

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

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

For the Years Ended December 31, 2020 and 2019



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

DECEMBER 31, 2020 AND 2019

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the
Greater Baltimore Cultural Alliance, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Greater Baltimore Cultural Alliance, Inc. (GBCA) as of December 31, 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.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GBCA as of December 31, 2020 and 2019, 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.

Owings Mills, Maryland
June 9, 2021

S B & Company, LLC

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

**Statements of Financial Position
As of December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 539,160	\$ 324,401
Accounts receivable	38,479	15,304
Grants receivable	18,604	17,652
Prepaid expenses and other assets	6,333	10,252
Capital assets, net	18,152	36,956
Total Assets	<u>\$ 620,728</u>	<u>\$ 404,565</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,778	\$ 5,615
Line of credit	36,337	50,000
Loan payable	119,743	23,294
Total Liabilities	<u>158,858</u>	<u>78,909</u>
Net Assets		
Without donor restrictions	72,756	(18,056)
With donor restrictions	389,114	343,712
Total Net Assets	<u>461,870</u>	<u>325,656</u>
Total Liabilities and Net Assets	<u>\$ 620,728</u>	<u>\$ 404,565</u>

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

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020, with Comparative Totals for 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Contributions	\$ 230,011	\$ -	\$ 230,011	\$ 130,118
Government grants	119,959	-	119,959	95,606
Federal grant - SBA PPP	87,282	-	87,282	-
Foundation grants	121,500	334,255	455,755	80,750
Membership dues	55,460	-	55,460	70,815
Program fees	20,000	-	20,000	25,311
Investment income	407	-	407	816
Other income	480	-	480	5,713
Total Revenue	635,099	334,255	969,354	409,129
Net assets released from restriction	288,853	(288,853)	-	-
Total Support and Revenue	923,952	45,402	969,354	409,129
Expenses				
Program services	461,515	-	461,515	605,519
Management and general	283,240	-	283,240	308,632
Fundraising	88,385	-	88,385	79,108
Total Expenses	833,140	-	833,140	993,259
Changes in net assets	90,812	45,402	136,214	(584,130)
Net Assets, Beginning of Year	(18,056)	343,712	325,656	666,698
Net Assets, End of Year	\$ 72,756	\$ 389,114	\$ 461,870	\$ 82,568

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

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 130,118	\$ -	\$ 130,118
Government grants	95,606	-	95,606
Foundation grants	80,750	243,088	323,838
Membership dues	70,815	-	70,815
Program fees	25,311	-	25,311
Investment income	816	-	816
Other income	5,713	-	5,713
Total Revenue	<u>409,129</u>	<u>243,088</u>	<u>652,217</u>
Net assets released from restriction	486,490	(486,490)	-
Total Support and Revenue	<u>895,619</u>	<u>(243,402)</u>	<u>652,217</u>
Expenses			
Program services	605,519	-	605,519
Management and general	308,632	-	308,632
Fundraising	79,108	-	79,108
Total Expenses	<u>993,259</u>	<u>-</u>	<u>993,259</u>
Changes in net assets	(97,640)	(243,402)	(341,042)
Net Assets, Beginning of Year	79,584	587,114	666,698
Net Assets, End of Year	<u>\$ (18,056)</u>	<u>\$ 343,712</u>	<u>\$ 325,656</u>

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

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2020, with Comparative Totals for 2019**

	2020						2019 Totals	
	Baker Program Services	UAL Program Services	Other Program Services	Total Program Services	Management and General	Fundraising		Total
Personnel and related expenses	\$ 67,281	\$ 107,770	\$ 59,125	\$ 234,176	\$ 158,934	\$ 88,081	\$ 481,191	\$ 501,472
Professional service fees	17,072	15,275	17,977	50,324	97,935	-	148,259	186,355
Grants and awards	92,150	36,300	-	128,450	-	-	128,450	164,765
Travel and meeting expenses	700	1,315	663	2,678	3,050	-	5,728	30,875
Rent	4,607	7,199	12,383	24,189	4,319	287	28,795	28,795
Office supplies and expenses	-	825	1,790	2,615	3,536	-	6,151	6,397
Interest expense	-	-	-	-	759	-	759	3,600
Miscellaneous expenses	-	-	-	-	1,414	-	1,414	1,403
Dues and subscriptions	-	-	-	-	4,490	-	4,490	4,248
Utilities	585	914	1,592	3,091	548	17	3,656	4,123
Advertising and promotion	-	-	-	-	-	-	-	3,816
Insurance expenses	391	611	1,075	2,077	366	-	2,443	2,396
Depreciation and amortization	4,137	3,009	6,769	13,915	4,889	-	18,804	45,014
Bad debt	-	-	-	-	3,000	-	3,000	10,000
Total Expenses	\$ 186,923	\$ 173,218	\$ 101,374	\$ 461,515	\$ 283,240	\$ 88,385	\$ 833,140	\$ 993,259

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

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	Baker Program Services	UAL Program Services	Other Program Services	Total Program Services	Management and General	Fundraising	Total
Personnel and related expenses	\$ 48,949	\$ 96,749	\$ 121,717	\$ 267,415	\$ 160,746	\$ 73,311	\$ 501,472
Professional service fees	54,788	8,602	24,184	87,574	98,781	-	186,355
Grants and awards	125,000	7,500	32,265	164,765	-	-	164,765
Travel and meeting expenses	5,362	4,488	2,657	12,507	12,858	5,510	30,875
Rent	4,607	7,199	12,383	24,189	4,319	287	28,795
Office supplies and expenses	130	902	-	1,032	5,365	-	6,397
Interest expense	-	-	-	-	3,600	-	3,600
Miscellaneous expenses	-	-	-	-	1,403	-	1,403
Dues and subscriptions	-	844	-	844	3,404	-	4,248
Utilities	667	1,043	1,795	3,505	618	-	4,123
Advertising and promotion	-	275	-	275	3,541	-	3,816
Insurance expenses	-	-	-	-	2,396	-	2,396
Depreciation and amortization	9,868	7,214	16,331	33,413	11,601	-	45,014
Bad debt	-	10,000	-	10,000	-	-	10,000
Total Expenses	\$ 249,371	\$ 144,816	\$ 211,332	\$ 605,519	\$ 308,632	\$ 79,108	\$ 993,259

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

GREATER BALTIMORE CULTURAL ALLIANCE, INC.**Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 136,214	\$ (341,042)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	18,804	45,014
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	(23,175)	26,861
Grants receivable	(952)	(924)
Prepaid expenses and other assets	3,919	1,969
Accounts payable and accrued expenses	(2,837)	(35,415)
Net Cash from Operating Activities	<u>131,973</u>	<u>(303,537)</u>
Cash Flows from Financing Activities		
Borrowing (payments) under line of credit, net	(13,663)	50,000
Payments on loans	(3,551)	(3,428)
Proceeds from loans	100,000	-
Net Cash From Financing Activities	<u>82,786</u>	<u>46,572</u>
Change in cash	214,759	(256,965)
Cash, Beginning of Year	324,401	581,366
Cash, End of Year	<u>\$ 539,160</u>	<u>\$ 324,401</u>
Supplemental Information		
Interest paid	<u>\$ 2,225</u>	<u>\$ 3,600</u>

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

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Notes to the Financial Statements December 31, 2020 and 2019

1. BACKGROUND OF THE ORGANIZATION

The Greater Baltimore Cultural Alliance, Inc. (GBCA) was founded in 2002 as an independent and authoritative voice for the area's vibrant and diverse culture community. The cultural sector is an asset that contributes millions of dollars and thousands of jobs to the area's economy while making the region attractive to tourists and livable for residents, artists, and families. GBCA advocates for the recognition of the sector's many contributions and provides funding, professional development, and audience development services to artists and organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of GBCA 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 of assets and liabilities 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.

Accounts Receivable

Accounts receivable consists of unpaid contributions from individuals and corporations. GBCA records all accounts receivable at their estimated net realizable value. An allowance for doubtful accounts, if necessary is based on GBCA's historical collection experience. There was no allowance for doubtful accounts recorded for the years ended December 31, 2020 and 2019.

Grants Receivable

GBCA receives grants from various entities and records amounts due as a receivable. Estimated uncollectible amounts are based on historical collection experience and the review of the current status of existing receivables. Management believes all grants receivable are collectible; therefore, no allowance for doubtful accounts was recorded for the years ended December 31, 2020 and 2019.

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Notes to the Financial Statements December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

GBCA defines a capital asset as a unit of property that: (1) has an economic useful life that extends beyond 12 months; and (2) was acquired or produced for a cost of \$2,000 or more. Capital assets consist of computers, equipment, leasehold improvements, and the website. Capital assets are carried at cost or fair market value. Depreciation is recorded using the straight-line method over the estimated life of three to five years. Amortization is recorded using the straight-line method over the estimated life of ten years. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

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 GBCA 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.

As of December 31, 2019, the Founder's Fund was moved to the GBCA's general operating cash account but still required board approval to use the funds and are separately identified by management. This Founder's Fund was included in net assets without donor restrictions for the years ended December 31, 2019 and 2020.

Support and Revenue

Contributions received are recorded as without donor restriction or with donor restriction, 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 restriction.

Membership dues are deemed to be contributions to the Organization and are recognized when a commitment is made. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Notes to the Financial Statements December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and Revenue (continued)

When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, donor restricted net assets are reclassified to without donor restrictions net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Reclassification

Certain amounts have been reclassified from their prior presentation to comply with the current presentation. These reclassifications had no effect on previously reported results of operation or net asset.

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. Salary costs and grants to others are readily identifiable with a cost objective, and thus are charged directly to the program. Fundraising, management and general expenses include those expenses that are not directly identified with any other specific program but provide for the overall support and direction of GBCA. Direct salaries and wages 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

GBCA 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 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.

GBCA performed an evaluation of uncertain tax positions as of December 31, 2020, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status.

As of December 31, 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 GBCA files tax returns. It is GBCA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Notes to the Financial Statements December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The following reflects GBCA's financial assets as of the statements of December 31, 2020, reduced by amounts not available for general use:

	<u>2020</u>	<u>2019</u>
Cash	\$ 539,160	\$ 324,401
Accounts receivable	38,479	15,304
Grants receivable	<u>18,604</u>	<u>17,652</u>
	596,243	357,357
Less: net assets not available for general expenses within one year	<u>371,614</u>	<u>343,712</u>
Financial assets available to meet cash needs	<u>\$ 224,629</u>	<u>\$ 13,645</u>

GBCA has a line of credit agreement for \$50,000 of which \$13,663 was available as of December 31, 2020. The line of credit has a balance of \$36,337 as of December 31, 2019. Additionally, GBCA continues to work to develop its internal cash reserves including the Baker working capital reserve of \$18,000 as of December 31, 2020 (see Note 6).

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the Organization 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. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU No. 2018-11 *Targeted Improvements, to Topic 842, Leases*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2021.

In July 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which presents contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. This standard is effective retrospectively for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022.

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.

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Notes to the Financial Statements December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The Organization evaluated the accompanying financial statements for subsequent events and transactions through June 9, 2021, the date these financial statements were available for issue, and noted that subsequent to year end, the entire amount of the Payroll Protection Plan Loan was forgiven and a second Payroll Protection Plan Loan was received. See Note 4 – Debt for more details.

3. CAPITAL ASSETS

Capital assets as of December 31, 2020 and 2019, consisted of:

	<u>2020</u>	<u>2019</u>	<u>Useful Life</u>
Computers	\$ 15,542	\$ 15,542	3 years
Leasehold improvements	36,317	36,317	10 years
Equipment	650	650	3 years
Website	201,746	201,746	5 years
Total	254,255	254,255	
Less: accumulated depreciation and amortization	236,103	217,299	
Capital Assets, Net	\$ 18,152	\$ 36,956	

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was \$18,804 and \$45,014, respectively.

4. LOAN PAYABLE

Loan with Landlord

On January 1, 2016, GBCA entered into a loan agreement for \$36,317, with their landlord. The loan was used for the initial leasehold improvements. The loan is amortized over a 10-year term at a 3.5% annual interest rate. Monthly payments are \$359 and cover principal and interest. The total interest expense paid this loan payable was \$757 and \$881 for the years ended December 31, 2020 and 2019, respectively.

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Notes to the Financial Statements December 31, 2020 and 2019

4. LOAN PAYABLE (continued)

As of December 31, 2020, the future minimum payments under the loan agreement were as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 4,309
2022	4,309
2023	4,309
2024	4,309
2025	4,309
Total	<u>21,545</u>
Less: interest payment	<u>1,802</u>
Loan Payable	<u>\$ 19,743</u>

Small Business Administration Loans

As of December 30, 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of \$87,282. 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 PPP loan that is not forgiven must be repaid over two year after a six-month deferral period at an interest rate of 1%.

The accounting for these funds were in accordance with the treatment of contributions under ASC 958. Under this model, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If conditional, the contribution is not recognized until the conditions are substantially met or explicitly waived. Specifically, the Organization initially recorded the cash inflow from the PPP loan as an unearned revenue. The Organization would then reduce the unearned revenue and recognize the contribution once the conditions of release have been substantially met or explicitly waived. As of December 31, 2020, the Organization recognized \$87,282 as a Federal grant related to eligible expenses incurred. The entire loan was fully forgiven in January 2021. Subsequent to year end, the Organization received a second PPP loan with the same terms as noted above for the first PPP loan.

In addition, the Organization entered into a loan agreement in the amount of \$100,000 with Small Business Administration on July 8, 2020 with an interest rate of 2.75% per annum and 30-year term which matures on July 8, 2050. The collateral includes all tangible and intangible personal property. Installment payments including principal and interest of \$428 monthly, were originally scheduled to begin twelve months from the date of the loan agreement, but the first payment has now been deferred until 2022.

GREATER BALTIMORE CULTURAL ALLIANCE, INC.

Notes to the Financial Statements December 31, 2020 and 2019

5. LINE OF CREDIT

On September 18, 2018, GBCA obtained a secured line of credit with a bank for \$50,000 with the security interest in property as the collateral. This line of credit bears interest at 5.9% of the outstanding balance. The term of the line of credit will continue until demand is made by the lender or terminated for any reason. As of December 31, 2020 and 2019, there was an outstanding balance of \$36,337 and \$50,000, respectively. The total interest expense paid on this line of credit was \$1,466 and \$2,719 for the years then ended December 31, 2020 and 2019.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 and 2019, were comprised of the following:

	<u>2020</u>	<u>2019</u>
Baker Artist Awards	\$ 277,770	\$ 219,229
Baker Working Capital Reserves	18,000	18,025
Early Learning	-	681
Strategic Planning & Other Projects	-	20,834
Urban Arts Leadership	75,844	-
Urban Arts Leadership-Employment	-	84,943
Time restricted	17,500	-
Total	<u>\$ 389,114</u>	<u>\$ 343,712</u>

7. COMMITMENTS

GBCA entered into an operating lease on January 1, 2016, that expires on January 1, 2026. Rent expense was \$28,795, for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, the future minimum payments under the lease are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 31,146
2022	32,392
2023	33,688
2024	35,035
2025	36,437
Total	<u>\$ 168,698</u>