

Education Through Music – Los Angeles

Financial Report

Year Ended August 31, 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Education Through Music-Los Angeles
2501 West Burbank Boulevard, Suite 301
Burbank, California 91505

Report on the Financial Statements

We have audited the accompanying financial statements of Education Through Music - Los Angeles (A California Not-for-Profit Corporation) (ETM-LA), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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 control 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 audit. We conducted our audit 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 control relevant to the ETM-LA'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 ETM-LA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education Through Music-Los Angeles as of August 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hutchinson and Bloodgood LLP

October 8, 2021

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Financial Position
August 31, 2020

ASSETS

Current assets

Cash and cash equivalents	\$ 1,303,792
Grants and pledges receivable	123,585
Accounts receivable	21,449
Prepaid expenses and other current assets	<u>10,961</u>

Total current assets 1,459,787

Depreciable assets, net 79,733

Total assets \$ 1,539,520

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 23,062
Accrued compensation	82,392
Unearned income	47,500
Grant advance – Paycheck Protection Program	<u>371,473</u>

Total liabilities 524,427

Net assets

Without donor restrictions:

Board-designated reserve – risk capital	240,481
Board-designated reserve – sustainability	324,157
Other net assets without donor restrictions	<u>395,555</u>

960,193

With donor restrictions 54,900

Total net assets 1,015,093

Total liabilities and net assets \$ 1,539,520

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Activities and Change in Net Assets
Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Public support:			
Contributions	\$ 1,025,487	\$ 264,750	\$ 1,290,237
Government grants	127,300	--	127,300
Special events revenues, net	154,688	--	154,688
In-kind contributions	<u>57,240</u>	<u>--</u>	<u>57,240</u>
Total public support	1,364,715	264,750	1,629,465
Program fees	882,332	--	882,332
Other income	617	--	617
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>263,350</u>	<u>(263,350)</u>	<u>--</u>
Total public support and revenue	<u>2,511,014</u>	<u>1,400</u>	<u>2,512,414</u>
EXPENSES			
Program services	1,991,071	--	1,991,071
Management and general	174,598	--	174,598
Fundraising	<u>258,883</u>	<u>--</u>	<u>258,883</u>
Total expenses	<u>2,424,552</u>	<u>--</u>	<u>2,424,552</u>
Change in net assets	86,462	1,400	87,862
NET ASSETS, beginning	<u>873,731</u>	<u>53,500</u>	<u>927,231</u>
NET ASSETS, ending	<u>\$ 960,193</u>	<u>\$ 54,900</u>	<u>\$ 1,015,093</u>

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Functional Expenses
Year Ended August 31, 2020

	Program Services	Management and General	Fundraising	Total
PERSONAL COSTS				
Salaries and Wages	\$ 1,466,044	\$ 66,269	\$ 188,564	\$ 1,720,877
Employee Benefits	123,426	5,579	15,875	144,880
Payroll Taxes	<u>159,372</u>	<u>7,204</u>	<u>20,499</u>	<u>187,075</u>
Total Personnel Costs	<u>1,748,842</u>	<u>79,052</u>	<u>224,938</u>	<u>2,052,832</u>
OTHER EXPENSES				
Advertising	3,234	--	3,233	6,467
Bank Fees	--	111	--	111
Conferences	5,108	689	520	6,317
Contractors and Consultants	65,293	65,955	4,195	135,443
Depreciation	5,882	3,728	--	9,610
Recruiting Fees	5,313	14,000	5,312	24,625
Instruments	18,423	--	--	18,423
Information Technology	9,127	413	1,173	10,713
Insurance	6,982	316	898	8,196
License, Dues and Fees	35,040	1,584	4,507	41,131
Occupancy	50,054	6,674	10,010	66,738
Postage	2,466	329	493	3,288
Printing and Publications	7,066	237	673	7,976
Supplies	17,272	1,014	1,520	19,806
Travel	<u>10,969</u>	<u>496</u>	<u>1,411</u>	<u>12,876</u>
Total Other Expenses	<u>242,229</u>	<u>95,546</u>	<u>33,945</u>	<u>371,720</u>
Total Functional Expenses	<u>\$ 1,991,071</u>	<u>\$ 174,598</u>	<u>\$ 258,883</u>	<u>\$ 2,424,552</u>

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Cash Flows
Year Ended August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 87,862
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,610
Change in assets and liabilities:	
Grants and pledges receivable	(71,585)
Accounts receivable	24,239
Prepaid expenses and other assets	17,313
Accounts payable	(11,115)
Grant advance – Paycheck Protection Program	371,473
Unearned income	47,500
Accrued compensation	<u>20,142</u>
Net cash provided by operating activities	495,439

CASH FLOWS USED BY INVESTING ACTIVITIES

Website development costs	<u>(35,000)</u>
Net increase in cash and cash equivalents	460,439

CASH AND CASH EQUIVALENTS, beginning of year 843,353

CASH AND CASH EQUIVALENTS, end of year \$ 1,303,792

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 1. ORGANIZATION

Education Through Music - Los Angeles (ETM-LA), a 501(c)(3) organization, began in the Fall of 2006 to provide and promote the integration of music into the curricula of disadvantaged schools in order to enhance students' academic performance and creative and general development. ETM-LA is based on the successful ETM model (New York, 1991).

Every child deserves a well-rounded education: one that includes music. Yet thousands of schools in California do not even have one full-time equivalent arts specialist. ETM-LA utilizes a comprehensive program that incorporates music into the education of every child, including those with special needs. ETM-LA forms long-term partnerships with inner-city elementary and middle schools that lack the resources to develop school-wide music programs. ETM-LA ensures high-quality instruction by hiring qualified music teachers, providing ongoing training, and performing regular program assessments. ETM-LA encourages academic teachers and ETM-LA music teachers to collaborate so that music can reinforce learning and development in all areas. And we help schools embrace music as a core subject by involving all members of the school community.

ETM-LA receives support in the form of contributions from individuals, foundations, and corporations, and from government grants. In addition, schools that benefit from ETM-LA's services pay program fees to participate in its programs. Such fees comprised approximately 35% of ETM-LA's total revenue for the year ended August 31, 2020.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of ETM-LA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation: ETM-LA is required to report classification of the net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. Each of the two classes of net assets – with donor restrictions, and without donor restrictions – are presented in the statement of financial position, and the amounts of change in each of those classes of net assets in the statement of activities.

Net Assets: The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions for use that are placed by its donors, as follows:

Net Assets without donor restrictions. Net assets without donor restrictions are resources available for use in carrying out the mission of the ETM-LA, and include those expendable resources which have been designated for use by the ETM-LA. ETM-LA reports restricted contributions, whose restrictions are met in the same reporting period, as unrestricted support.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued): *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. ETM-LA 's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of equipment and vehicles (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by ETM-LA, unless the donor provides more specific directions about the period of its use. At August 31, 2020, net assets with donor restrictions were \$54,900.

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses are reported as decreases in net assets without donor restrictions.

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 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.

Cash and Cash Equivalents: ETM-LA considers all highly-liquid investments available for current use with a maturity of three (3) months or less to be cash equivalents.

Contributions Receivable and Accounts Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. ETM-LA uses the allowance method of accounting for receivables determined to be potentially uncollectable.

Management determined that \$788 reserve for accounts receivable at August 31, 2020 was adequate.

Management determined that all contributions receivable were collectible at year-end and therefore no allowance has been established for contributions receivable.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: ETM-LA's revenue recognition policies are as follows:

Contributions: Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge) in which there is no right of return of assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-restrictions. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Special Events Revenue: Amounts received are recorded at the time of transaction. During the year ended August 31, 2020, ETM-LA recognized the following revenues from the special events:

Special events revenue	\$ 290,803
Less cost of direct benefit to donors	<u>(136,115)</u>
Net revenue from special events	<u>\$ 154,688</u>

In-Kind Contributions: Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ETM-LA. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the services do not require specialized skills. It is impracticable to determine the fair market value of all donated services by the volunteers of ETM-LA beyond those required to be recognized as income.

During the year ended August 31, 2020, ETM-LA received the following in-kind contributions:

Professional Services	\$ 53,240
Instruments and Equipment	3,385
Use of Facilities	<u>615</u>
	<u>\$ 57,240</u>

Among instruments donated during the year ended August 31, 2020, there were no individual instruments meeting capitalization threshold of \$1,000 per instrument.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants: Certain grants are considered non-exchange transactions and are reported as increases in net assets without restrictions as the associated barriers are overcome, which generally is allowable as expenditures under such agreements are incurred.

Unearned Income: Unearned income includes deposits received prior to year-end for programming scheduled to take place in the subsequent year.

Prepaid Expenses: Prepaid deposits and other costs are expensed ratably over their respective terms of agreement.

Depreciable Assets, Net: Depreciable assets are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All expenditures for furniture and equipment, musical instruments, software, and the website are capitalized if they have a cost of \$700 or more and a useful life when acquired of more than one year. Donated assets are capitalized at fair market value on the date of the gift. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Proceeds from the sale of tangible personal property assets are transferred to fund balances without donor restrictions. Depreciable assets are depreciated on a straight-line basis over estimated useful lives, generally two to seven years. Leasehold improvements are generally amortized over term of the lease.

Advertising Costs: Advertising costs are expensed as incurred. Advertising expenses approximated \$7,000 for the year ended August 31, 2020.

Expense Allocation: ETM-LA allocates its expenses between its program, support and fundraising services. Expenses that can be identified with a specific program, support or fundraising services are allocated directly according to their natural expenditure classification. Other expenses, which are common to both program and support services, are allocated based on the percentage of expenses utilized by each. Compensation expense and related benefits are allocated on the basis of estimates of time and effort. Support services include management and general administrative functions of ETM-LA, which manage the financial budget and provide the structure necessary to secure financial support from individuals, corporations, and foundations.

Income Taxes: ETM-LA is a nonprofit corporation, qualifying under section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. As such, except for taxes pertaining to unrelated business income, ETM-LA is exempt from federal and state income taxes. No provision has been made for income taxes, as ETM-LA had no unrelated business income. ETM-LA is not considered a private foundation. ETM-LA believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that would require recognition or disclosure at August 31, 2020. ETM-LA's tax years that are open for examination by federal and state agencies are three and four years, respectively.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Implemented: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This standard outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The ASU permits the use of either a full retrospective or retrospective with cumulative effect transition method. ETM-LA adopted the new revenue guidance for the year ended August 31, 2020, and selected a retrospective with cumulative effect transition method. ETM-LA determined that there was no cumulative adjustment to the opening balance of net assets as a result of the adoption of the new standard, and that the adoption had no impact on ETM-LA's statement of financial position and statement of activities.

Pending Accounting Pronouncements In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees are required to recognize lease right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Entities may choose modified retrospective transition approach with the cumulative effect of adoption recognized at either beginning of the earliest comparative period presented (comparative periods adjusted) or effective date (comparative periods not adjusted). On May 20, 2020, the FASB approved effective date deferral of this ASU for private companies and certain non-profit organizations to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Once this ASU is implemented, the statement of financial position will reflect both lease liabilities and right-of-use assets. In addition, ETM-LA will recognize lease expense in the statement of activities on a straight-line basis. Management is currently evaluating the impact of the adoption of ASU No. 2016-02 on the financial statements.

NOTE 3. GRANTS

Economic Injury Disaster Loan: During the year ended August 31, 2020, ETM-LA received \$10,000 advance of Economic Injury Disaster Loan (EIDL) funding from the Small Business Administration (SBA). The EIDL advance carried no restrictions on spending and could be used for any operations costs. The initial advance was considered an unrestricted grant and was recognized as revenue upon receipt.

Other Grants: ETM-LA receives government grants from the Los Angeles County Arts Commission, California Arts Council, and the Los Angeles Department of Cultural Affairs. Such grants are either paid in advance for purposes consistent with ETM-LA's mission or as reimbursements when invoiced after program services have been provided. In addition, during the year ended August 31, 2020, ETM-LA received \$28,585 COVID relief grant.

The following is the list of grants received by ETM-LA during the year ended August 31, 2020:

EIDL	\$ 10,000
COVID relief grant	28,585
Other grants	<u>88,715</u>
	<u>\$ 127,300</u>

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Notes to Financial Statements
August 31, 2020

NOTE 4. PAYCHECK PROTECTION PROGRAM

During the year ended August 31, 2020, ETM-LA received \$371,473 through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. ETM-LA has accounted for these funds following accounting guidance for conditional contributions; as a result, a liability (refundable grant) is recorded as of August 31, 2020, given all measurable barriers were not substantially met by year end. These funds are presented as a payable on the statement of financial position as of August 31, 2020. The measurable barriers under the program required that ETM-LA expend the funds for certain payroll, interest, rent, and utility costs over a 24-week period.

As disclosed in Note 14, In September 2021 ETM-LA was notified that the PPP loan forgiven. If the PPP loan had not been forgiven, the principal amount of the loan would have accrued interest at the rate of 1%, and ETM-LA would have been required to pay off the loan by May 2022.

Since the PPP loan was forgiven, ETM-LA has applied some moneys previously designated for repayment toward its 2021 programs and operations.

NOTE 5. BOARD-DESIGNATED RESERVE

The board of directors has approved a fund reserve to build long-term sustainability as part of ETM-LA's strategic plan. The board-restricted funds may only be used via board vote and approval should ETM-LA face an emergency. In total, \$324,157 had been designated for the reserve as of August 31, 2020.

In addition, the board has designated net assets without donor restrictions totaling \$240,481 as of August 31, 2020 as "risk capital".

NOTE 6. DEPRECIABLE ASSETS

Depreciable assets consist of the following as of August 31, 2020:

		Estimated Useful Life
Musical instruments	\$ 40,089	2-5 years
Software/website	50,000	3 years
Other depreciable assets	40,373	3-7 years
Less accumulated depreciation	<u>(50,729)</u>	
	<u>\$ 79,733</u>	

Depreciation expense for the year ended August 31, 2020 was approximately \$9,600. ETM-LA's capitalizes costs related to website development. ETM-LA will start amortizing website development costs once the website is included in depreciable assets.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 7. LEASE COMMITMENT

ETM-LA leases office space in Burbank, California. The operating lease expires in December 2024. The future minimum rental payments are as follows:

Years Ending August 31:

2021	\$ 65,160
2022	65,160
2023	65,160
2024	65,160
2025	<u>21,720</u>
	<u>\$ 282,360</u>

Lease and parking expense for the year ended August 31, 2020 was approximately \$64,000.

NOTE 8. RELATED PARTY TRANSACTIONS

Two members of ETM-LA's board of directors are attorneys with a law firm that provides pro-bono services to ETM-LA. The value of such services for the year ended August 31, 2020 is estimated to be approximately \$53,000 and has been included as both revenue and expense in the financial statements.

Members of the board are asked to give or get contributions of \$5,000 each year (\$2,500 for educators).

NOTE 9. MATERIAL AND SERVICES FEE

ETM-LA is based on the successful ETM model established in New York in 1991. ETM-LA is a separate entity and operates independently of the New York organization. However, ETM in New York provides certain curricula, materials and limited administrative support under a contract with ETM-LA for an annual service fee of \$20,000.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 10. LIQUIDITY AND AVAILABILITY

The following reflects ETM-LA's financial assets as of August 31, 2020, reduced by the amounts not available for general expenditures within one year. Financial assets are considered unavailable when not convertible to cash within one year, designated by the Board for endowment or other purposes, or include donor purpose or time restrictions which are not anticipated to be fulfilled within one year.

Financial assets at year end:	
Cash and cash equivalents	\$ 1,303,792
Grants and pledges receivable	123,585
Accounts receivable	<u>21,449</u>
Financial assets at year end	1,448,826
Less amounts unavailable for general expenditures within one year, due to purpose restrictions by donors	<u>(54,900)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,393,926</u>

Included in the financial assets available to meet cash needs for general expenses are Board-designated funds of \$564,638. ETM-LA's current goal is to put aside sufficient reserves to cover three months of operating expenses.

NOTE 11. PENSION PLAN

ETM-LA offers a defined contribution 403(b) retirement plan to its eligible employees; ETM-LA contributed \$14,661 to the plan for the year ended August 31, 2020.

NOTE 12. CONCENTRATIONS OF CREDIT RISK

Cash and Cash Equivalents: Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation (FDIC) limits. ETM-LA deposits its cash with high quality financial institutions, and management believes ETM-LA is not exposed to significant credit risk on those amounts. At August 31, 2020, approximately \$1,043,200 held at Bank of America exceeded the insurance limit and was not covered by the FDIC.

NOTE 13. ECONOMIC DEPENDENCY

The majority of ETM-LA's contributions and grants are received from corporations, foundations, and individuals located in the Los Angeles metropolitan areas. As such, ETM-LA's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for ETM-LA's services.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2020

NOTE 14. CONTINGENCIES

The spread of COVID-19, a strain of coronavirus responsible for the outbreak characterized as pandemic by the World Health Organization, is altering the behavior of businesses and people in a manner that may have negative effects on ETM-LA's financial condition through impact on the economy, and the measures taken by federal, state, and local government. The ETM-LA has continued operating within the guidelines of the state of California and the Federal government. However, at this time neither the duration nor the scope of the outbreak and the related effects can be predicted with confidence.

ETM-LA is subject to claims and litigations in the normal course of business. Management believes that the resolution of these matters will not have a material effect on ETM-LA's financial position or results of operations.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to August 31, 2020 through October 8, 2021, the date the financial statements were issued. During this period, there were no subsequent events requiring recognition or disclosure in the financial statements, except as follows:

In April 2021, ETM-LA received \$371,472 in the second round of the PPP funding.

In September 2021, the first PPP funding in the amount of \$371,473 was forgiven, along with the accrued interest.