

Education Through Music – Los Angeles

Financial Report

Year Ended August 31, 2023

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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

Opinion

We have audited the accompanying financial statements of Education Through Music-Los Angeles (the Organization), which comprise the statement of financial position as of August 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Hutchinson and Bloodgood LLP". The signature is written in a cursive, flowing style.

March 8, 2024
Glendale, California

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Financial Position
August 31, 2023

ASSETS

Current assets

| | |
|---|---------------|
| Cash and cash equivalents | \$ 1,547,517 |
| Accounts receivable | 183,821 |
| Grants and pledges receivable | 250,000 |
| Prepaid expenses and other current assets | <u>33,713</u> |

Total current assets 2,015,051

| | |
|---|----------------|
| Depreciable and amortizable assets, net | 51,871 |
| Right-of-use assets, operating lease | <u>101,008</u> |

Total assets \$ 2,167,930

LIABILITIES AND NET ASSETS

Current liabilities

| | |
|--|---------------|
| Accounts payable | \$ 12,084 |
| Accrued compensation | 143,541 |
| Operating lease liability, current portion | <u>77,616</u> |

Total current liabilities 233,241

| | |
|---|---------------|
| Operating lease liability, net of current portion | <u>26,394</u> |
|---|---------------|

Total liabilities 259,635

Net assets

Without donor restrictions:

| | |
|---|----------------|
| Board-designated reserve – risk capital | 406,526 |
| Board-designated reserve – sustainability | 525,202 |
| Other net assets | <u>651,287</u> |

1,583,015

With donor restrictions:

| | |
|--|----------------|
| Net assets carrying purpose restrictions | 65,280 |
| Net assets carrying time restrictions | <u>260,000</u> |

325,280

Total net assets 1,908,295

Total liabilities and net assets \$ 2,167,930

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Activities and Change in Net Assets
Year Ended August 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Public support: | | | |
| Contributions and pledges | \$ 630,922 | \$ 280,909 | \$ 911,831 |
| Government grants | 138,343 | 57,348 | 195,691 |
| Special events, net | 423,728 | -- | 423,728 |
| In-kind contributions | 38,603 | -- | 38,603 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restrictions | <u>638,086</u> | <u>(638,086)</u> | <u>--</u> |
| Total public support | 1,869,682 | (299,829) | 1,569,853 |
| Program fees | 1,209,457 | -- | 1,209,457 |
| Other income | <u>2,874</u> | <u>--</u> | <u>2,874</u> |
| Total public support, program fees, and other revenue | <u>3,082,013</u> | <u>(299,829)</u> | <u>2,782,184</u> |
| EXPENSES | | | |
| Program services | 2,371,486 | -- | 2,371,486 |
| Management and general | 223,105 | -- | 223,105 |
| Fundraising | <u>208,585</u> | <u>--</u> | <u>208,585</u> |
| Total expenses | <u>2,803,176</u> | <u>--</u> | <u>2,803,176</u> |
| Change in net assets | 278,837 | (299,829) | (20,992) |
| NET ASSETS, beginning | <u>1,304,178</u> | <u>625,109</u> | <u>1,929,287</u> |
| NET ASSETS, ending | <u>\$ 1,583,015</u> | <u>\$ 325,280</u> | <u>\$ 1,908,295</u> |

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Functional Expenses
Year Ended August 31, 2023

| | Program Services | Management and General | Fundraising | Total |
|-------------------------------|---------------------|---------------------------|-------------------|---------------------|
| PERSONNEL COSTS | | | | |
| Salaries and Wages | \$ 1,789,000 | \$ 119,586 | \$ 122,252 | \$ 2,030,838 |
| Employee Benefits | 124,512 | 8,323 | 8,509 | 141,344 |
| Payroll Taxes | <u>144,528</u> | <u>9,661</u> | <u>9,876</u> | <u>164,065</u> |
| Total Personnel Costs | <u>2,058,040</u> | <u>137,570</u> | <u>140,637</u> | <u>2,336,247</u> |
| OTHER EXPENSES | | | | |
| Advertising | 3,138 | -- | 10,762 | 13,900 |
| Contractors and consultants | 34,805 | 55,812 | 15,767 | 106,384 |
| Depreciation and amortization | 13,586 | 3,663 | -- | 17,249 |
| Recruiting fees | 4,231 | 399 | -- | 4,630 |
| Instruments | 27,955 | -- | -- | 27,955 |
| Information technology | 24,208 | 1,618 | 1,654 | 27,480 |
| Insurance | 10,272 | 687 | 702 | 11,661 |
| License, dues, and fees | 34,126 | 3,293 | 2,332 | 39,751 |
| Occupancy | 77,087 | 12,930 | 13,423 | 103,440 |
| Postage | 801 | 134 | 140 | 1,075 |
| Printing and publications | 6,420 | 386 | 7,038 | 13,844 |
| Professional development | 12,617 | 1,110 | 916 | 14,643 |
| Special Events | 35,439 | 485 | 12,708 | 48,632 |
| Supplies | 16,298 | 1,423 | 1,477 | 19,198 |
| Travel | <u>15,052</u> | <u>1,006</u> | <u>1,029</u> | <u>17,087</u> |
| Total Other Expenses | <u>313,446</u> | <u>85,535</u> | <u>67,948</u> | <u>466,929</u> |
| Total Functional Expenses | <u>\$ 2,371,486</u> | <u>\$ 223,105</u> | <u>\$ 208,585</u> | <u>\$ 2,803,176</u> |

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Cash Flows
Year Ended August 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------------|
| Change in net assets | \$ (20,992) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 17,249 |
| Non-cash operating lease expense | 74,832 |
| Change in assets and liabilities: | |
| Grants, pledges, and accounts receivable | 170,062 |
| Prepaid expenses and other assets | (6,679) |
| Accounts payable | (3,701) |
| Other Accruals | 13,067 |
| Unearned income | (84,229) |
| Operating lease liabilities | <u>(73,811)</u> |
| Net cash provided by operating activities | <u>85,798</u> |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>1,461,719</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 1,547,517</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | |
| Non-cash activities: | |
| Contributed musical instruments | <u>\$ 20,415</u> |

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2023

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. ETM-LA helps 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 44% of ETM-LA's total revenue for the year ended August 31, 2023.

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, 2023

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 depreciable property (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, 2023, net assets of \$325,280 carried donor restrictions.

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.

Grants and Pledges 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 no reserve was required for accounts receivable at August 31, 2023.

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

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pledges and Contributions: Pledges and 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 are 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.

Contributed Goods and Services: Volunteers contribute amounts of time to the program activities, administration, and fundraising and development activities carried out by the ETM-LA. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by the U.S. GAAP. Contributed goods are recorded at fair value at the date of the donation. Donated professional services are recorded at their respective fair values.

Fundraising Events Revenue: Revenue generated from fundraising events, such as auctions, and galas, is recognized when the event takes place or when the sponsorship commitment is fulfilled. These funds are typically unrestricted and used to support ETM-LA's general operational needs. Amounts received are recorded at the time of transaction.

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 as allowable expenditures under such agreements are incurred.

Other Revenue: Revenue from miscellaneous sources is recognized when earned. These funds are typically unrestricted and contribute to the ETM-LA's overall financial resources.

Special Events Revenue: Amounts received are recorded at the time of transaction.

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

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Depreciable Assets: 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 the term of the lease.

Advertising Costs: Advertising costs are expensed as incurred. Advertising expenses approximated \$13,900 for the year ended August 31, 2023.

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 expenses 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 manages the financial budget and provides 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, 2023. ETM-LA's tax years that are open for examination by federal and state agencies are three and four years, respectively.

Pending Accounting Pronouncements: In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The guidance requires companies to apply the requirements in the year of adoption through cumulative adjustment with some aspects of the update requiring a prospective transition approach. In July of 2020, the FASB voted to delay implementation of this ASU. The new standard is now effective for ETM-LA for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. Management is currently evaluating the potential impact of the adoption of ASU 2016-13 on the ETM-LA's financial statements.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2023

NOTE 3. BOARD-DESIGNATED RESERVES

The Board of Directors (Board) 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, \$525,202 had been designated for the sustainability reserve as of August 31, 2023 by the Board.

In addition, the Board has designated net assets without donor restrictions totaling \$406,526 as of August 31, 2023 as "risk capital" reserve.

NOTE 4. DEPRECIABLE AND AMORTIZABLE ASSETS

Depreciable and amortizable assets consist of the following as of August 31, 2023:

| | | Estimated Useful Life |
|--|------------------|--------------------------|
| Musical instruments | \$ 51,297 | 2-5 years |
| Software/website | 50,000 | 3 years |
| Other depreciable assets | 52,687 | 3-7 years |
| Less accumulated depreciation and amortization | <u>(102,113)</u> | |
| | <u>\$ 51,871</u> | |

Depreciation and amortization expense for the year ended August 31, 2023 was \$17,249.

NOTE 5. OPERATING LEASE

ETM-LA leases office space in Burbank, California. The operating lease expires in December 2024.

The table below presents information regarding existing operating lease:

| | |
|---------------------------------|-------|
| Remaining lease term (in years) | 1.33 |
| Discount rate | 1.04% |

Future minimum lease payments required under these operating leases are as follows:

| Year Ending August 31, | |
|---|------------------|
| 2024 | \$ 78,264 |
| 2025 | <u>26,428</u> |
| | 104,692 |
| Less amount representing interest | <u>(692)</u> |
| Present value of minimum lease payments | 104,010 |
| Less current portion | <u>(77,616)</u> |
| | <u>\$ 26,394</u> |

Lease expenses, including parking charges, and other expenses for the year ended August 31, 2023 amounted to approximately \$97,500.

The components of lease expense approximated the following for the year ended August 31, 2023:

| | |
|-----------------------|-----------|
| Operating lease cost | \$ 76,268 |
| Short-term lease cost | \$ 75,248 |

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2023

NOTE 6. 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, 2023 is estimated to be approximately \$7,200 and has been included as both revenue and expense in the financial statements.

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

NOTE 7. 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.

NOTE 8. LIQUIDITY AND AVAILABILITY

The following reflects ETM-LA's financial assets as of August 31, 2023, 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 | \$ 1,547,517 |
| Accounts, grants and pledges receivable | 183,821 |
| Grants and pledges receivable | <u>250,000</u> |
| Financial assets at year end | 1,981,338 |
| Less amounts unavailable for general expenditures within one year, due to purpose or time restrictions by donors | <u>(325,280)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,656,058</u> |

Included in the financial assets available to meet cash needs for general expenses are Board-designated funds of \$931,728. ETM-LA's goal remains to maintain sufficient reserves to cover at least three months of operating expenses.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2023

NOTE 9. IN-KIND CONTRIBUTIONS

The ETM-LA's financial statements include the following in-kind contributions for the year ended August 31, 2023:

| | |
|-----------------------|------------------|
| Professional services | \$ 18,188 |
| Instruments | <u>20,415</u> |
| | <u>\$ 38,603</u> |

The estimated fair value of professional legal services is provided by the service provider, who estimates the fair value based on the time and hourly rate at which the service is provided.

Donated instruments are reported in the financial statements at the estimated fair value based on current market prices for similar instruments.

ETM-LA did not monetize any contributed nonfinancial assets. Contributed nonfinancial assets did not have donor restrictions.

NOTE 10. PENSION PLAN

ETM-LA offers a defined contribution 403(b) retirement plan to its eligible employees. ETM-LA contributed \$14,975 to the plan for the year ended August 31, 2023.

NOTE 11. CONCENTRATIONS OF CREDIT RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes ETM-LA is not exposed to significant credit risk on those amounts. At August 31, 2023, approximately \$1,475,800 held at Bank of America exceeded the insurance limit and was not covered by the FDIC.

NOTE 12. ECONOMIC DEPENDENCY

The majority of ETM-LA's contributions and grants are received from corporations, foundations, and individuals located in the Los Angeles metropolitan area. 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.

NOTE 13. CONTINGENCIES

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 14. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable balance is \$250,000 at August 31, 2023, which is not discounted as it is due within one year. Subsequent to August 31, 2023, this balance was collected in full.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to August 31, 2023 through March 8, 2024, the date the financial statements were issued. During this period, there were no subsequent events requiring recognition or disclosure in the financial statements.