

**THE HOWARD COUNTY ARTS COUNCIL, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2024 AND 2023**

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statement of Activities, Year Ended June 30, 2024	4
Statement of Activities, Year Ended June 30, 2023	5
Statement of Functional Expenses, Year Ended June 30, 2024	6
Statement of Functional Expenses, Year Ended June 30, 2023	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 22



## Independent Auditor's Report

To the Board of Directors of  
The Howard County Arts Council, Inc.  
Ellicott City, MD

### **Opinion**

We have audited the accompanying financial statements of The Howard County Arts Council, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Howard County Arts Council, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Howard County Arts Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Howard County Arts Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Howard County Arts Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



Columbia, MD  
November 15, 2024

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND 2023**

	2024	2023
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 658,156	\$ 613,542
Cash and cash equivalents - board designated	36,105	35,919
Total cash and cash equivalents	694,261	649,461
Pledges receivable	28,000	7,500
Certificates of deposit	22,734	22,730
Prepaid expenses	9,247	10,311
Total Current Assets	754,242	690,002
<b>OTHER ASSETS</b>		
Property and equipment, net	86,015	44,340
Investments - board designated reserve fund	1,059,772	1,022,199
Interest in assets held by the Community Foundation of Howard County	193,929	173,171
Total Other Assets	1,339,716	1,239,710
<b>TOTAL ASSETS</b>	<b>\$ 2,093,958</b>	<b>\$ 1,929,712</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 969	\$ 71
Accrued expenses	17,200	29,345
Deferred revenue	110,570	111,312
Total Current Liabilities	128,739	140,728
<b>OTHER LIABILITIES</b>		
Security deposits	5,898	5,424
Total Other Liabilities	5,898	5,424
Total Liabilities	134,637	146,152
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	484,005	492,533
Board designated	1,095,877	1,058,118
Total Without Donor Restrictions	1,579,882	1,550,651
With donor restrictions	379,439	232,909
Total Net Assets	1,959,321	1,783,560
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,093,958</b>	<b>\$ 1,929,712</b>

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

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants	\$ 512,500	\$ 856,704	\$ 1,369,204
Contributions	34,684	-	34,684
Special events	94,375	-	94,375
Camp registrations, rental income, and other	363,135	-	363,135
In-kind facilities	227,665	-	227,665
In-kind contributions	66,922	-	66,922
Interest income	34,804	-	34,804
Other income	23,421	-	23,421
Net assets released from restrictions	707,792	(707,792)	-
Total Revenue and Support	<u>2,065,298</u>	<u>148,912</u>	<u>2,214,210</u>
<b>EXPENSES</b>			
Program Services:			
Grant awards	723,069	-	723,069
Art center	631,104	-	631,104
Community services	222,077	-	222,077
Long Reach	26,881	-	26,881
Special projects	126,696	-	126,696
Total Program Services	<u>1,729,827</u>	<u>-</u>	<u>1,729,827</u>
Support Services:			
Fundraising	218,940	-	218,940
Management and general	90,069	-	90,069
Total Support Services	<u>309,009</u>	<u>-</u>	<u>309,009</u>
Total Expenses	<u>2,038,836</u>	<u>-</u>	<u>2,038,836</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	26,462	148,912	175,374
<b>OTHER CHANGES</b>			
Net appreciation in fair value of investments	2,769	-	2,769
Loss on assets held by the Community Foundation of Howard County, net	-	(2,382)	(2,382)
Total Other Changes	<u>2,769</u>	<u>(2,382)</u>	<u>387</u>
<b>CHANGE IN NET ASSETS</b>	29,231	146,530	175,761
<b>NET ASSETS, beginning of year</b>	<u>1,550,651</u>	<u>232,909</u>	<u>1,783,560</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,579,882</u>	<u>\$ 379,439</u>	<u>\$ 1,959,321</u>

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

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants	893,221	716,281	\$ 1,609,502
Contributions	48,589	-	48,589
Special events	87,940	-	87,940
Camp registrations, rental income, and other	341,433	-	341,433
In-kind facilities	275,960	-	275,960
In-kind contributions	79,572	-	79,572
Interest income	7,703	-	7,703
Employee retention tax credit	149,080	-	149,080
Net assets released from restrictions	727,218	(727,218)	-
Total Revenue and Support	<u>2,610,716</u>	<u>(10,937)</u>	<u>2,599,779</u>
<b>EXPENSES</b>			
Program Services:			
Grant awards	704,162	-	704,162
Art center	632,214	-	632,214
Community services	225,962	-	225,962
Long Reach	32,860	-	32,860
Special projects	117,926	-	117,926
Total Program Services	<u>1,713,124</u>	<u>-</u>	<u>1,713,124</u>
Support Services:			
Fundraising	239,511	-	239,511
Management and general	84,063	-	84,063
Total Support Services	<u>323,574</u>	<u>-</u>	<u>323,574</u>
Total Expenses	<u>2,036,698</u>	<u>-</u>	<u>2,036,698</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	574,018	(10,937)	563,081
<b>OTHER CHANGES</b>			
Net depreciation in fair value of investments	1,122	-	1,122
Gain on assets held by the Community Foundation of Howard County, net	-	16,256	16,256
Total Other Changes	<u>1,122</u>	<u>16,256</u>	<u>17,378</u>
<b>CHANGE IN NET ASSETS</b>	575,140	5,319	580,459
<b>NET ASSETS, beginning of year</b>	<u>975,511</u>	<u>227,590</u>	<u>1,203,101</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,550,651</u>	<u>\$ 232,909</u>	<u>\$ 1,783,560</u>

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

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	PROGRAM SERVICES					SUPPORT SERVICES				Total Expenses
	Grant Awards	Art Center	Community Services	Long Reach	Special Projects	Total Program Services	Fundraising	Management and General	Total Support Services	
<b>Personnel Costs:</b>										
Salaries	\$ 34,246	\$ 296,796	\$ 102,737	\$ 5,708	\$ 28,538	\$ 468,025	\$ 74,199	\$ 28,538	\$ 102,737	\$ 570,762
Payroll taxes	2,705	23,443	8,115	451	2,254	36,968	5,861	2,253	8,114	45,082
Employee benefits	4,086	35,409	12,257	681	3,405	55,838	8,852	3,404	12,256	68,094
Employee retirement plan	558	4,839	1,675	93	465	7,630	1,210	466	1,676	9,306
Subtotal Personnel Costs	41,595	360,487	124,784	6,933	34,662	568,461	90,122	34,661	124,783	693,244
Accounting	-	-	-	-	-	-	-	30,916	30,916	30,916
Artist and juror fees	4,500	27,861	-	-	33,360	65,721	6,145	-	6,145	71,866
Bank and credit card fees	759	6,582	2,278	127	633	10,379	1,646	633	2,279	12,658
Contract services	3,742	16,402	11,226	16,653	3,118	51,141	8,108	3,118	11,226	62,367
Donated goods and supplies	-	-	-	-	-	-	61,922	-	61,922	61,922
Depreciation and amortization	599	5,187	1,796	100	499	8,181	1,297	497	1,794	9,975
Dues, meetings and travel	460	6,139	2,501	77	383	9,560	1,773	383	2,156	11,716
Equipment	381	3,751	1,143	63	317	5,655	827	317	1,144	6,799
Facilities - in-kind	13,660	118,386	40,980	2,277	11,383	186,686	29,596	11,383	40,979	227,665
Faculty services	-	39,120	-	-	-	39,120	-	-	-	39,120
Grants disbursed	654,985	-	25,000	-	36,000	715,985	-	-	-	715,985
Insurance	445	3,858	1,336	74	371	6,084	965	371	1,336	7,420
Miscellaneous	115	993	344	19	95	1,566	263	994	1,257	2,823
Model fees	-	3,540	-	-	-	3,540	-	-	-	3,540
Office supplies and expense	944	17,170	2,921	407	787	22,229	5,021	1,061	6,082	28,311
Postage and delivery	489	6,135	2,156	85	434	9,299	3,184	407	3,591	12,890
Printing and copying	86	9,167	4,684	14	4,396	18,347	7,401	71	7,472	25,819
Professional services - in-kind	-	-	-	-	-	-	-	5,000	5,000	5,000
Repairs and maintenance	84	4,374	252	14	70	4,794	182	70	252	5,046
Telephone	225	1,952	676	38	188	3,079	488	187	675	3,754
<b>TOTAL EXPENSES</b>	<b>\$ 723,069</b>	<b>\$ 631,104</b>	<b>\$ 222,077</b>	<b>\$ 26,881</b>	<b>\$ 126,696</b>	<b>\$ 1,729,827</b>	<b>\$ 218,940</b>	<b>\$ 90,069</b>	<b>\$ 309,009</b>	<b>\$ 2,038,836</b>

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



**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	PROGRAM SERVICES					Total Program Services	SUPPORT SERVICES			Total Expenses
	Grant Awards	Art Center	Community Services	Long Reach	Special Projects		Fundraising	Management and General	Total Support Services	
Personnel Costs:										
Salaries	\$ 31,840	\$ 275,948	\$ 95,520	\$ 5,307	\$ 26,533	\$ 435,148	\$ 68,987	\$ 26,533	\$ 95,520	\$ 530,668
Payroll taxes	2,670	23,143	8,011	445	2,225	36,494	5,786	2,225	8,011	44,505
Employee benefits	3,507	30,390	10,520	584	2,922	47,923	7,597	2,922	10,519	58,442
Employee retirement plan	551	4,779	1,654	92	460	7,536	1,195	460	1,655	9,191
Subtotal Personnel Costs	38,568	334,260	115,705	6,428	32,140	527,101	83,565	32,140	115,705	642,806
Accounting	-	-	-	-	-	-	-	33,146	33,146	33,146
Artist and juror fees	1,949	24,030	-	-	26,139	52,118	5,446	-	5,446	57,564
Bank and credit card fees	721	6,251	2,164	120	601	9,857	1,563	601	2,164	12,021
Contract services	6,420	22,518	8,736	16,423	767	54,864	13,114	767	13,881	68,745
Donated goods and supplies	-	-	-	-	-	-	69,578	-	69,578	69,578
Depreciation and amortization	503	4,362	1,509	84	419	6,877	1,090	419	1,509	8,386
Dues, meetings and travel	691	6,908	3,738	423	576	12,336	1,564	565	2,129	14,465
Equipment	434	3,762	1,302	72	362	5,932	941	362	1,303	7,235
Facilities - in-kind	16,558	143,499	49,673	2,760	13,798	226,288	35,875	13,797	49,672	275,960
Faculty services	-	36,195	-	-	-	36,195	-	-	-	36,195
Grants disbursed	635,599	-	30,000	-	36,100	701,699	5,000	-	5,000	706,699
Insurance	414	3,585	1,240	69	345	5,653	896	345	1,241	6,894
Marketing and advertising	-	-	-	4,688	-	4,688	-	-	-	4,688
Miscellaneous	2	20	7	-	2	31	20	2	22	53
Model fees	-	2,520	-	-	-	2,520	-	-	-	2,520
Office supplies and expense	1,311	20,041	3,933	1,567	1,300	28,152	8,132	1,093	9,225	37,377
Postage and delivery	176	6,041	1,307	29	186	7,739	3,926	147	4,073	11,812
Printing and copying	13	11,264	4,239	2	4,522	20,040	7,037	10	7,047	27,087
Professional services -in-kind	600	5,196	1,799	100	500	8,195	1,299	500	1,799	9,994
Telephone	203	1,762	610	95	169	2,839	465	169	634	3,473
<b>TOTAL EXPENSES</b>	<b>\$ 704,162</b>	<b>\$ 632,214</b>	<b>\$ 225,962</b>	<b>\$ 32,860</b>	<b>\$ 117,926</b>	<b>\$ 1,713,124</b>	<b>\$ 239,511</b>	<b>\$ 84,063</b>	<b>\$ 323,574</b>	<b>\$ 2,036,698</b>

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

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 175,761	\$ 580,459
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,975	8,386
Gain on assets restricted for long-term use	2,382	(16,256)
Net (appreciation) depreciation in fair value of investments	(2,769)	(1,122)
Changes in operating assets and liabilities:		
Decrease (increase) in assets		
Pledges receivable	(20,500)	7,500
Certificates of deposit	(4)	(5)
Prepaid expenses	1,064	(1,054)
Interest in assets held by the Community Foundation of Howard County	(20,758)	(16,723)
Increase (decrease) in liabilities		
Accounts payable	898	15
Accrued expenses	(12,145)	(13,676)
Deferred revenue	(742)	7,367
Security deposits	474	(403)
Net Cash Provided by (Used for) Operating Activities	133,636	554,488
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(51,650)	(21,445)
Purchases of investments	(34,804)	(407,557)
Net Cash Provided by (Used for) Investing Activities	(86,454)	(429,002)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gain on assets restricted for long-term use	(2,382)	16,256
Net Cash Provided by (Used for) Financing Activities	(2,382)	16,256
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	44,800	141,742
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	649,461	507,719
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 694,261	\$ 649,461

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

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE A – NATURE OF ORGANIZATION AND PROGRAM DESCRIPTION**

Established in 1981 as a not-for-profit corporation, The Howard County Arts Council, Inc. (the “Arts Council”) was formed by a resolution of the County Council of Howard County, Maryland, to foster the arts and cultural development in the Howard County community. As the county’s designated arts council, it is authorized to administer state and county public funds by awarding grants to qualifying organizations that promote the arts, art education, culture and providing programs that engage the public in the arts.

The Arts Council provides the following program services:

*Grant Awards* - To advance and support the arts, the Arts Council administers the following grant programs: Community Arts Development, Artists-in-Education, Baltimore City Arts and Cultural Organizations, Creative Howard, Organizational Development, Outreach Howard, and the Jim Rouse Theatre Subsidy Program. Additional grant programs are piloted and activated from time to time as needed. A volunteer Artistic Review Panel is charged with evaluating all grant applications received from eligible organizations. The Board of Directors votes on the panel’s recommendations and has final approval of the grant awards.

*Art Center* - To encourage an active and supportive relationship between artists and the public, the Arts Council manages a 32,000 square feet multi-purpose arts center, which provides affordable studio and meeting space to artists, a black box theatre, and a dance studio for performances and rehearsals, classrooms for arts education, and two exhibit spaces for the display of various forms of visual artwork.

*Community Services* - To foster and promote the arts, the Arts Council maintains a website that promotes upcoming programs and performances, develops partnerships to advance the arts, publishes a quarterly newsletter, maintains an active social media presence and online calendar of art events in the county, offers awards and scholarships, and provides various resources, technical assistance, advice and guidance on artistic development and art education.

*Long Reach* – In January 2020, the Arts Council was invited by the Howard County Government to develop and manage 16 individual artist studios at the Long Reach Village Center as part of their Long Reach Rising revitalization effort.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE A – NATURE OF ORGANIZATION AND PROGRAM DESCRIPTION –**  
continued

*Special Projects* - To ensure that the arts are accessible to all citizens, the Arts Council develops programs that reach out to underserved or new audiences. These programs may be ongoing or one-time pilot projects.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Arts Council have been prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned, and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*. In accordance with Topic 958, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Arts Council and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets not subject to donor-imposed restrictions or stipulations.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Arts Council and/or the passage of time, or that must be maintained in perpetuity by the Arts Council. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions.

Cash and Cash Equivalents

The Arts Council considers money market funds and all highly liquid investments with original maturities of three months or less to be cash equivalents. The Arts Council maintains its cash and cash equivalents balances in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At times, the accounts may exceed this limit. However, the Arts Council believes it is not exposed to any significant credit risk on cash and cash equivalents.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from balances outstanding at year end. Throughout the year, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management expects to collect all outstanding receivables. Therefore, no allowance for doubtful accounts was established as of June 30, 2024 and 2023.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value as of the date of donation. The Arts Council capitalizes all property and equipment with a cost basis greater than \$500 and a useful life greater than one year. Expenditures, which extend the useful life of an asset are capitalized, while repairs and maintenance are expensed. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10 – 20 years
Furniture, fixtures and equipment	5 – 7 years
Website	2 – 5 years

Investments

Investments are accounted for at fair value and consist of money market funds and certificates of deposit, which are maintained in an investment brokerage account. The fair value of certificates of deposit held in brokerage accounts is based on their quoted market price, and is provided by the Arts Council’s investment fund manager. Interest and dividends are recognized as earned. Net appreciation and depreciation in the fair value of investments are recognized on the statements of activities in the period in which such changes occur.

Deferred Revenue

Deferred revenue consists of unearned registration fees received in advance for participation in the summer camp programs held by the Arts Council. As of the beginning of June 30, 2023, deferred revenue totaled \$103,945.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Revenue Recognition

*Grants and Contributions*

The Arts Council recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions.

In addition, the Arts Council receives funding from state and local government agencies, which is considered a conditional contribution. These grants are subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Any amounts received prior to incurring qualifying expenditures would be reported as deferred revenue in the statements of financial position. Furthermore, any unexpended funds received from government agencies are subject to be returned to the funding authority, unless the funding authority allows the Arts Council to retain such excess. For the years ended June 30, 2024 and 2023, there were no unexpended funds due back to granting authorities.

*Program Services*

Program services largely represent camp registrations and rental income, and is recognized as revenue in the period in which the related activity occurs. Camp registration fees and rental income collected in advance are recorded as deferred revenue.

*Employee Retention Tax Credit*

As part of the Coronavirus Aid, Relief, and Economic Security Act, during fiscal year 2023, the Arts Council received an Employee Retention Tax Credit (“ERTC”), which is a refundable tax credit against certain employment taxes that are equal to 50% of the qualified wages that an eligible employer pays to its employees. The ERTC payment received from the Internal Revenue Service totaled \$149,080, and was recognized as revenue on the statement of activities.

In-kind Facilities

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Arts Council. Donated services that do not meet the above criteria are not recognized

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

In-kind Facilities – continued

The Arts Council receives in-kind facilities from the Howard County government, which is reported as in-kind facilities on the statements of activities and functional expenses in the period in which such facilities are used. The estimated fair rental value of donated facilities is based on an estimated market rental rate, and the allocated utilities, facilities, and maintenance costs determined by Howard County.

Agency Transactions

The Arts Council receives grants and contributions from government and private sources for purposes of furthering the Arts Council’s stated mission: to enrich and serve the Howard County community by fostering the arts, artists and arts organizations. Funds received and distributed by the Arts Council for purposes for which it acts as an agent, trustee or intermediary for resource providers are not included in the statements of activities in cases where the Arts Council does not have discretion or variance power over the distributions.

Method Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or support function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, equipment, and any other applicable expenditures, which are based on salaries and related costs determined by estimates of time and effort expended.

Use of Estimates

The preparation of financial statements in accordance 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.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE C – INCOME TAXES**

The Arts Council is a 501(c)(3) organization that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. The Arts Council is, however, subject to tax on business income unrelated to the Arts Council's exempt purpose. No provision for income taxes is reflected in the accompanying financial statements for the years ended June 30, 2024 and 2023, since the Arts Council had no taxable income from unrelated business activities.

The Arts Council recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Arts Council does not believe its financial statements include any uncertain tax positions.

The Arts Council's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The Arts Council's information returns for the years ended June 30, 2021 through 2023, are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

The Arts Council strives to maintain liquid financial assets to cover 12 months of general expenditures. As part of the liquidity management plan, the Arts Council invests cash and cash equivalents in excess of daily requirements in short-term money market funds and certificates of deposit. The Arts Council has various sources of liquidity at its disposal including cash and cash equivalents, pledges receivable, certificates of deposit, and investments.

In addition, the Arts Council anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over 12-month period. Although the Arts Council does not intend to spend board designated funds other than those amounts appropriated for general expenditures, these funds could be made available through a board resolution, if necessary.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, the Arts Council considers all expenditures related to its program services, management and general, and fundraising activities, to be general operating expenditures.

As of June 30, 2024 and 2023, total financial assets held by the Arts Council and the amounts of those financial assets that could readily be made available within one year of the statements of financial position date to meet general expenditures were as follows:



**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued**

	2024	2023
Cash and cash equivalents	\$ 694,261	\$ 649,461
Pledges receivable	28,000	7,500
Certificates of deposit	22,734	22,730
Investments - board designated reserve fund	1,059,772	1,022,199
Interest in assets held by the Community Foundation of Howard County	193,929	173,171
Total Financial Assets	1,998,696	1,875,061
Less: board designated reserves	(1,095,877)	(1,058,118)
Less: net assets with donor restrictions	(337,009)	(167,339)
Less: net assets encumbered by donor restrictions - perpetual in nature	(65,570)	(65,570)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 500,240	\$ 584,034

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	2024	2023
Leasehold improvements	\$ 517,505	\$ 517,505
Furniture, fixtures and equipment	148,244	148,244
Website	89,167	37,517
	754,916	703,266
Less: accumulated depreciation and amortization	(668,711)	(658,926)
Property and Equipment, Net	\$ 86,205	\$ 44,340

Depreciation and amortization expense totaled \$9,975 and \$8,386 for the years ended June 30, 2024 and 2023, respectively.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENT**

FASB ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 of the fair value hierarchy under FASB ASC Topic 820 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets or liabilities in active markets that the Arts Council has the ability to access.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

- Level 1*            Inputs are based on unadjusted quoted prices for identical assets traded in active markets that the Arts Council has the ability to access.
  
- Level 2*            Inputs are based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.
  
- Level 3*            Inputs are unobservable and significant to the fair value measurement.

The described valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Arts Council's investments in money market funds are valued by carrying amount, which approximates fair value. The fair value of certificates of deposit and the interest in assets held by the Community Foundation of Howard County (the "Foundation") have been provided by the Arts Council's investment managers and the Foundation, respectively, and use a variety of pricing sources to determine market valuations, including indexes for each sector of the market.

The following tables set forth by level, within the fair value hierarchy, the Arts Council's investments at fair value on a recurring basis as of June 30, 2024 and 2023, respectively:

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENT – continued**

Assets at Fair Value as of June 30, 2024

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 277,911	\$ -	\$ -	\$ 277,911
Certificates of deposit	-	781,861	-	781,861
Interest in assets held by the Foundation	-	193,929	-	193,929
Total assets at fair value	<u>\$ 277,911</u>	<u>\$ 975,790</u>	<u>\$ -</u>	<u>\$1,253,701</u>

Asset at Fair Value as of June 30, 2023

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 333,107	-	-	\$ 333,107
Certificates of deposit	-	689,092	-	689,092
Interest in assets held by the Foundation	-	173,171	-	173,171
Total assets at fair value	<u>\$ 333,107</u>	<u>\$ 862,263</u>	<u>\$ -</u>	<u>\$1,195,370</u>

**NOTE G – NET ASSETS**

Board Designated Reserves

The Board of Directors set aside four separate bank accounts for the purpose of segregating designated funds for the re-grants program, Jim Rouse Theatre (JRT) Subsidies, JRT equipment fund, and the studio escrow.

To ensure the long-term viability of the Arts Council, an investment account was also established by the Board of Directors for working capital reserves to be utilized by the Arts Council in the case of an emergency.

As of June 30, 2024 and 2023, the aggregate total amount of the board designated cash and cash equivalents and investments were as follows:

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE G – NET ASSETS – continued**

	2024	2023
Cash and cash equivalents	\$ 36,105	\$ 35,919
Investments	1,059,772	1,022,199
Total	\$ 1,095,877	\$ 1,058,118

Net Assets with Donor Restrictions

As of June 30, 2024 and 2023, net assets with donor restrictions were designated as follows:

	2024	2023
Various programs and projects	\$ 219,810	\$ 64,763
Headstart program	8,000	7,500
Re-grants to other non-profit organizations and special projects	5,840	12,475
Donor designated endowment	65,570	65,570
Accumulated earnings in endowment fund	103,359	82,601
Total	\$ 402,579	\$ 232,909

**NOTE H – AGENCY TRANSACTIONS**

The Arts Council was the subrecipient of two grants from Howard County, Maryland that required the Arts Council to regrant either a portion or all of the funds received to other entities specified in the grant agreements. Therefore, any funds received and distributed by the Arts Council for which it has no variance power were not included in the Arts Council’s statements of activities or functional expenses.

For the years ended June 30, 2024 and 2023, a total of \$230,000 and \$715,000, respectively, in regrants was awarded to designated non-profit organizations for which the Arts Council had no variance power.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE I – IN-KIND DONATIONS**

The Arts Council receives in-kind facilities from Howard County, which is a school building used for office space, art exhibits, dance studios, etc. For the years ended June 30, 2024 and 2023, the value of in-kind facilities totaled \$227,665 and \$275,960, respectively. The estimated fair value of the in-kind facilities is based on estimated market rental rate, determined by Howard County. The in-kind rent was allocated and used among the Arts Council’s programs and support services.

In addition, for the year ended June 30, 2024, the Arts Council received in-kind donations for its celebration event. The donations included raffle tickets, media, and culinary sponsors for a total amount of \$61,922. The Arts Council also received \$5,000 in donated professional consulting services for its strategic plan. The in-kind donations were utilized by and allocated between programs and support services. There were no donor imposed restrictions.

**NOTE J – INVESTMENT ENDOWMENT FUNDS**

The Arts Council has assets held by the Community Foundation of Howard County (the “Foundation”) to be designated for the Howard County Arts Council Future for the Arts Fund endowment and is classified as net assets with donor restrictions in the accompanying statements of financial position.

The Community Foundation of Howard County (formerly, the Columbia Foundation) holds the Howard County Arts Council’s Future for the Arts Fund (the “Fund”), an endowment established in 1999 under an agreement between the Howard County Arts Council and the Community Foundation of Howard County (the “Foundation”).

Since the Arts Council has a beneficial interest in those funds, the transaction is considered reciprocal. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Funds held by the Foundation consist of both donor designated endowment funds and board designated endowment funds.

*Return Objectives and Spending Policy*

The Foundation will hold the net assets with donor restriction endowment principal in perpetuity and invest the assets to provide income to the Arts Council. The Foundation has the authority to redirect the monies accumulated in the Fund should the Arts Council discontinue its business operations. Net assets with donor restricted contributions are recorded by both the Foundation and the Arts Council since contributions are received by the Arts Council and remitted to the Foundation. Per the agreement, the annual distributions available to the Arts Council will be 5% of the market value of the Fund’s assets as of December 31<sup>st</sup> of the preceding year, subject to specified conditions and limitations.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE J – INVESTMENT ENDOWMENT FUNDS – continued**

*Return Objectives and Spending Policy – continued*

The Arts Council has the option to reinvest these funds or place them in the operating account and are classified as net assets without donor restrictions due to time restrictions. Currently, these funds are being reinvested. The endowment assets are managed in accordance with the investment policy established by the Foundation.

The accumulated earnings on both the board designated endowment assets and the donor designated net assets with restrictions are reported as net assets without donor restrictions. These accumulated earnings are available only in accordance with the spending policy established with the Foundation.

The Arts Council’s investment endowment net assets consist of the following as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 65,570	\$ 65,570
Portion subject to appropriation for expenditures	25,000	103,359	128,359
Balance as of June 30, 2024	<u>\$ 25,000</u>	<u>\$ 168,929</u>	<u>\$ 193,929</u>

Changes in the investment endowment net assets for the year ended June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year, June 30, 2023	\$ 25,000	\$ 148,171	\$ 173,171
Interest and dividends	-	2,862	2,862
Net appreciation in fair value of investments	-	17,896	17,896
End of year, June 30, 2024	<u>\$ 25,000</u>	<u>\$ 168,929</u>	<u>\$ 193,929</u>

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE J – INVESTMENT ENDOWMENT FUNDS – continued**

The Arts Council’s investment endowment net assets consist of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 65,570	\$ 65,570
Portion subject to appropriation for expenditures	25,000	82,601	107,601
Balance as of June 30, 2023	<u>\$ 25,000</u>	<u>\$ 148,171</u>	<u>\$ 173,171</u>

Changes in the investment endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year, June 30, 2022	\$ 25,000	\$ 131,448	\$ 156,448
Contributions	-	467	467
Interest and dividends	-	2,306	2,306
Net appreciation in fair value of investments	-	13,950	13,950
End of year, June 30, 2023	<u>\$ 25,000</u>	<u>\$ 148,171</u>	<u>\$ 173,171</u>

Net assets without donor restrictions are reflected as board endowments; and net assets with donor restrictions are reflected as accumulated earnings and appreciation in fair value in the above tables pertaining to the assets held by the Foundation. There were no underwater funds as of June 30, 2024 and 2023.

**NOTE K – SUBLEASES**

As per the lease agreement established with the Howard County government, the Arts Council may sublease building space to artists and related organizations. Such space consists of studios, classrooms, a theatre, and meeting rooms, which are subleased to tenants under operating lease agreements with varying terms. For the years ended June 30, 2024 and 2023, rent received by the Arts Council under the subleases totaled \$178,971 and \$148,094, respectively.

**THE HOWARD COUNTY ARTS COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**  
(continued)

**NOTE L – RETIREMENT PLAN**

The Arts Council established a retirement savings plan, which covers all eligible employees. Employees are permitted to contribute up to the maximum amount prescribed by law. The Arts Council is required to make dollar-for-dollar matching contributions of up to 3% of compensation for each employee making salary-reduction contributions under the SIMPLE Plan (Savings Incentive Match Plan for Employees). The Arts Council may, however, elect out of this requirement or reduce the contribution amount provided, within a reasonable time before the annual election period. For the years ended June 30, 2024 and 2023, the Arts Council's contributions to the SIMPLE Plan totaled \$9,306 and \$9,191, respectively.

**NOTE M – SUBSEQUENT EVENTS**

In preparing these financial statements, the Arts Council has evaluated events and transactions for potential recognition or disclosure through November 15, 2024, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.