

Bihl Haus Arts, Inc.

Financial Statements

December 31, 2020 and 2019



Bihl Haus Arts, Inc.

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Independent Accountant's Review Report

To the Board of Directors of
Bihl Haus Arts, Inc.

We have reviewed the accompanying financial statements of Bihl Haus Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

We have previously reviewed Bihl Haus Arts, Inc.'s 2019 financial statements and in our conclusion dated August 24, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Schriver Carmona". The signature is written in a cursive, flowing style.

Schriver, Carmona & Company, PLLC
San Antonio, Texas
May 4, 2021

Financial Statements

Bihl Haus Arts, Inc.Statements of Financial Position
December 31, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Cash	\$ 14,532	\$ 52,183
Accounts Receivable	73,764	27,658
Property and Equipment, net of accumulated depreciation	6,033	6,751
Other Assets	<u>4,600</u>	<u>4,657</u>
Total Assets	\$ <u>98,929</u>	\$ <u>91,249</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ <u>82</u>	\$ <u>159</u>
Total Liabilities	<u>82</u>	<u>159</u>
Net Assets:		
Without Donor Restrictions	88,847	46,090
With Donor Restrictions	<u>10,000</u>	<u>45,000</u>
Total Net Assets	<u>98,847</u>	<u>91,090</u>
Total Liabilities and Net Assets	\$ <u>98,929</u>	\$ <u>91,249</u>

See Accompanying Notes and Independent Accountant's Review Report.

Bihl Haus Arts, Inc.

Statement of Activities

Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Support and Revenues				
Donation Revenue	\$ 22,180	\$ -	\$ 22,180	35,309
Foundation Revenue	25,000	-	25,000	66,000
Government Grant Revenue	135,639	-	135,639	131,460
In-Kind Contributions	70,943	-	70,943	70,172
Other Income	22,406	-	22,406	1,000
Program Income	221,766	-	221,766	234,968
Sales Revenue	9,996	-	9,996	9,145
Net Assets Released from Restrictions	35,000	(35,000)	-	-
Total Support and Revenues	542,930	(35,000)	507,930	548,054
Expenses				
Program Services	438,901	-	438,901	369,630
Support Services:				
Management and General	54,597	-	54,597	67,378
Fundraising	6,675	-	6,675	53,389
Total Expenses	500,173	-	500,173	490,397
Change in Net Assets	42,757	(35,000)	7,757	57,657
Net Assets at Beginning of Year	46,090	45,000	91,090	33,433
Net Assets at End of Year	\$ 88,847	\$ 10,000	\$ 98,847	91,090

See Accompanying Notes and Independent Accountant's Review Report.

Bihl Haus Arts, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	Program Services	Support Services		2020 Totals	2019 Totals
		Management and General	Fundraising		
Salaries and Wages	\$ 69,083	\$ 2,999	\$ -	\$ 72,082	\$ 68,082
Payroll Taxes and Fees	5,364	807	-	6,171	8,046
Total Salaries and Related Expenses	74,447	3,806	-	78,253	76,128
Advertising, Marketing, and Printing	12,245	7,418	424	20,087	32,285
Bank and Merchant Fees	45	910	876	1,831	2,088
Contractual Services	264,336	21,954	1,000	287,290	256,890
Cost of Goods Sold	3,249	-	903	4,152	3,293
Food and Beverages Expense	13,663	2,053	195	15,911	11,993
Insurance Expense	-	543	-	543	2,276
Interest Expense	-	-	-	-	636
Memberships, Dues and Fees	58	1,220	-	1,278	1,044
Other Expense	43	2,157	-	2,200	2,383
Rental Expenses	50,618	8,747	1,642	61,007	69,963
Supplies and Materials	20,016	4,168	1,635	25,819	28,878
Travel Expense	18	52	-	70	380
Utilities Expense	163	851	-	1,014	1,442
Total Expenses before Depreciation	438,901	53,879	6,675	499,455	489,679
Depreciation	-	718	-	718	718
Total Expenses	\$ 438,901	\$ 54,597	\$ 6,675	\$ 500,173	490,397

See Accompanying Notes and Independent Accountant's Review Report.

Bihl Haus Arts, Inc.Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 7,757	\$ 57,657
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	718	718
Forgiveness of Loan Payable	-	(9,000)
(Increase) Decrease in:		
Accounts Receivable	(46,106)	(752)
Prepaid Expenses	57	58
Increase (Decrease) in:		
Accounts Payable	(77)	159
Net Cash Provided (Used) by Operating	<u>(37,651)</u>	<u>48,840</u>
Cash Flows From Financing Activities:		
Net Payments on Line of Credit	-	(6,500)
Net Cash Used by Financing Activities	<u>-</u>	<u>(6,500)</u>
Net Increase (Decrease) in Cash	(37,651)	42,340
Cash, Beginning of Year	<u>52,183</u>	<u>9,843</u>
Cash, End of Year	\$ <u>14,532</u>	\$ <u>52,183</u>

See Accompanying Notes and Independent Accountant's Review Report.

Bihl Haus Arts, Inc.

Notes to Financial Statements
December 31, 2020

Note A: Nature of Organization

Bihl Haus Arts (BHA) is a community-based nonprofit organization founded in 2005. Located on the premises of the Sorento, formerly known as Primrose at Monticello Park Senior Apartments, on historic Fredericksburg Road in San Antonio, Texas, it is likely the only professional gallery for contemporary art in the United States on the premises of 100% affordable senior housing.

BHA expresses its mission to "Create Community through the Arts" in three focus areas:

Gallery Exhibitions

Bihl Haus Arts gallery exhibitions stimulate creative use of exhibit space and set a high standard for local/national/international artists to network, display and sell their work. The Gallery—both a site for senior resident activities and a professional public contemporary art exhibition space—demonstrate an innovative model of public/private partnership built with funding from the Primrose at Monticello Park Senior Apartments and recognized by the San Antonio Historical Society for innovative reuse of a historic building, a model for public/private partnership.

Education

Our GO! Arts (f. 2007) and Forward, Arts! (f. 2017) programs provide art classes free of charge, including supplies, taught by professional teaching artists to older adults and veterans, respectively. The programs have set new standards for providing therapeutic and wallet-friendly arts education to low-income San Antonio residents. Our education program currently serves approximately 400 unduplicated clients/year in 37 two-hour classes/week at 17 locations across San Antonio. Participants attend regular classes; exhibit artwork at group shows; and write, read and publish prose and poetry both on-site and at micro-galleries at neighborhood businesses and area conferences. BHA publishes catalogs of their visual art and chapbooks of their writings.

On & Off Fredericksburg Road Studio Tour

The On & Off Fredericksburg Road Studio Tour (f. 2007) is an annual art open studios tour in seven neighborhoods abutting Fredericksburg Road. Entering its 14th year, the Tour has stimulated neighborhood arts and promoted cultural tourism along a historically important business corridor, called the Old Spanish Trail Auto Highway, which has emerged as a thriving theater district and cultural destination. BHA frequently produces related programming to accompany particularly thought-provoking Gallery exhibitions that center on topics such as climate change, like "Hot Pursuit" by San Antonio artist Sabra Booth, and gender identity.

BHA's programs strive to 1) Consciously engage in creative placemaking that highlights connections between visual and performing artists and area neighborhoods, and environmental conditions within which creation occurs; 2) Nurture, employ and create awareness of the work of exceptional local visual and cultural artists; 3) Foster an inter-generational and multicultural learning community among established/emerging artists, older adult and veteran participants and the public; and 4) Maximize access to collective resources through collaboration and partnerships with other nonprofit and for-profit arts and social service organizations.

Note B: Summary of Accounting Principles

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- *Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of the Organization generally are not considered “restricted” under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- *With Donor Restrictions* – net assets subject to donor-imposed stipulations that are more restrictive than the Organization’s mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent 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

For purposes of reporting cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020, there were no cash equivalents.

Accounts Receivable

Accounts receivable are primarily due to governmental, departmental and agency funding and other major funding sources. The related revenue and receivable are recognized in the period the services are provided. Management evaluates the need to write-off a receivable based on its review of accounts receivable and historical collection experience. Management believes all accounts receivable at December 31, 2020 will be fully collected, and accordingly, no allowance for doubtful accounts is considered necessary.

Fair Value of Financial Instruments

The Organization’s financial instruments include cash, receivables, and payables. The carrying amount of these financial instruments as reflected in the Statement of Financial Position approximates fair value.

Bihl Haus Arts, Inc.

Notes to Financial Statements
December 31, 2020

Note B: Summary of Accounting Principles (Continued)

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. When an asset is disposed of, the cost and related accumulated depreciation is removed from the books, and the gain or loss is recognized. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and Equipment	5 - 15 years
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Revenue Recognition

Contributions and Grants

Contributions and grants received are unconditional promises to give which are measured at their fair market values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, With Donor Restrictions are reclassified to Without Donor Restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as Without Donor Restrictions.

Government Grants

Government grant revenue primarily consists of contracts administered through the City of San Antonio, Department of Arts and Texas Commission on the Arts. These contracts consist of both reimbursement and service contracts. Revenue from reimbursement contracts is recorded when allowable expenses are incurred. Revenue from service contracts is recorded when services are provided.

Sales Revenue

Sales revenue consists primarily of contracts administered through the City of San Antonio and local non-profit organizations. These contracts consist of service contracts to provide art classes at designated sites. Revenue from service contracts are recorded when services are provided. Sales revenue also includes revenues from the sale of ads, gallery art, books, and catalogs which are recorded when the good or service is provided.

In-Kind Contributions

Donated facilities, goods and professional services are valued based on their estimated fair market value on the date of contribution (see **Note H**). Donated professional services are recognized if the services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills.

Advertising Costs

Advertising and marketing costs are expensed as incurred. Advertising expense totaled **\$20,087** and \$32,285 for the years ended December 31, 2020 and 2019, respectively.

Note B: Summary of Accounting Principles (Continued)

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2020. The Organization is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Methods Used for Allocation of Expenses among Program and Supporting Services

The financial statements of Bihl Haus Arts report categories of expenses in QuickBooks that are attributed to more than one program or support function. These expenses require allocation on a reasonable basis that is consistently applied. Below are the methods employed by the Organization to allocate these expenses during 2020:

- *Personnel Costs:* All Organization employees except those whose work is primarily fundraising are funded by at least one grant, and several are funded by more than one grant. Personnel line items in grant budgets list job titles. The Organization has a salary allocation spreadsheet that lists each employee along with all of the Organization funding sources. For each employee, the partial FTE is listed for each funding source, and the salary amount is calculated. Amounts are totaled by individual, program and funding source. The partial FTE figures are based on the grant budgets and management’s best estimates of time required for each program. Most non-salary personnel costs are allocated proportionally with salaries. Training costs may be allocated according to an employee’s individual allocation or may be charged directly to a single grantor, as appropriate.
- *Fringe benefits (FICA, UC, and Worker’s Compensation):* are allocated in the same manner as salaries and wages. Bihl Haus Arts does not offer health insurance, dental insurance, life & disability or other fringe benefits. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages. The Monthly Time and Activity Reports are completed by staff and utilized to determine actual time and effort on grants and projects for payroll.
- *Office Expenses:* Most office expenses (rent, telephone, information technology, copier rental, supplies, postage) are allocated based upon FTEs. For some line items, there is a mix of allocated joint costs and identifiable costs attributable to a specific service. For example, technology upgrades are occasionally funded by a single source.
- *Direct Service Expenses:* Costs are allocated either directly to the grant if the expense is grant specific, otherwise utilization rates are applied to allocate a percentage of the expense; the approach used may differ from line to line. In the event an expense is not grant related or suitable for the utilization methodology, the expense will be allocated to administrative expenses.

Admin Expenses: Some expenses that are classified as administrative expenses for management purposes relate directly to program activities and are therefore eligible expenses under some grants. These include accounting services and some types of insurance. The utilization methodology is applied to these types of expenses where applicable. Many expenses in the administrative category, such as fundraising expenses are not eligible for the utilization methodology and therefore are 100% administrative expenses

Note B: Summary of Accounting Principles (Continued)

Recently Issued Accounting Pronouncements

Adopted During 2020

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, Topic 606. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. On June 3, 2020, The FASB issued a one year delay for the effective date of this standard for entities that have not yet issued financial statements or made financial statements available for issuance as of June 3, 2020 reflecting adoption of ASC 606. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. The Organization adopted the new provisions of this standard during the year ended December 31, 2020. There were no significant effects on the financial statements and related disclosures.

Future Adoption

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2021. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized on the Statement of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note C: Risk and Uncertainty

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "global health emergency" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates.

In light of the uncertain and rapidly evolving coronavirus situation, the Organization has taken precautionary measures intended to minimize the risk of the virus to the Organization's employees and the communities in which the Organization operates. At the current time, the Organization is unable to quantify the potential effects of this pandemic on the Organization's future financial statements.

Bihl Haus Arts, Inc.

Notes to Financial Statements
December 31, 2020

Note D: Liquidity and Availability

The following represents the Organization's financial assets at December 31, 2020 and 2019 available to meet general expenditures over the next twelve months:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 14,532	\$ 52,183
Accounts receivable	<u>73,764</u>	<u>27,658</u>
Total financial assets	<u>88,296</u>	<u>79,841</u>
Less those unavailable for general expenditures within one year, due to:		
Net assets restricted by Donor	10,000	45,000
Less net assets with timing restrictions to be met in less than one year	<u>-</u>	<u>(25,000)</u>
	<u>10,000</u>	<u>20,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 78,296</u>	<u>\$ 59,841</u>

Note E: Concentrations

Credit Risk of Financial Instruments

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of cash held at its financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 and 2019, the Organization's cash balance at its financial institution did not exceed the insured FDIC limit. The Organization has not experienced any losses in such accounts and management believes it is not exposed to a significant risk on its cash balance.

Support and Revenues

The Organization received approximately **59%** and 51% of total support and revenues from the grant contracts funded by the State of Texas and the City of San Antonio, and approximately **16%** and 14% from Wellmed Charitable Foundation for the years ended December 31, 2020 and 2019, respectively. The organization is dependent upon these governmental departments and agencies and other non-governmental funding sources to maintain current levels of program services provided to the communities the organization serves.

Note F: Property and Equipment

Property and Equipment, net of accumulated depreciation at December 31, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 9,437	\$ 9,437
Dreambench Sculpture	8,851	8,851
Less: Accumulated Depreciation	<u>(12,255)</u>	<u>(11,537)</u>
Total Property and Equipment	<u>\$ 6,033</u>	<u>\$ 6,751</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was **\$718**.

Bihl Haus Arts, Inc.

Notes to Financial Statements
December 31, 2020

Note G: Line of Credit

The Organization has a \$20,000 line of credit with Frost Bank to provide working capital for general purposes as needed. The line of credit is secured by all accounts of the Organization and matures on November 5, 2021. The line of credit bears an interest rate of prime plus 1.75%, which was 5% and 6.50% at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the line of credit balance was \$0.

Note H: Paycheck Protection Program

On April 20, 2020 the Organization received loan proceeds from River City Federal Credit Union in the amount of \$14,190 under the Paycheck Protection Program (the "PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the businesses' average monthly payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 20, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

On October 28, 2020, the Organization was granted 100% forgiveness and was legally released from the loan and accrued interest obligation. The forgiveness income of \$14,190 is recorded as Other Income on the Statement of Activities for the year ended December 31, 2020.

Note I: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consisted of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Restricted by Time		
General Operations	\$ -	\$ 25,000
Restricted by Purpose		
GO! Arts Program	<u>10,000</u>	<u>20,000</u>
Total With Donor Restrictions	<u>\$ 10,000</u>	<u>\$ 45,000</u>

Note J: In-Kind Expenses

Donated Facilities

The Organization received donated gallery rent and utilities from Primrose at Monticello Park Senior Apartments with an estimated fair market value of \$43,776 and \$43,200 for the year ended December 31, 2020 and 2019, respectively. The Organization also received donated office space and storage of \$12,587 and \$19,952 from a related party for the year ended December 31, 2020 and 2019, respectively.

Bihl Haus Arts, Inc.

Notes to Financial Statements
December 31, 2020

Note J: In-Kind Expenses (Continued)

Donated Goods

The Organization received donated goods from Whole Foods Market with an estimated fair market value of **\$1,620** and \$7,020 for the years ended December 31, 2020 and 2019, respectively. The Organization also received donated goods from Meals on Wheels San Antonio with an estimated fair market value of **\$12,960** and \$0 for the years ended December 31, 2020 and 2019, respectively.

Note K: Subsequent Events

Subsequent events have been evaluated through May 4, 2021, which is the date the financial statements were available to be issued.