

Education Through Music – Los Angeles

Financial Report

Year Ended August 31, 2021

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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, 2021, 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, 2021, 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

July 15, 2022

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Financial Position
August 31, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 1,702,242
Accounts receivable	52,730
Prepaid expenses and other current assets	<u>14,422</u>

Total current assets 1,769,394

Depreciable assets, net 64,159

Total assets \$ 1,833,553

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 16,703
Accrued compensation	114,752
Unearned income	51,834
Other accrued liabilities	29,154
Grant advance – Paycheck Protection Program	<u>371,472</u>

Total liabilities 583,915

Net assets

Without donor restrictions:

Board-designated reserve – risk capital	346,026
Board-designated reserve – sustainability	464,702
Other net assets without donor restrictions	<u>437,394</u>

1,248,122

With donor restrictions 1,516

Total net assets 1,249,638

Total liabilities and net assets \$ 1,833,553

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Activities and Change in Net Assets
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Public support:			
Contributions	\$ 916,738	\$ 1,516	\$ 918,254
Government grants	507,788	--	507,788
Special events revenues, net	136,012	--	136,012
In-kind contributions	43,721	--	43,721
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>54,900</u>	<u>(54,900)</u>	<u>--</u>
Total public support	1,659,159	(53,384)	1,605,775
Program fees	1,131,118	--	1,131,118
Other income	<u>9,689</u>	<u>--</u>	<u>9,689</u>
Total public support and revenue	<u>2,799,966</u>	<u>(53,384)</u>	<u>2,746,582</u>
EXPENSES			
Program services	2,120,111	--	2,120,111
Management and general	146,780	--	146,780
Fundraising	<u>245,146</u>	<u>--</u>	<u>245,146</u>
Total expenses	<u>2,512,037</u>	<u>--</u>	<u>2,512,037</u>
Change in net assets	287,929	(53,384)	234,545
NET ASSETS, beginning	<u>960,193</u>	<u>54,900</u>	<u>1,015,093</u>
NET ASSETS, ending	<u>\$ 1,248,122</u>	<u>\$ 1,516</u>	<u>\$ 1,249,638</u>

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Functional Expenses
Year Ended August 31, 2021

	Program Services	Management and General	Fundraising	Total
PERSONNEL COSTS				
Salaries and Wages	\$ 1,555,975	\$ 63,427	\$ 181,221	\$ 1,800,623
Employee Benefits	170,951	7,727	21,988	200,666
Payroll Taxes	<u>130,943</u>	<u>5,919</u>	<u>16,841</u>	<u>153,703</u>
Total Personnel Costs	<u>1,857,869</u>	<u>77,073</u>	<u>220,050</u>	<u>2,154,992</u>
OTHER EXPENSES				
Advertising	6,698	99	1,050	7,847
Bank fees	--	545	--	545
Bad debt	17,955	--	--	17,955
Contractors and consultants	53,301	49,646	1,000	103,947
Depreciation and amortization	10,145	6,419	--	16,564
Recruiting Fees	1,922	524	--	2,446
Instruments	20,066	--	--	20,066
Information technology	10,324	467	1,328	12,119
Insurance	6,359	287	818	7,464
License, dues, and fees	46,326	2,094	5,959	54,379
Occupancy	59,609	7,948	11,922	79,479
Postage	3,796	506	759	5,061
Printing and publications	4,034	100	284	4,418
Professional development	5,385	242	664	6,291
Supplies	15,200	779	1,168	17,147
Travel	<u>1,122</u>	<u>51</u>	<u>144</u>	<u>1,317</u>
Total Other Expenses	<u>262,242</u>	<u>69,707</u>	<u>25,096</u>	<u>357,045</u>
Total Functional Expenses	<u>\$ 2,120,111</u>	<u>\$ 146,780</u>	<u>\$ 245,146</u>	<u>\$ 2,512,037</u>

EDUCATION THROUGH MUSIC - LOS ANGELES

Statement of Cash Flows
Year Ended August 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 234,545
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	16,564
Change in assets and liabilities:	
Grants and pledges receivable	123,585
Accounts receivable	(31,281)
Prepaid expenses and other assets	(3,461)
Accounts payable	(6,359)
Grant advance – Paycheck Protection Program, second draw	371,472
Use of grant proceeds, Paycheck Protection Program, first draw	(371,473)
Unearned income	4,334
Accrued compensation	32,360
Other accruals	<u>29,154</u>
Net cash provided by operating activities	<u>399,440</u>

CASH FLOWS USED BY INVESTING ACTIVITIES

Acquisition of fixed assets	<u>(990)</u>
Net increase in cash and cash equivalents	398,450

CASH AND CASH EQUIVALENTS, beginning of year 1,303,792

CASH AND CASH EQUIVALENTS, end of year \$ 1,702,242

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2021

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 41% of ETM-LA's total revenue for the year ended August 31, 2021.

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, 2021

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, 2021, net assets of \$1,516 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.

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 no reserve was required for accounts receivable at August 31, 2021.

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, 2021

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, 2021, ETM-LA recognized the following revenues from the special events:

Special events revenue	\$ 156,167
Less cost of direct benefit to donors	<u>(20,155)</u>
Net revenue from special events	<u>\$ 136,012</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, 2021, ETM-LA received the following in-kind contributions:

Professional Services	\$ 38,228
Instruments and Equipment	1,375
Use of Facilities	<u>4,118</u>
	<u>\$ 43,721</u>

Among instruments donated during the year ended August 31, 2021, there were no individual instruments meeting capitalization threshold of \$700 per instrument.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2021

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 \$7,800 for the year ended August 31, 2021.

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, 2021. 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, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Accounting Pronouncements In February 2016, the Financial Accounting Standards Board (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.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of ASU No. 2020-07 on the financial statements.

NOTE 3. GRANTS

Paycheck Protection Program, Draw Number One: 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. Initially, ETM-LA has accounted for these funds following accounting guidance for conditional contributions; as a result, a liability (refundable grant) was recorded as of August 31, 2020, given all measurable barriers were not substantially met by year end.

In September 2021 ETM-LA was notified that the first draw of the PPP loan was forgiven. Since the measurable barriers under the program were satisfied during the year ended August 31, 2021, while the ETM-LA expended the funds for certain payroll, interest, rent, and utility costs, ETM-LA recognized grant revenue during the year ended August 31, 2021.

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.

Paycheck Protection Program, Draw Number Two: During the year ended August 31, 2021, ETM-LA received \$371,472 through the PPP Program, and accounted for these funds following accounting guidance for conditional contributions. As a result, a liability (refundable grant) was recorded as of August 31, 2021, given all measurable barriers were not substantially met by August 31, 2021.

In April 2022, ETM-LA was notified that the second draw of the PPP loan was 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 2023.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2021

NOTE 3. GRANTS (Continued)

Other Grants: From time to time, ETM-LA may receive government grants from the Los Angeles County Department of Arts and Culture, 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, 2021, ETM-LA received \$25,000 COVID relief grant.

The following grants were recognized by ETM-LA during the year ended August 31, 2021:

PPP	\$ 371,473
COVID relief grant	25,000
Other grants	<u>111,315</u>
	<u>\$ 507,788</u>

NOTE 4. 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, \$464,702 had been designated for the sustainability reserve as of August 31, 2021.

In addition, the Board has designated net assets without donor restrictions totaling \$346,026 as of August 31, 2021 as "risk capital" reserve.

NOTE 5. DEPRECIABLE AND AMORTIZABLE ASSETS

Depreciable and amortizable assets consist of the following as of August 31, 2021:

		Estimated Useful Life
Musical instruments	\$ 40,089	2-5 years
Software/website	50,000	3 years
Other depreciable assets	41,364	3-7 years
Less accumulated depreciation and amortization	<u>(67,294)</u>	
	<u>\$ 64,159</u>	

Depreciation and amortization expense for the year ended August 31, 2021 was approximately \$16,600.

EDUCATION THROUGH MUSIC - LOS ANGELES

Notes to Financial Statements
August 31, 2021

NOTE 6. 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:	
2022	\$ 72,400
2023	75,300
2024	78,300
2025	<u>26,400</u>
	<u>\$ 252,400</u>

Lease and parking expense for the year ended December 31, 2021 was approximately \$79,000.

NOTE 7. 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, 2021 is estimated to be approximately \$38,000 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 8. 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 9. LIQUIDITY AND AVAILABILITY

The following reflects ETM-LA's financial assets as of August 31, 2021, 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	\$ 1,702,242
Accounts receivable	<u>52,730</u>
Financial assets at year end	1,754,972
Less amounts unavailable for general expenditures within one year, due to purpose restrictions by donors	
	<u>(1,516)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,753,456</u>

Included in the financial assets available to meet cash needs for general expenses are Board-designated funds of \$810,728. 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, 2021

NOTE 10. PENSION PLAN

ETM-LA offers a defined contribution 403(b) retirement plan to its eligible employees. ETM-LA contributed \$8,600 to the plan for the year ended August 31, 2021.

NOTE 11. CONCENTRATIONS OF CREDIT RISK

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, 2021, approximately \$1,438,800 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 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.

NOTE 13. CONTINGENCIES

The COVID-19 continues 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. At this time, the effects of the outbreak cannot 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 14. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to August 31, 2021 through July 15, 2022, 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 2022, the second draw of the PPP loan was forgiven (See Note 3).