavailable for general expenditures within one year, due to:	
Board-designated	100,000
Donor restrictions	275,430
Financial assets available to meet cash needs for general expenses within one year	<u><u>\$ 138,715</u></u>

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.

Implemented Accounting Pronouncements

In June 2018, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The standard was adopted during the year ended June 30, 2020, and the adoption did not result in a material change.

Recent Accounting Pronouncements

In February 2016, the FASB issued 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 September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)*. The recognition of revenue when a customer obtains controls of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for periods beginning after December 15, 2021.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

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 1, 2020, the date the financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>	<u>Useful lives</u>
Computer equipment	\$ 16,069	\$ 16,069	5 years
Website construction in process	143,750	52,875	N/A
Less: accumulated depreciation	11,444	9,837	
Property and Equipment, Net	\$ 148,375	\$ 59,107	

Depreciation expense was \$1,607 and \$1,390, for the years ended June 30, 2020 and 2019, respectively.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements June 30, 2020 and 2019

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 and 2019, were available for the following purposes:

	<u>2020</u>	<u>2019</u>
MC3	\$ 126,436	\$ 109,220
Artlook Campaign	132,836	164,088
Other	16,158	10,000
	<u>\$ 275,430</u>	<u>\$ 283,308</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the purpose of the restriction, the passage of time, or the occurrence of other specific events during the years ended June 30, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
MC3	\$ 109,220	\$ 36,871
Artlook Campaign	162,352	5,150
Other	10,000	-
	<u>\$ 281,572</u>	<u>\$ 42,021</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%.

Subsequent to year end, the Alliance believes it has met the conditions to have the entire of Loan forgiven, however, the Alliance did not have the Loan forgiveness approved yet. As such, as of June 30, 2020, the Alliance has recorded the Loan as a liability.

ARTS EDUCATION IN MARYLAND SCHOOLS ALLIANCE, INC.

Notes to the Financial Statements

June 30, 2020 and 2019

6. COMMITMENTS AND CONTINGENCIES

Lease

The Alliance signed a lease agreement, effective August 29, 2016, for its office space. The lease is for five years and includes assessments for common area expenses. Total rent expense for the lease, including related expenses, during the years ended June 30, 2020 and 2019, was \$24,844 and \$23,569, respectively.

As of June 30, 2020, future minimum lease payments were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 24,330
2022	4,080
Total	\$ 28,410