

Young Audiences of Maryland, Inc.

Audited Financial Statements

August 31, 2021 and 2020

Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3 - 4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 36

Independent Auditor's Report

Board of Directors
Young Audiences of Maryland, Inc.
Baltimore, Maryland

Opinion

We have audited the accompanying financial statements of Young Audiences of Maryland, Inc., (a nonprofit organization) which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Audiences of Maryland, Inc. as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Young Audiences of Maryland, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 Young Audiences of Maryland, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(1)

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 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, including omissions, 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, 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 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 Young Audiences of Maryland, 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Audiences of Maryland, Inc.'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 control related matters that we identified during the audit.

Patrick J. Leary, Sr., CPA, LLC

Timonium, MD
December 13, 2021

Young Audiences of Maryland, Inc.

Statements of Financial Position

August 31,	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,382,216	\$ 2,072,192
Accounts receivable	1,614,651	102,043
Grants receivable	800,307	1,704,017
Pledges receivable, current - net	620,160	560,550
Investments	315,982	141,341
Prepaid expenses	<u>55,179</u>	<u>59,230</u>
Total current assets	<u>5,788,495</u>	<u>4,639,373</u>
Property and Equipment:		
Furniture and equipment	215,015	208,713
Leasehold improvements	-	7,295
Software	<u>6,877</u>	<u>6,877</u>
Total	221,892	222,885
Less accumulated depreciation	<u>104,696</u>	<u>141,799</u>
Net property and equipment	<u>117,196</u>	<u>81,086</u>
Other Assets:		
Pledges receivable, noncurrent - net	256,092	674,021
Investments - limited use	452,710	457,551
Security deposits	<u>26,612</u>	<u>26,612</u>
Total other assets	<u>735,414</u>	<u>1,158,184</u>
Total Assets	<u><u>\$ 6,641,105</u></u>	<u><u>\$ 5,878,643</u></u>

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

Young Audiences of Maryland, Inc.

Statements of Financial Position

August 31,	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 139,715	\$ 79,549
Accrued expenses	191,064	166,737
Deferred revenue	72,985	115,161
PPP loan payable, current	<u>30,376</u>	<u>224,016</u>
Total current liabilities	434,140	585,463
Long-term Liability - PPP loan payable, noncurrent	<u>771,154</u>	<u>228,084</u>
Total liabilities	<u>1,205,294</u>	<u>813,547</u>
Net Assets:		
Without donor restrictions (Note 8)	2,858,326	2,202,425
With donor restrictions (Note 9)	<u>2,577,485</u>	<u>2,862,671</u>
Total net assets	<u>5,435,811</u>	<u>5,065,096</u>
Total Liabilities and Net Assets	<u>\$ 6,641,105</u>	<u>\$ 5,878,643</u>

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

Young Audiences of Maryland, Inc.

Statements of Activities

For the years ended August 31,

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:						
Support:						
Contributions and gifts	\$ 776,331	\$ 1,318,325	\$ 2,094,656	\$ 769,465	\$ 3,480,760	\$ 4,250,225
Net assets released from restrictions	<u>1,621,827</u>	<u>(1,621,827)</u>	<u>-</u>	<u>1,541,174</u>	<u>(1,541,174)</u>	<u>-</u>
Total support	2,398,158	(303,502)	2,094,656	2,310,639	1,939,586	4,250,225
Revenue:						
Program fees	<u>6,585,277</u>	<u>-</u>	<u>6,585,277</u>	<u>4,460,571</u>	<u>-</u>	<u>4,460,571</u>
Total support and revenue	<u>8,983,435</u>	<u>(303,502)</u>	<u>8,679,933</u>	<u>6,771,210</u>	<u>1,939,586</u>	<u>8,710,796</u>
Expenses:						
Program Services						
After School Arts & Learning Academy	1,224,051	-	1,224,051	-	-	-
Assembly Programs	226,191	-	226,191	280,879	-	280,879
Distance Learning	274,835	-	274,835	430,129	-	430,129
Other Out of School Time	1,168,564	-	1,168,564	631,324	-	631,324
Professional Development	217,470	-	217,470	247,169	-	247,169
Residency and Early Learning	702,447	-	702,447	1,080,106	-	1,080,106
Summer Arts & Learning Academy	<u>4,204,505</u>	<u>-</u>	<u>4,204,505</u>	<u>3,085,183</u>	<u>-</u>	<u>3,085,183</u>
Total program services	<u>8,018,063</u>	<u>-</u>	<u>8,018,063</u>	<u>5,754,790</u>	<u>-</u>	<u>5,754,790</u>
Supporting Services						
Management and General	424,569	-	424,569	242,430	-	242,430
Fundraising	<u>419,651</u>	<u>-</u>	<u>419,651</u>	<u>357,002</u>	<u>-</u>	<u>357,002</u>
Total supporting services	<u>844,220</u>	<u>-</u>	<u>844,220</u>	<u>599,432</u>	<u>-</u>	<u>599,432</u>
Total expenses	<u>8,862,283</u>	<u>-</u>	<u>8,862,283</u>	<u>6,354,222</u>	<u>-</u>	<u>6,354,222</u>
Increase (decrease) in net assets from operations	121,152	(303,502)	(182,350)	416,988	1,939,586	2,356,574
Other Income (Expense):						
Investment income, net	96,040	18,316	114,356	47,285	12,862	60,147
Loss on disposal of property and equipment	(13,391)	-	(13,391)	-	-	-
PPP loan forgiveness income	<u>452,100</u>	<u>-</u>	<u>452,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other income	<u>534,749</u>	<u>18,316</u>	<u>553,065</u>	<u>47,285</u>	<u>12,862</u>	<u>60,147</u>
Increase (decrease) in net assets	655,901	(285,186)	370,715	464,273	1,952,448	2,416,721
Net assets - beginning of year	<u>2,202,425</u>	<u>2,862,671</u>	<u>5,065,096</u>	<u>1,738,152</u>	<u>910,223</u>	<u>2,648,375</u>
Net assets - end of year	<u>\$ 2,858,326</u>	<u>\$ 2,577,485</u>	<u>\$ 5,435,811</u>	<u>\$ 2,202,425</u>	<u>\$ 2,862,671</u>	<u>\$ 5,065,096</u>

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

Young Audiences of Maryland, Inc.

Statement of Functional Expenses

For the year ended August 31, 2021 (with comparative totals for 2020)

	Program Services								Supporting Services		Total	
	After School	Assembly Programs	Distance Learning	Other Out of	Professional Development	Residencies	Summer Arts & Learning Academy	Total	Management and General	Fundraising	2021	2020
	Arts & Learning Academy			School Time		and Early Learning		Program Services				
Payroll	\$ 216,744	\$ 86,698	\$ 173,395	\$ 249,000	\$ 65,023	\$ 325,116	\$ 614,298	\$ 1,730,274	\$ 177,073	\$ 260,093	\$ 2,167,440	\$ 1,921,743
Payroll taxes	17,276	6,910	13,821	19,004	5,183	25,914	48,373	136,481	15,548	20,731	172,760	143,177
Employee benefits	20,774	8,310	16,619	22,851	6,232	31,161	58,167	164,114	30,697	24,929	219,740	186,076
Subtotal for personnel costs	254,794	101,918	203,835	290,855	76,438	382,191	720,838	2,030,869	223,318	305,753	2,559,940	2,250,996
Accounting and audit fees	-	-	-	-	-	-	-	-	18,358	-	18,358	11,400
Advertising and promotion	1,709	936	1,524	1,964	621	2,798	4,620	14,172	239	1,371	15,782	25,230
Artist fees	702,684	67,397	35,771	751,967	39,944	199,980	2,922,632	4,720,375	-	-	4,720,375	3,069,916
Artist mileage	345	1,369	-	9,369	-	1,720	879	13,682	-	-	13,682	49,242
Bad debt expense	-	-	-	-	1,159	1,033	-	2,192	-	3,016	5,208	19,852
Bank fees	-	-	-	-	-	-	-	-	4,734	2,418	7,152	14,075
Benevon program	-	-	-	-	-	-	-	-	-	45,529	45,529	45,919
Consultants	89,449	1,835	2,939	21,781	1,678	5,878	167,645	291,205	2,857	23,961	318,023	193,895
Depreciation	3,353	1,677	2,682	3,689	1,342	5,365	9,053	27,161	2,682	3,688	33,531	37,405
Dues and subscriptions	9,300	2,292	3,702	6,765	1,940	7,406	31,069	62,474	2,830	8,211	73,515	61,275
Equipment, software, and internet	8,926	4,463	7,141	9,819	3,570	14,282	24,101	72,302	7,141	9,819	89,262	64,067
Insurance	1,248	624	998	1,373	500	1,997	3,370	10,110	998	1,373	12,481	10,383
Interest expense	-	-	-	-	-	-	-	-	6,674	-	6,674	1,054
Meetings/conferences/staff development	319	66	110	2,047	113	220	364	3,239	6,447	218	9,904	25,306
Miscellaneous	565	282	452	840	227	1,264	2,081	5,711	23,343	1,054	30,108	12,251
Moving expenses	-	-	-	-	-	-	-	-	13,307	-	13,307	-
Office supplies	374	187	300	411	150	599	1,011	3,032	300	412	3,744	6,778
Other program costs	120,764	38,250	7,530	52,771	55,310	62,013	210,580	547,218	-	-	547,218	332,806
Payroll processing	-	-	-	-	-	-	-	-	15,315	-	15,315	-
Pass through grant	-	-	-	-	-	-	-	-	83,135	-	83,135	-
Printing and postage	135	68	108	174	204	217	6,446	7,352	84	1,561	8,997	7,684
Race equity	20,759	281	467	609	30,632	935	72,397	126,080	6,916	1,327	134,323	3,110
Rent	6,497	3,248	5,197	10,446	2,598	10,395	17,541	55,922	1,897	7,146	64,965	80,845
Other occupancy expenses	1,365	683	1,093	1,503	546	2,184	3,687	11,061	1,093	1,503	13,657	16,677
Telephone	1,174	587	939	1,291	470	1,878	3,169	9,508	939	1,291	11,738	8,110
Travel for staff	291	28	47	890	28	92	3,022	4,398	1,962	-	6,360	5,946
Total Functional Expenses	\$ 1,224,051	\$ 226,191	\$ 274,835	\$ 1,168,564	\$ 217,470	\$ 702,447	\$ 4,204,505	\$ 8,018,063	\$ 424,569	\$ 419,651	\$ 8,862,283	\$ 6,354,222

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

Young Audiences of Maryland, Inc.

Statement of Functional Expenses

For the year ended August 31, 2020

	Program Services						Supporting Services			
	<u>Assembly Programs</u>	<u>Distance Learning</u>	<u>Other Out of School Time</u>	<u>Professional Development</u>	<u>Residencies and Early Learning</u>	<u>Summer Arts & Learning Academy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2020</u>
Payroll	\$ 95,887	\$ 153,419	\$ 249,859	\$ 95,887	\$ 383,546	\$ 672,131	\$ 1,650,729	\$ 117,595	\$ 153,419	\$ 1,921,743
Payroll taxes	7,111	11,378	18,490	7,112	28,446	49,780	122,317	9,482	11,378	143,177
Employee benefits	9,328	14,924	24,252	9,328	37,312	65,294	160,438	10,714	14,924	186,076
Subtotal for personnel costs	112,326	179,721	292,601	112,327	449,304	787,205	1,933,484	137,791	179,721	2,250,996
Accounting and audit fees	-	-	-	-	-	-	-	11,400	-	11,400
Advertising and promotion	1,522	2,307	3,780	1,423	5,552	8,351	22,935	467	1,828	25,230
Artist fees	125,664	183,274	222,772	68,834	442,341	2,027,031	3,069,916	-	-	3,069,916
Artist mileage	13,602	1,106	3,388	1,353	29,757	36	49,242	-	-	49,242
Bad debt expense	6,100	-	605	4,000	9,147	-	19,852	-	-	19,852
Bank fees	-	-	-	-	-	-	-	11,969	2,106	14,075
Benevon program	-	-	-	-	-	-	-	-	45,919	45,919
Consultants	-	-	7,118	-	30,000	22,882	60,000	30,477	103,418	193,895
Depreciation	2,244	3,367	4,488	2,244	7,856	12,344	32,543	2,244	2,618	37,405
Dues and subscriptions	2,446	3,530	7,809	2,299	8,421	29,680	54,185	350	6,740	61,275
Equipment, software, and internet	3,669	5,494	8,887	3,650	12,832	21,874	56,406	3,536	4,125	64,067
Insurance	-	-	-	-	-	-	-	10,383	-	10,383
Interest expense	-	-	-	-	-	-	-	1,054	-	1,054
Meetings/conferences/staff development	443	389	3,623	988	1,012	4,731	11,186	11,835	2,285	25,306
Miscellaneous	110	-	221	159	662	760	1,912	10,150	189	12,251
Office supplies	411	613	829	461	1,435	2,256	6,005	357	416	6,778
Other program costs	5,962	40,766	61,476	41,742	57,633	125,227	332,806	-	-	332,806
Postage	131	196	262	131	456	5,818	6,994	393	297	7,684
Race equity	-	-	-	-	-	-	-	3,110	-	3,110
Rent	4,712	7,068	9,424	4,769	16,491	28,230	70,694	4,654	5,497	80,845
Other occupancy expenses	1,001	1,501	2,001	943	3,502	5,503	14,451	1,059	1,167	16,677
Telephone	487	730	973	486	1,703	2,676	7,055	487	568	8,110
Travel for staff	49	67	1,067	1,360	2,002	579	5,124	714	108	5,946
Total Functional Expenses	\$ 280,879	\$ 430,129	\$ 631,324	\$ 247,169	\$ 1,080,106	\$ 3,085,183	\$ 5,754,790	\$ 242,430	\$ 357,002	\$ 6,354,222

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

Young Audiences of Maryland, Inc.

Statements of Cash Flows

For the year ended August 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 370,715	\$ 2,416,721
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	5,208	19,852
Depreciation	33,531	37,405
Change in discount on pledges receivable	(21,770)	24,276
Donated securities	(88,964)	(32,943)
Loss on disposal of property and equipment	13,391	-
Net unrealized gain on marketable securities	(100,333)	(50,179)
New pledges receivable	(205,050)	(1,082,500)
PPP loan forgiveness income	(452,100)	-
(Increase) Decrease in operating assets:		
Accounts receivable	(1,517,816)	772,132
Grants receivable	903,710	(979,654)
Prepaid expenses	4,051	(25,682)
Security deposits	-	(21,898)
Increase (decrease) in operating liabilities:		
Accounts payable	60,166	(68,630)
Accrued expenses	24,327	39,626
Deferred revenue	(42,176)	58,287
Net cash (used in) provided by operating activities	<u>(1,013,110)</u>	<u>1,106,813</u>
Cash flows from investing activities:		
Purchase of investments	(6,871)	(127,408)
Proceeds from sales of investments	26,368	54,193
Purchase of property and equipment	(83,032)	(14,379)
Net cash used in investing activities	<u>(63,535)</u>	<u>(87,594)</u>
Cash flows from financing activities:		
Repayments on line of credit	-	(10,000)
Proceeds received from pledge payments	585,139	247,297
Proceeds received from PPP loan	801,530	452,100
Net cash provided by financing activities	<u>1,386,669</u>	<u>689,397</u>
Net increase in cash and cash equivalents	310,024	1,708,616
Cash and cash equivalents, beginning of year	<u>2,072,192</u>	<u>363,576</u>
Cash and cash equivalents, end of year	<u>\$ 2,382,216</u>	<u>\$ 2,072,192</u>

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

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Young Audiences of Maryland, Inc., (the "Organization") is a nonprofit arts education organization that was incorporated in the state of Maryland on October 4, 1951. The Organization is an affiliate chapter of a nation-wide network of 30 affiliates in 20 states. The Organization's mission is to transform the lives and education of our youth through the arts by connecting educators, professional artists, and communities. This mission is achieved by providing assemblies, workshops, residencies, and professional development opportunities for educators and artists that are aligned with Common Core State standards and are accessible to any organization or school regardless of their resources.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). As such, revenue is recorded when earned and expenses are recorded when an obligation is incurred.

Cash and Cash Equivalents

The Organization considers money market accounts, and short-term investments with an original maturity of three months or less, to be "cash and cash equivalents."

Accounts Receivable, Credit Policies and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized obligations representing program fees earned during the year that were not received by year end. Accounts receivable are stated at their invoice amount and generally require payment within thirty days from the invoice date. Follow-up correspondence is made if unpaid accounts receivable go beyond 30 days. Payments of accounts receivable are applied to specific invoices identified on the remittance advice, or if unspecified, to the oldest unpaid invoices.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that may not be collected. Management individually reviews all accounts receivable balances that exceed the due date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that may not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Accounts receivable are deemed fully collectible at August 31, 2021 and 2020, and therefore, the Organization has not established an allowance for doubtful accounts. Bad debt expense related to accounts receivable totaled \$5,208 and \$19,852 for the years ended August 31, 2021 and 2020, respectively.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable represents fees due from nonreciprocal contributions or promises to give to be collected within the next year and are recorded in the year the promise is made. These amounts are considered fully collectible at August 31, 2021 and 2020 and accordingly, no allowance for doubtful accounts is required.

Property and Equipment and Depreciation

Property and equipment are stated at cost or estimated fair value at the time of donation. Expenditures for maintenance, repairs, and renewals are charged against income as incurred. Expenditures for additions, improvements and replacements in excess of \$1,000 are added to the property and equipment accounts and depreciated over their estimated useful lives.

When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss on disposition is recognized in income. Depreciation is provided under the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 20 years. Depreciation expense was \$33,531 and \$37,405 for the years ended August 31, 2021 and 2020, respectively.

Investments

Investment securities are carried at fair value based on quoted market prices. The change in net unrealized appreciation (depreciation) of investments for the year is reflected in the Statements of Activities in "investment income, net." Realized gains and losses on sales of investments are computed on an average cost basis and are recorded on the trade date of the transaction and are also included in "investment income, net." Investment expenses, such as custodial, commission, and investment advisory fees, are netted against investment income in the Statements of Activities.

Financial Risk

The Organization invests in a portfolio that contains mutual funds, equities and fixed income. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Organization has characterized its assets and liabilities based on the priority of inputs used to measure fair value, based on a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets and liabilities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

- Level 1 assets and liabilities use quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2 assets and liabilities use observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities.
- Level 3 assets and liabilities use unobservable inputs that are supported by little or no market activity.

The Organization's assets and liabilities that are subject to fair value measurements are categorized in one of the three levels above (see Note 4). Fair values are based on the inputs available at the measurement dates, and may rely on certain assumptions that may affect the valuation of fair value for certain assets and liabilities.

The carrying amounts of current receivables and payables approximate fair value due to the short-term nature of these assets.

Uniform Prudent Management of Institutional Funds Act

The Organization follows the accounting guidance entitled, “*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*” (UPMIFA). UPMIFA provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. It also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds). UPMIFA requires guidelines for expenditures of donor restricted endowment funds and also provides that assets in an endowment fund are donor-restricted net assets until appropriated for expenditure by the Organization (see Note 5).

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without donor restrictions are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes (See note 8).

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports contributions and grants as revenue with donor restrictions if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. The Organization had net assets with donor restrictions totaling \$2,577,485 and \$2,862,671 at August 31, 2021 and 2020, respectively (See note 9).

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to spend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. The Organization has net assets with donor restrictions that are perpetual in nature totaling \$110,000 at August 31, 2021 and 2020, included in net assets with donor restrictions.

Deferred Revenue

Deferred revenue represents program fees collected as of the Statement of Financial Position date, related to activities, services and performance obligations to be performed in the subsequent year.

Advertising

The Organization expenses advertising costs the first time the advertising takes place. The amounts charged to advertising expense totaled \$15,782 and \$25,230 for the years ended August 31, 2021 and 2020, respectively.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and 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. Accordingly, no provision for income taxes is reflected in these financial statements. However, the Organization is subject to income taxes to the extent that the Organization has "unrelated business income" as defined by the Internal Revenue Service. As of August 31, 2021, there was no unrelated business taxable income that would require the Organization to pay federal or state income tax.

The Organization accounts for income tax provisions in accordance with Financial Accounting Standards Board Accounting Standards Concept Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organization believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at August 31, 2021 and 2020 for uncertain income tax positions. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization has adopted a policy under which, if required to be recognized in the future, it will classify interest related to the underpayment of income taxes as a component of interest expense, and it will classify any related penalties in management and general expenses in the Statements of Activities. Since the Organization is organized as a not-for-profit entity, this guidance does not have a material impact on the Organization's financial statements. The Organization is subject to U.S. federal, state and local income tax examinations by tax authorities for the current year and the last three years.

Use of Estimates in the Preparation of Financial Statements

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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The Statements of Functional Expenses present expenses by function and natural classification. The functional classification of expenses includes the following:

Program activities

Program activities are direct and indirect costs related to providing the Organization's programs and services. These expenses relate directly to the purpose for which the Organization exists (see "Program Descriptions" below).

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

General and Administrative

The supporting service category includes general and administrative costs necessary to secure proper administrative function of the governing board, maintain an adequate working environment, and manage the financial responsibilities of the Organization.

Fundraising

The supporting service category also includes expenditures which provide the structure necessary to encourage and secure outside financial support for the Organization's operations.

Expenses are charged to each functional classification based on direct expenditures incurred. Indirect expenses are allocated to the various programs and supporting services based on an allocation formula and in accordance with the various grant agreements. Certain costs have been allocated between program and supporting services based on the proportion of program-related salaries and benefits to total salaries and benefits.

Program Descriptions

After School Arts and Learning Academy

During the year ended August 31, 2021, the Organization launched the After School Arts & Learning Academy (ASALA) in partnership with Baltimore City Public Schools. ASALA pairs a classroom teacher and a professional teaching artist to deliver arts-integrated math and literacy lessons to elementary and middle school students. Participating students experienced three hours of extended academic learning and enrichment per day for four days a week. Students were introduced to a wide variety of art forms, from illustration and spoken word to percussion, drama and dance, and had a chance to work alongside students from across the city and learn from professional artists. During the year ended August 31, 2021, 285 students participated in ASALA, cumulatively experiencing 17,016 hours of arts-integrated learning.

Assembly Programs

An assembly program is a live, interactive, and educational arts performance by a professional artist or ensemble. Assemblies expose students to new art forms that they may have never explored before, such as Japanese taiko drumming, slam poetry, or physical theatre (pantomime). These exposures foster an appreciation of various art forms and the cultures from which they come. Our assemblies are interactive and allow students to make connections to other curriculum areas including literature, social studies, math, and science. Additionally, assembly programs enhance students' social and emotional skills including self-awareness and social awareness. Each program is 45 minutes in length and has a maximum audience size of 250 students, unless otherwise specified. The Organization also now offers assembly programs online via live streams and pre-recorded videos.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Program Descriptions (continued)

Distance Learning

In response to the transition to virtual teaching and learning in Spring 2020, the Organization developed new online programs for students. Most notable are the following:

- **Arts and Learning Snacks** are take-home art kits created by YA Teaching Artists. These kits include all the supplies needed for kids and caregivers to take a break from the screen, use their hands and imaginations, and explore new materials.
- **Arts and Learning Kids** is a collection of 30-minute pre-recorded video lessons. In these episodes, YA artists and educators teach ELA and Math concepts aligned with national standards through a series of fun, arts-integrated videos.
- **Arts Explorations** are a sequential series of five interactive videos produced by professional teaching artists that engage students in the exploration of creative skills in a wide variety of art forms like dancing, theatre, music, and more.

Other Out of School Time

Through the Bloomberg Arts Internship program, students gain familiarity and comfort with workplace etiquette, improve verbal and written communication skills, explore cultural assets in our city, develop critical life and work skills, and prepare to apply and transition into college. This is a rigorous program with three major elements: a six-week paid placement and project working day-to-day in an arts organization; visits to arts and cultural organizations; and professional development. This program started in NYC and later expanded to Philadelphia and Baltimore. The program aims to encourage a more equitable and diverse range of staff and audiences among cultural institutions, while instilling in the students an understanding and appreciation of the important civic contributions of arts and culture.

In partnership with Baltimore City Public Schools, the Organization also operates six Summer LIT! program sites across Baltimore City. Summer LIT! is a six-week summer program that provides students an engaging, arts-integrated approach to literacy programming. By providing opportunities for creative, hands-on learning through the arts, the program helps to improve students' reading and writing skills and to prevent summer learning loss. Key components of the program include arts-integrated literacy instruction, small group tutoring, artist residencies, community partner visits, and weekly STEM projects. Summer LIT! serves students in grades K-5.

The Organization also offers a range of afterschool programming in and beyond Baltimore.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Program Descriptions (continued)

Professional Development

The Organization offers schools and school districts a range of professional development programs. It can be as short as something that fits into a faculty meeting or as in depth as a year-long fellowship for teachers and principals. All professional development aims to help the adults who work with children, see and use the arts as a vehicle for inspiration and engagement. The Organization indirectly impacts the education of tens of thousands of students every year through its professional development offerings.

Residencies and Early Learning

In a residency program, a professional teaching artist collaborates with teachers to co-plan and co-teach a series of workshops in the classroom. In fine arts residencies, the lessons focus on understanding and experiencing the art form. In arts integrated residencies, the lessons incorporate both learning about the art form and using the art form to better understand other curriculum topics. Each teaching artist completes intensive training to understand how to navigate the fine arts standards and break down their art form for students. Students benefit by having an opportunity to delve deeply into the art form and find their own creative processes, and teachers benefit by learning new strategies to use the arts in their teaching. Residencies are available for students of all ages, from birth through grade 12.

As the Maryland affiliate of Wolf Trap Institute for Early Learning, the Organization offers residency programs designed specifically for our youngest learners (from birth through Kindergarten). Additionally, the Organization also offers other types of early learning programming including family involvement workshops, teacher professional development, and assemblies. Beginning in Spring 2020, the Organization also began to develop an online Early Learning Portal, which offers a collection of videos by our early learning teaching artists to be used by teachers and caregivers to support online and at-home learning.

Summer Arts & Learning Academy

The Summer Arts for Learning Academy (SALA) is our summer learning program that we operate in partnership with Baltimore City Schools. This five week, full day summer program curbs summer learning loss in literacy and math by providing arts integrated instruction. The power of SALA lies in the collaboration that occurs between teaching artists and teachers who co-teach children, PreK-6th grade, in the program. In addition to academic instruction, kids have enrichment opportunities in the arts, athletics, robotics and field trips. In FY21, the Organization served 1,694 youth through SALA.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09 (Topic 606): *Revenue From Contracts with Customers*. The core principle of the guidance is that an Organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. To achieve that principle, the Organization applies the following steps: identify the contract(s) with the customer, identify the performance obligations in the contract(s), determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgments and assets recognized from costs incurred to fulfill a contract.

The Organization adopted the new guidance effective September 1, 2019, using the modified retrospective method, which applies the new guidance beginning in the year of adoption, with the cumulative effect of initially applying the guidance recognized as an adjustment to net assets at September 1, 2019. The effect of this change was determined to be immaterial to the financial statements, therefore, no change to beginning of year net assets was recorded as of September 1, 2019. The Organization's revenue recognition under this new standard is described in Note 10.

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. Contracts or grants that are determined to be reciprocal exchange transactions are accounted for under ASU 2014-09 (Topic 606): *Revenue from Contracts with Customers*. Contracts or grants that are determined to be nonreciprocal contributions are accounted for under ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this new guidance effective September 1, 2019, using the prospective basis. The Organization's revenue recognition under this new standard is described in Note 10.

Reclassifications

Certain amounts as of and for the year ended August 31, 2020 have been reclassified to conform with the financial statement classification as of August 31, 2021 for comparative purposes. These changes had no effect on net assets as reported at August 31, 2020.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

2. Pledges Receivable

The Organization receives multi-year pledge agreements to ensure they can continue to serve future generations of children with high-quality professional arts experiences. Pledges are payable over a one to five year period. The total amount expected to be received at August 31, 2021 and 2020 is recorded at the present value of the expected future cash flows discounted at the Organization's incremental borrowing rate, which was 3.25% at August 31, 2021 and 2020.

Pledges receivable, net consist of the following at August 31:

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 922,527	\$ 1,302,616
Less: unamortized discount	<u>46,275</u>	<u>68,045</u>
Total	<u>\$ 876,252</u>	<u>\$ 1,234,571</u>

The total of pledges receivable is reflected in the Statements of Financial Position as follows at August 31:

	<u>2021</u>	<u>2020</u>
Pledges receivable - current	\$ 620,160	\$ 560,550
Pledges receivable - noncurrent	<u>256,092</u>	<u>674,021</u>
Total	<u>\$ 876,252</u>	<u>\$ 1,234,571</u>
Amounts due in:		
Less than one year	\$ 649,056	\$ 601,277
One to five years	<u>273,471</u>	<u>701,339</u>
Total	<u>\$ 922,527</u>	<u>\$ 1,302,616</u>

Management evaluates the collectability of pledges receivable based on payment patterns and continued correspondence with donors. Pledges receivable are considered fully collectible at August 31, 2021 and 2020.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

3. Investments

Investments are recorded at fair market value and consist of the following at August 31:

		2021		
		Unrealized		
	Cost	Appreciation	Fair Value	
Mutual funds	\$ 21,240	\$ 6,470	\$ 27,710	
Equities	312,223	176,333	488,556	
Fixed income	241,794	10,632	252,426	
Total	<u>\$ 575,257</u>	<u>\$ 193,435</u>	<u>\$ 768,692</u>	

		2020		
		Unrealized		
	Cost	Appreciation	Fair Value	
Mutual funds	\$ 26,985	\$ 5,566	\$ 32,551	
Equities	262,380	74,678	337,058	
Fixed income	215,334	13,949	229,283	
Total	<u>\$ 504,699</u>	<u>\$ 94,193</u>	<u>\$ 598,892</u>	

Investments are broken down as follows in the Statements of Financial Position at August 31:

	<u>2021</u>	<u>2020</u>
Investments for general purposes	\$ 315,982	\$ 141,341
Investments - limited use:		
Board designated for working capital reserves (Note 8)	239,000	239,000
Board designated for strategic investment (Note 8)	76,000	76,000
Board designated for post-employment benefit (Note 8)	27,710	32,551
Funds held in perpetuity (Note 5)	<u>110,000</u>	<u>110,000</u>
Total investments - limited use	<u>452,710</u>	<u>457,551</u>
Total investments	<u>\$ 768,692</u>	<u>\$ 598,892</u>

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

3. Investments (continued)

The following schedule summarizes investment return and its classification in the Statements of Activities for the years ended August 31:

	2021		
	Without Donor	With Donor	Total
	Restrictions	Restrictions	
Interest and dividends, net	\$ 12,743	\$ 1,280	\$ 14,023
Realized and unrealized appreciation on investments	83,297	17,036	100,333
Total	<u>\$ 96,040</u>	<u>\$ 18,316</u>	<u>\$ 114,356</u>
	2020		
	Without Donor	With Donor	Total
	Restrictions	Restrictions	
Interest and dividends	\$ 7,602	\$ 2,366	\$ 9,968
Realized and unrealized appreciation on investments	39,683	10,496	50,179
Total	<u>\$ 47,285</u>	<u>\$ 12,862</u>	<u>\$ 60,147</u>

Investment fees were \$5,158 and \$4,257 for the years ended August 31, 2021 and 2020, respectively, and are netted with interest and dividends.

An investment may be considered impaired if its cost basis exceeds its fair value thus resulting in unrealized depreciation. Investments are reported at their fair market value, thus any impairment losses have already been recognized through unrealized losses in the accompanying Statements of Activities. Management feels investment portfolio losses are temporary.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

4. Fair Value Measurements

Fair values of assets measured on a recurring basis at August 31 are as follows:

2021				
	Fair Value	Quoted Prices in Active Markets (Level 1)	Quoted Prices in Markets that are not Active (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 27,710	\$ 27,710	\$ -	\$ -
Equities	488,556	488,556	-	-
Fixed income	252,426	252,426	-	-
	<u>\$ 768,692</u>	<u>\$ 768,692</u>	<u>\$ -</u>	<u>\$ -</u>
Pledges receivable	<u>\$ 876,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 876,252</u>
2020				
	Fair Value	Quoted Prices in Active Markets (Level 1)	Quoted Prices in Markets that are not Active (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 32,551	\$ 32,551	\$ -	\$ -
Equities	337,058	337,058	-	-
Fixed income	229,283	229,283	-	-
	<u>\$ 598,892</u>	<u>\$ 598,892</u>	<u>\$ -</u>	<u>\$ -</u>
Pledges Receivable	<u>\$ 1,234,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,234,571</u>

Pledges receivable are recorded at the present value of the expected future cash flows discounted at 3.25% for the years ended August 31, 2021 and 2020. This discount rate is based on the Organization's incremental borrowing rate at August 31, 2021 and 2020. The following table presents information about the change in pledges receivable (level 3 asset), which are measured at fair value on a recurring basis using significant unobservable inputs:

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

4. Fair Value Measurements (continued)

Balance at September 1, 2019	\$ 423,644
New pledges	1,082,500
Receipts from pledges	(247,297)
Change in discount on pledges receivable	<u>(24,276)</u>
Balance at August 31, 2020	<u>\$ 1,234,571</u>
New pledges	205,050
Receipts from pledges	(585,139)
Change in discount on pledges receivable	<u>21,770</u>
Balance at August 31, 2021	<u>\$ 876,252</u>

Estimated fair value amounts have been determined using available market information and the valuation methodologies described above. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts the Organization could realize in a current market. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

5. Endowment Funds

The Organization has endowment funds to be held in perpetuity consisting of an endowment fund of \$40,000, a grant issued by the National Arts Strategies (NAS) of \$50,000 and a grant issued by The William G. Baker, Jr. Memorial Fund (Baker) of \$20,000. The NAS grant and the Baker grant are restricted to serve as a "working capital reserve fund." Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely, and income from the fund is to be expended based on the specific purpose established by the donor. As discussed in Note 1, net assets associated with endowment funds are classified and being reported by the Organization based on the existence or absence of donor-imposed restrictions in accordance with generally accepted accounting principles.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

5. Endowment Funds (continued)

Return objectives and risk parameters

The Board of Directors of the Organization has established an investment policy to clearly articulate the views on investment objectives and risk tolerance for the endowment fund. The objectives of the endowment fund has been established after a comprehensive review of current and projected financial requirements, market returns, risks and other special requirements. The long-term objective of the Fund is to maintain the purchasing power of the current assets and all future contributions, to maintain an appropriate asset allocation policy that is comparable with the spending policy, while having the potential to produce positive real returns, and to achieve a target rate of return of 8.00% over a full market cycle (approximately three to five years).

Strategies employed for achieving objectives

To satisfy long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Underwater endowment funds

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gift amounts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complies with UPMIFA, and has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization has no underwater endowment funds at August 31, 2021 or 2020.

Spending policy

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies. The Organization has a policy of withdrawing interest earned to offset annual organizational expenses. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

5. Endowment Funds (continued)

The following table represents the composition of the Organization's endowment net assets by type at August 31, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, September 1, 2019	\$ -	\$ 110,000	\$ 110,000
Investment return, net	-	12,862	12,862
Amounts appropriated for expenditures	<u>-</u>	<u>(12,862)</u>	<u>(12,862)</u>
Endowment net assets, August 31, 2020	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>
Investment return, net	-	18,316	18,316
Amounts appropriated for expenditures	<u>-</u>	<u>(18,316)</u>	<u>(18,316)</u>
Endowment net assets, August 31, 2021	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>

6. Line of Credit

The Organization had a revolving line of credit with a bank for an amount not to exceed \$500,000. The line of credit accrued interest at the prime rate. The line of credit expired in July 2020 and there were no advances on the line of credit at August 31, 2020.

The Organization has a revolving line of credit with a bank for an amount not to exceed \$500,000. The line of credit accrues interest at the prime rate plus 1%, which was 4.25% as of August 31, 2021. All outstanding principal and interest are due on demand. The line of credit is collateralized by a first priority security interest on all business assets. There were no advances outstanding on the line of credit at August 31, 2021 and 2020.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

7. Government Assistance Loan Funds (PPP loan payable)

In March 2020, the State of Maryland began enforcing certain restrictions related to social distance, travel and business operations due to the impact of COVID-19. Because of the financial impact of COVID-19 on business operations, the Organization applied for and received government assistance loan proceeds from the Paycheck Protection Loan Program under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in May 2020. The amount of the loan proceeds totaled \$452,100. Under the terms of the agreement, the Organization may apply for forgiveness of the loan proceeds in the amount equal to certain payroll, rent, utility and mortgage interest costs incurred or paid during the 24 week period beginning after May 15, 2020, if certain conditions related to maintaining full time equivalents are met. Any amounts not forgiven under the terms of the loan agreement are due in equal monthly installments of principal and interest over a two year period, with interest due at a fixed rate of 1% annually, following a six to ten month deferment period. The Organization has elected to recognize the loan and related loan forgiveness in accordance with ASC 470, *Debt*. Under the debt model, the loan is recognized as income under ASC 405-20, *Extinguishment of Liabilities*, when the loan has been forgiven. The loan was not yet forgiven as of August 31, 2020 and the amount was reported as a PPP loan payable totaling \$452,100 as of August 31, 2020. The Organization received forgiveness of the loan proceeds from the bank and Small Business Administration during the year ended August 31, 2021 and recognized income for the entire amount of the loan totaling \$452,100 during the year ended August 31, 2021. The amount is included in other income as "PPP loan forgiveness income" in the accompanying Statements of Activities for the year ended August 31, 2021.

In March 2021, the Organization applied for and received a second loan from the Paycheck Protection Loan Program. The amount of the loan proceeds totaled \$801,530. Under the terms of the agreement, the Organization may apply for forgiveness of the loan proceeds in the amount equal to certain payroll, rent, utility and mortgage interest costs incurred or paid during the 24-week period beginning after March 15, 2021, if certain conditions related to maintaining full time equivalents are met. Any amounts not forgiven under the terms of the loan agreement are due in equal monthly installments of principal and interest over a five-year period, with interest due at a fixed rate of 1% annually, following a sixteen month deferment period. The Organization has elected to recognize the loan and related loan forgiveness in accordance with ASC 470, *Debt*. Under the debt model, the loan is recognized as income under ASC 405-20, *Extinguishment of Liabilities*, when the loan has been forgiven. The loan was not yet forgiven as of August 31, 2021 and the amount was reported as a PPP loan payable totaling \$801,530 as of August 31, 2021. The loan is reported in the Statements of Financial Position based on future minimum principal payments required under the current loan agreement which include \$30,376 - 2022, \$223,951 - 2023, \$226,201 - 2024, \$228,474 - 2025 and \$92,528 - 2026.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8. Net Assets Without Donor Restrictions

Net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes at August 31:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 2,515,616	\$ 1,854,874
Board designated:		
Board designated for working capital reserves	239,000	239,000
Board designated for strategic investment	76,000	76,000
Board designated for post-employment benefit	<u>27,710</u>	<u>32,551</u>
Total board designated net assets	<u>342,710</u>	<u>347,551</u>
Total net assets without donor restrictions	<u>\$ 2,858,326</u>	<u>\$ 2,202,425</u>

Board designated for working capital reserves - In May 2001, the Board of Directors passed a resolution to designate \$129,000 for a working capital reserve fund. In May 2013, the Board of Directors passed a resolution to designate an additional \$10,000 to the working capital reserve fund. In May 2019, the Board of Directors agreed to add an additional \$100,000 to the working capital reserve fund. The Organization may borrow up to the full amount as needed. The reserve fund must be maintained in an interest-bearing account for 30 days during each fiscal year. Withdrawals from the reserve fund require approval from the treasurer or board president. The executive director and/or treasurer are required to notify the Board of Directors of the use of the reserve fund as part of the regular financial reporting.

Board designated for strategic investment - The purpose of this reserve is to fund new programs, expand services and invest in other initiatives that could yield future revenue and further the Organization's mission. Management would need to present a plan and budget proposal to the Board of Directors in order to access these funds. A majority of board members would need to approve the use and the amount of the funds that could be allocated to the project.

The Organization may borrow the full amount, as needed, after which monies borrowed must be repaid to the Organization within two years. A report detailing the use of funds and project results would need to be submitted to the board within twelve months of releasing funds from the reserve and again in the following year if any funds are still in use.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8. Net Assets Without Donor Restrictions (continued)

Board designated for post-employment benefit - In 2004, the Organization entered into a written post-employment benefit agreement with its former executive director. Under the terms of the agreement, the Organization was obligated to make monthly payments of \$1,500 for the shorter of the life of the retiree or fifteen years, for a maximum benefit of \$270,000. This deferred compensation agreement was satisfied in April 2019. In May 2019, the Board agreed to disburse the remaining balance held in a separate investment account for this purpose to the former executive director on a monthly basis until the fund is depleted. The board designated amount will be reduced as payments are made.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of August 31:

	<u>2021</u>	<u>2020</u>
<u><i>Time Restricted:</i></u>		
General Operating -Time Restricted	\$ 719,190	\$ 75,000
Board Indicated - Time Restricted	<u>329,485</u>	<u>322,300</u>
Total time restricted	<u>1,048,675</u>	<u>397,300</u>
<u><i>Purpose Restricted:</i></u>		
Early Learning Initiative	534,374	912,999
Capital Project Fund	788,792	800,000
Workforce Development	-	441,000
Rural Access for All	40,062	66,887
Access for All	22,082	60,485
Teacher Fellowship	-	60,000
Principal Fellowship	20,000	9,000
Summer Arts & Learning Academy	-	5,000
Collaborative Growth Project	<u>13,500</u>	<u>-</u>
Total purpose restricted	1,418,810	2,355,371
<u><i>Restricted in Perpetuity:</i></u>		
Working Capital Reserve Fund	<u>110,000</u>	<u>110,000</u>
Total net assets with donor restrictions	<u>\$ 2,577,485</u>	<u>\$ 2,862,671</u>

Time restricted net assets include stipulations imposed by the donor that the contributed asset must be used during a future year.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

9. Net Assets With Donor Restrictions (continued)

Purpose restricted net assets include a stipulation imposed by the donor that the contributed asset must be used for a specific purpose. The following is a brief description of net assets that have purpose restrictions:

Early Learning Initiative - funds to be used to provide children (0-6) and those integral to their development (childcare providers, families, and teachers) with essential experiences to boost school readiness and nurture the development of the whole child.

Capital Project Fund - funds to be used for renovation of property located at 21 E. North Avenue in Baltimore City.

Workforce Development - funds to be used to support the Bloomberg Arts Internship which provides a six-week paid internship for rising high school seniors from Baltimore City Public Schools.

Rural Access for All - funds to be used to provide a subsidy to allow schools, libraries, and community centers to book any Maryland State Arts Council approved artist to provide arts-integrated educational programs. Rural Access for All serves 18 counties: Allegany, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Kent, Queen Anne's, St. Mary's, Somerset, Talbot, Washington, Wicomico, and Worcester.

Access for All - Access for All bridges the gap between low-income Baltimore City schools that would like to provide students with artistic experiences, but cannot do so due to budget constraints. Funds to be used to provide subsidies for Baltimore City Schools to experience programming at up to 80% off the cost of programs.

Teacher Fellowship - funds to be used to provide a collaborative, creative learning community for Baltimore City Public School teachers to learn and reflect on how arts-integration can be used as a tool to grow creative, effective, and culturally responsive classroom learning environments.

Principal Fellowship - funds to be used to provide 10 Baltimore City Public School Principals with a year-long opportunity to learn and reflect on how arts-integration can be used as a tool to grow creative, effective, and culturally responsive classroom learning environments.

Summer Arts & Learning Academy - funds to be used to support the SALA summer learning program that is operated in partnership with Baltimore City Schools.

Collaborative Growth Project - funds to be used for a professional development program for teaching artists focused on advancing racial equity and inclusion.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

9. Net Assets With Donor Restrictions (continued)

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to spend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

10. Revenue Recognition

Revenue under ASU 2018-08 (Topic 958): Not-For-Profit Entities

The Organization recognizes nonreciprocal contributions and grants received and made at fair value on the earlier of the date of the receipt of cash or the date an unconditional promise to give is made. Contributions received and made are reported as either revenues without donor restrictions or revenue with donor restrictions. Contributions and grants that are restricted by the awarding agency or individual for certain purposes are recorded as revenue with donor restrictions. Contributions and grants with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and reclassified as net assets released from restrictions in the same year.

Contributions and grants may also be considered conditional contributions if both requirements to meet the definition of a condition under ASU 2018-08 are met (i.e. there is a barrier that must be overcome before the Organization is entitled to receive the funds and there is a right of return to the resource provider). Revenue under conditional contributions are recognized when the conditions are satisfied. The Organization had no conditional promises to give at August 31, 2021 and 2020.

Revenue under ASU No. 2014-09 (Topic 606): Revenue From Contracts with Customers

Contracts with Customers

The Organization identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when obligations under the terms of the contract with the customer are satisfied; generally, this occurs with the transfer of control of the good or service to the customer. Revenue is measured as the amount of consideration the Organization expects to receive in exchange for transferring goods or providing services. If applicable, sales and other taxes collected concurrently with revenue-producing activities are excluded from revenue. The Organization does not incur incremental costs to obtain contracts or costs to fulfill contracts that meet the criteria for capitalization. In addition, the Organization does not have significant material payment terms, as payment is received shortly after the service is performed.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

10. Revenue Recognition (continued)

Revenue under ASU No. 2014-09 (Topic 606): Revenue From Contracts with Customers (continued)

Performance Obligations

Performance obligations are satisfied over time based on the criteria that the customer receives the benefit of the Organization's performance as the Organization performs the service. The following performance obligations are satisfied over time:

After School Arts & Learning Academy - performance obligations include providing three hours of extended academic learning and enrichment per day for four days a week.

Distance Learning - performance obligations include providing online programming to students through pre-recorded video lessons and providing take-home art kits.

Other Out of School Time - performance obligations include providing an arts program to at risk city youth as an after school program, providing internship opportunities through the Bloomberg Arts Internship Program and operating a six week summer program to provide students an engaging, arts-integrated approach to literacy programming.

Summer Arts & Learning Academy - Performance obligations include operating a five week, full day summer program to curb summer learning loss in literacy and math by providing arts integrated instruction in partnership with Baltimore City.

The following performance obligations are satisfied at a point in time:

Assembly programs - performance obligations include performing a live, interactive and educational arts performance by a professional artist or ensemble based on school requests. Assembly programs are now also offered online via live streams and pre-recorded videos. The Organization creates the program and provides the artists.

Professional Development - Performance obligations include providing a wide range of professional development programs to schools and school districts

Residencies and early learning programs - Performance obligations include providing a professional teaching artist to collaborate with teachers to co-plan and co-teach a series of workshops in the classroom.

Transaction Price

Revenue, or the transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. The Organization has a pre-determined price for all program services provided (i.e. teaching an assembly, a per course class cost for an artist to teach at a school, a total cost for the summer arts & learning academy, etc.). There is no variable consideration, all revenue is considered a fixed fee.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

10. Revenue Recognition (continued)

Revenue under ASU No. 2014-09 (Topic 606): Revenue From Contracts with Customers (continued)

Contract Balances and Payment Terms

When the timing of the Organization's services are different from the timing of payments made, the Organization recognizes either a contract asset (performance precedes payment) or a contract liability (payment precedes performance). The Organization's payment terms for assemblies, residencies and professional development are typically 50% prior to the event and 50% after the program is held. Services provided over time are billed as the services are performed on a monthly basis.

The Organization has recorded a contract asset referred to as a "accounts receivable" totaling \$1,614,651 and \$102,043 at August 31, 2021 and 2020, respectively, on the Statements of Financial Position. The Organization has recorded contract liabilities referred to as "deferred revenue" totaling \$72,985 and \$115,161 as of August 31, 2021 and 2020, respectively, on the Statements of Financial Position.

Disaggregation of Revenue

The following table disaggregates contract revenue by type at August 31:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied over time:		
After School Arts & Learning Academy	\$ 1,304,797	\$ -
Distance Learning	72,596	65,785
Other Out of School Time	987,028	322,177
Summer Arts & Learning Academy	<u>3,822,093</u>	<u>3,280,692</u>
Total contract revenue recognized over time	<u>6,186,514</u>	<u>3,668,654</u>
Performance obligations satisfied at a point in time:		
Assembly Programs	75,391	147,474
Professional Development	40,899	92,035
Residencies and Early Learning Programs	<u>282,473</u>	<u>552,408</u>
Total contract revenue recognized at a point in time	<u>398,763</u>	<u>791,917</u>
Total	<u>\$ 6,585,277</u>	<u>\$ 4,460,571</u>

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

10. Revenue Recognition (continued)

Revenue under ASU No. 2014-09 (Topic 606): Revenue From Contracts with Customers (continued)

Disaggregation of Revenue (continued)

The Organization believes disaggregating revenue into these categories achieves the disclosure objective to show how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

11. **Liquidity and Availability of Resources**

The Organization's financial assets available within one year of the Statements of Financial Position date for general expenditures are as follows at August 31:

	<u>2021</u>	<u>2020</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 2,382,216	\$ 2,072,192
Accounts receivable	1,614,651	102,043
Grants receivable	800,307	1,704,017
Pledges receivable, current - net	620,160	560,550
Investments	<u>315,982</u>	<u>141,341</u>
Total financial assets available within one year	<u>5,733,316</u>	<u>4,580,143</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	1,048,675	397,300
Restricted by donors with purpose restrictions	<u>1,418,810</u>	<u>2,355,371</u>
Total unavailable funds within one year due to restrictions	<u>2,467,485</u>	<u>2,752,671</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,265,831</u>	<u>\$ 1,827,472</u>

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage liquidity, the Organization has a line of credit for an amount not to exceed \$500,000 for the years ended August 31, 2021 and 2020. In addition, the board has designated net assets without donor restrictions, which can be used by management upon approval of the Board, if necessary, to meet unexpected liquidity needs.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

12. Commitments

Cooperative Fee

The Organization pays a cooperative funding fee equal to 1.75% of the Organization's adjusted gross revenue to the national Young Audiences to support the activities of the national organization. For the years ended August 31, 2021 and 2020, the cooperative funding fees totaled \$17,500 and \$13,425, respectively, which is based on the Organization's previous year's income (as reported in the end of year affiliate report) and applies to maximum earnings of \$2,000,000.

Office Leases

The Organization renewed its lease for office space under an operating lease for the period from January 2019 to October 2020. The lease provided for base monthly rentals, plus a monthly payment for the proportionate share of taxes and other common area charges per the lease agreement, totaling \$4,635 with an escalation provision of 3% starting in January 2020. The lease was extended in March 2020 for the period from November 2020 to May 2021 at base monthly rentals of \$4,864, including the monthly payment for the proportionate share of taxes and other common area charges per the lease agreement. The lease expired in May 2021.

The Organization also leases space for the Summer Arts & Learning Academy program under an operating lease for the period from August 2019 to October 2020. The lease provides for base monthly rentals of \$2,180. The lease converted to month-to-month upon expiration.

The Organization also entered into a lease for office and program space in January 2020. The lease is for a ten year period to commence upon completion of leasehold improvements, with expected lease commencement in January 2022. The lease provides for base monthly rentals upon commencement of \$10,949 in years one through five, with escalation provisions for each year thereafter in years six through ten. The lease provides for two successive five year renewal options.

Rental expense under these operating leases totaled \$64,965 and \$80,845 for the years ended August 31, 2021 and 2020, respectively.

Equipment Lease

The Organization also leases office equipment under an operating lease that expires in August 2023 and requires monthly payments of \$1,071. Rent expense under the equipment lease totaled \$15,323 and \$15,141 for the years ended August 31, 2021 and 2020, respectively, and is included in "equipment, software and internet" in the accompanying Statements of Functional Expenses.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

12. Commitments (continued)

The aggregate minimum future rental payments under the non-cancelable the above operating leases for office and equipment are as follows:

Years ended	
<u>August 31,</u>	
2022	\$ 100,445
2023	144,242
2024	131,390
2025	131,390
2026	131,390
Thereafter	<u>752,080</u>
Total	<u>\$ 1,390,937</u>

Credit Facility

The Organization has a loan commitment with a bank to provide a maximum principal amount of \$1,500,000 to be used for short term capital injection purposes. The interest rate on the loan is based on the Bank's Prime Rate. The loan is secured by a first priority security interest on all non real estate assets. This credit facility was not drawn on as of August 31, 2021.

13. Concentrations of Credit Risk

Revenue

The Organization receives a significant amount of program funding from Baltimore City Public Schools. Funding from Baltimore City Public Schools represents approximately 71% and 41% of the Organization's total support and revenue for the years ended August 31, 2021 and 2020, respectively. Amounts due from Baltimore City Public Schools are included in accounts receivable and total \$1,532,795 and \$68,250, or 95% and 67% of total accounts receivable at August 31, 2021 and 2020, respectively.

FDIC Insurance Limits

The Organization, at times throughout the year, may have funds on deposit with a financial institution in excess of federally insured amounts. The Organization has not experienced any losses on cash accounts and management believes they are not exposed to significant credit risk on cash. Total cash and cash equivalents that were not covered by Federal Deposit Insurance Corporation insurance at August 31, 2021 and 2020 was \$1,930,559 and \$1,813,063, respectively.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

14. Contingency

The Organization has received penalty notices from the Internal Revenue Service (IRS) totaling \$52,860 related to late filing of the Form 990 for the years ended August 31, 2019 and 2020. The Organization is contesting these penalties and the information is currently under review by the IRS. The Organization feels that any tax penalties assessed related to these issues will be abated by the IRS upon final resolution.

In addition, the Organization did not electronically file Form 1099's for the year ended December 31, 2019 as required by the IRS. The Organization feels they may be assessed penalties by the IRS related to this issue and they intend to contest any penalty notices received. The amount of this penalty is not able to be reasonably estimated as of August 31, 2021.

No provision has been made in the accompanying financial statements for the potential penalties noted above.

15. Retirement Plan

The Organization sponsors a 403(b) defined contribution retirement plan. The Plan covers all employees with three months of service who have attained the age of 18. Employees may contribute a portion of their eligible compensation to the Plan, subject to the limits of Section 403(b) of the Internal Revenue Code. The Organization matches employee contributions up to four percent of the employees' salary. The Organization's contributions to the Plan totaled \$52,273 and \$46,258 for the years ended August 31, 2021 and 2020, respectively.

16. Supplemental Disclosure of Cash Flow Information

Cash paid for interest totaled \$6,674 and \$1,054 for the years ended August 31, 2021 and 2020.

17. Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842): Effective Dates for Certain Entities*. Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of scheduled lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The Organization has elected to apply the deferrals provided by ASU 2020-05, and therefore expects to adopt Topic 842 beginning September 1, 2022. The Organization is currently evaluating the potential impact of adopting Topic 842 on its financial statements.

Young Audiences of Maryland, Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

18. Uncertainty (COVID-19)

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a worldwide pandemic. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in adverse effects to the Organization's financial position, operation and cash flow. To date, the Organization has not suffered any significant adverse effects from COVID-19; however, the Organization is not able to reliably estimate the length or severity of the outbreak and the related future financial impact.

19. Subsequent Events

Subsequent events were evaluated for disclosure through December 13, 2021, the date the financial statements were available to be issued.

Subsequent to year end, the Organization changed their name to Arts for Learning Maryland, Inc. effective September 1, 2021. There were no other subsequent events requiring disclosure.