



***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT***

YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
National Guild for Community Arts Education, Inc.
New York, New York

We have audited the accompanying financial statements of National Guild for Community Arts Education, Inc., which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 National Guild for Community Arts Education, Inc. as of December 31, 2019 and 2018, 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, in 2018 the Organization adopted Accounting Standards Update (ASU) No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606).

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

March 17, 2020

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

BALANCE SHEETS

ASSETS

| | December 31, | |
|-----------------------------------|-------------------------|-------------------------|
| | <u>2019</u> | <u>2018</u> |
| Cash | \$ 171,017 | \$ 248,292 |
| Investments | 1,148,697 | 866,098 |
| Grants receivable | 187,235 | 88,505 |
| Conference sponsorship receivable | 42,800 | 29,437 |
| Pledges receivable | 1,155,331 | 1,392,062 |
| Prepaid expenses and other assets | 22,991 | 43,927 |
| Property and equipment, net | <u>365,498</u> | <u>442,792</u> |
| Total assets | <u>\$ 3,093,569</u> | <u>\$ 3,111,113</u> |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|-------------------------|-------------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 232,146 | \$ 94,452 |
| Deferred revenue | <u>17,280</u> | <u>23,680</u> |
| Total liabilities | <u>249,426</u> | <u>118,132</u> |
| Net assets: | | |
| Without donor restrictions | 721,368 | 1,304,439 |
| With donor restrictions | <u>2,122,775</u> | <u>1,688,542</u> |
| Total net assets | <u>2,844,143</u> | <u>2,992,981</u> |
| Total liabilities and net assets | <u>\$ 3,093,569</u> | <u>\$ 3,111,113</u> |

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF ACTIVITIES

| | Year ended December 31, 2019 | | Year ended December 31, 2018 | |
|--|------------------------------|-------------------------|------------------------------|-------------------------|
| | Without donor restrictions | With donor restrictions | Without donor restrictions | With donor restrictions |
| Support: | | | | |
| Public support: | | | | |
| Contributions and grants | \$ 220,940 | \$ 827,095 | \$ 705,477 | \$ 825,608 |
| Government grants | 61,329 | 203,235 | 32,637 | 196,000 |
| In-kind contributions | 282,269 | 1,030,330 | 738,114 | 1,021,608 |
| Total support | | | | |
| Revenues: | | | | |
| Memberships dues | 271,290 | | 273,143 | |
| Conferences and seminars, net of financial aid of \$58,422 and \$51,380 in 2019 and 2018, respectively | 237,077 | | 310,097 | |
| Dividends and interest | 44,159 | 15,701 | 37,516 | 15,225 |
| Miscellaneous revenue | 19,726 | | 6,817 | |
| Total revenues | 572,252 | 15,701 | 627,573 | 15,225 |
| Net assets released from restrictions | 640,341 | (640,341) | 726,654 | (726,654) |
| Total support and revenues | 1,494,862 | 405,690 | 2,092,341 | 310,179 |
| Expenses: | | | | |
| Program services: | | | | |
| Training and conferences | 1,021,951 | | 891,949 | |
| Publication and information services | 397,116 | | 485,683 | |
| Regranting program | 74,458 | | 78,294 | |
| Total program services | 1,493,525 | | 1,455,926 | |
| Supporting services: | | | | |
| Management and general | 362,563 | | 288,737 | |
| Fundraising | 302,118 | | 276,312 | |
| Total supporting services | 664,681 | | 565,049 | |
| Total expenses | 2,158,206 | | 2,020,975 | |
| Change in net assets from operations | (663,344) | 405,690 | 71,366 | 310,179 |
| Nonoperating activities: | | | | |
| Realized and unrealized gain (loss) on investments | 80,273 | 28,543 | (68,183) | (27,669) |
| Total nonoperating activities | 80,273 | 28,543 | (68,183) | (27,669) |
| Change in net assets | (583,071) | 434,233 | 3,183 | 282,510 |
| Net assets, beginning of year | 1,304,439 | 1,688,542 | 1,301,256 | 1,406,032 |
| Net assets, end of year | \$ 721,368 | \$ 2,122,775 | \$ 1,304,439 | \$ 1,688,542 |

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF CASH FLOWS

| | Year ended December 31, | |
|---|-------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Cash flows from operating activities: | | |
| Change in net assets | \$ (148,838) | \$ 285,693 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 117,631 | 77,915 |
| Unrealized and realized (gain) loss on investments | (108,816) | 95,852 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Grants receivable | (98,730) | 51,995 |
| Conference sponsorship receivable | (13,363) | (1,609) |
| Pledges receivable | 236,731 | (365,091) |
| Prepaid expenses and other assets | 20,936 | (21,865) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 137,694 | (81,062) |
| Deferred revenue | (6,400) | (1,068) |
| Net cash provided by operating activities | <u>136,845</u> | <u>40,760</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (40,337) | (127,402) |
| Purchases of investments | (430,234) | (207,106) |
| Proceeds from sale of investments | <u>256,451</u> | <u>244,687</u> |
| Net cash used by investing activities | <u>(214,120)</u> | <u>(89,821)</u> |
| Net decrease in cash | (77,275) | (49,061) |
| Cash, beginning of year | <u>248,292</u> | <u>297,353</u> |
| Cash, end of year | <u>\$ 171,017</u> | <u>\$ 248,292</u> |

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

| | Program services | | | | | | |
|-------------------------------------|--------------------------|------------|--------------------------------------|------------|--------------------|-----------|--------------|
| | Training and conferences | | Publication and information services | | Regranting program | | Total |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Salaries | \$ 389,364 | \$ 227,322 | \$ 198,057 | \$ 229,150 | \$ 3,288 | \$ 5,303 | \$ 461,775 |
| Payroll taxes | 29,462 | 18,210 | 15,127 | 17,909 | 256 | 407 | 36,526 |
| Employee benefits | 6,976 | 28,602 | 3,583 | 28,832 | 60 | 667 | 58,101 |
| Total salaries and related expenses | 425,802 | 274,134 | 216,767 | 275,891 | 3,604 | 6,377 | 556,402 |
| Consulting fees and honoraria | 163,116 | 222,324 | 66,267 | 91,979 | | | 314,303 |
| Space rental, AV, catering | 180,804 | 173,733 | 4,374 | 1,185 | | | 174,918 |
| Travel and meetings | 80,110 | 99,875 | 21,678 | 9,376 | | | 109,251 |
| Regranting | 15,317 | 7,660 | | 500 | 70,000 | 70,000 | 78,160 |
| Office rent and utilities | 37,701 | 23,660 | | 26,948 | 278 | 594 | 51,202 |
| Professional fees | | | | | | | |
| Dues and subscriptions | 28,502 | 7,520 | 1,444 | 4,991 | 18 | 34 | 12,545 |
| Printing and publication | 7,827 | 16,437 | 25,376 | 23,756 | 3 | | 40,193 |
| Office and miscellaneous expenses | 15,820 | 20,986 | 6,960 | 6,179 | 45 | 100 | 27,265 |
| Information technology | 3,274 | 17,655 | 17,973 | 12,808 | 24 | 471 | 30,934 |
| Bank charges | 6,399 | 4,092 | 3,341 | 4,270 | 56 | 89 | 8,451 |
| Depreciation | 57,279 | 23,873 | 32,936 | 27,800 | 430 | 629 | 52,302 |
| Total expenses | \$ 1,021,951 | \$ 891,949 | \$ 397,116 | \$ 485,683 | \$ 74,458 | \$ 78,294 | \$ 1,493,525 |
| | | | | | | | \$ 1,455,926 |

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

| | Supporting services | | | | | |
|-------------------------------------|------------------------|------------|-------------|------------|--------------|--------------|
| | Management and general | | Fundraising | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Salaries | \$ 70,232 | \$ 91,957 | \$ 171,259 | \$ 184,100 | \$ 241,491 | \$ 276,057 |
| Payroll taxes | 5,449 | 6,965 | 13,367 | 13,503 | 18,816 | 20,468 |
| Employee benefits | 89,755 | 11,570 | 3,125 | 23,164 | 92,880 | 34,734 |
| Total salaries and related expenses | 165,436 | 110,492 | 187,751 | 220,767 | 353,187 | 331,259 |
| Consulting fees and honoraria | 51,820 | 70,678 | 56,806 | 108 | 108,626 | 70,786 |
| Space rental, AV, catering | 1,774 | 469 | 9,700 | | 11,474 | 469 |
| Travel and meetings | 22,106 | 21,033 | 5,722 | 2,513 | 27,828 | 23,546 |
| Regranting | | | | | | |
| Office rent and utilities | 7,028 | 8,670 | 12,685 | 14,965 | 19,713 | 23,635 |
| Professional fees | 61,329 | 32,637 | | | 61,329 | 32,637 |
| Dues and subscriptions | 19,539 | 5,089 | 3,619 | 2,594 | 23,158 | 7,683 |
| Printing and publication | 545 | 1,601 | 269 | 908 | 814 | 2,509 |
| Office and miscellaneous expenses | 7,267 | 11,581 | 2,546 | 2,949 | 9,813 | 14,530 |
| Information technology | 4,724 | 7,849 | 1,103 | 12,579 | 5,827 | 20,428 |
| Bank charges | 13,063 | 8,985 | 2,864 | 2,969 | 15,927 | 11,954 |
| Depreciation | 7,932 | 9,653 | 19,053 | 15,960 | 26,985 | 25,613 |
| Total expenses | \$ 362,563 | \$ 288,737 | \$ 302,118 | \$ 276,312 | \$ 664,681 | \$ 565,049 |
| | | | | | \$ 2,158,206 | \$ 2,020,975 |

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

1. Nature of the Organization

The National Guild for Community Arts Education, Inc. (the Organization) strives to ensure all people have opportunities to maximize their creative potential by developing leaders, strengthening organizations, and advocating for community arts education. The Organization envisions a nation where arts education is accessible and embraced as essential for human development and healthy communities.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of demand deposit accounts with maturities of three months or less. Money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the balance sheet. Investments that are donated are measured at the fair market value at the date of acquisition. Unrealized gains and losses are reported in the changes in net assets on the statement of activities based on the existence or absence of donor imposed restrictions. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Organization's financial statements.

Fair value measurement

U.S. GAAP establishes 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 and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

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

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Allowance for doubtful accounts

The Organization provides for losses on all receivables using the allowance method to account for uncollectible receivables. The allowance is based on experience and knowledge about the donors or service recipients. The Organization determined that no allowance for doubtful accounts was necessary at December 31, 2019 and 2018.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost, or for donated items, at the fair market value of the asset on the date of the gift. Depreciation is provided on the straight-line method at rates based on the following estimated useful lives:

| | |
|------------------------|-------------|
| Furniture and fixtures | 3 - 7 years |
| Computer equipment | 3 - 7 years |
| Website | 5 years |
| Database software | 5 years |

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments in excess of \$2,500 that extend the useful lives, are capitalized.

Revenue and revenue recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. 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 met.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Organization recognizes revenue from conference and seminar events when the events takes place. Amounts received prior to the commencement of the conference and seminar events, including deposits, are deferred to the applicable period. Financial aid is provided to certain attendees and are recorded as a reduction to fees at the time revenue is recognized.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received on cost reimbursement grants, prior to incurring qualifying expenditures, are reported as refundable advances in the balance sheet. Under the terms of funding agreements with various governmental agencies, all reported expenditures are subject to audit and acceptance by the funding agencies. In the opinion of management, adjustments, if any, resulting from future audits, should not have a material effect on the Organization's financial position or changes in its net assets.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition (continued)

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606) as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of these standards resulted in no significant change in the way the Organization recognizes revenue, with the exception of certain government grants which had previously been treated as without donor restriction. These amounts have been reclassified as with donor restriction in the amount of \$196,000 for the year ended December 31, 2018. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In-kind contributions and contributed services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as without donor restrictions support unless explicit donor stipulations specify how donated assets must be used. Donated specialized services have been recognized in the accompanying financial statements. These donated services require professional skills, and would typically be purchased if not provided by donation. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets, or, b) require specialized skills that are provided by individuals possessing those skills. The Organization benefited from donated legal and other consulting services which were valued at \$61,329 and \$32,637 during the years ended December 31, 2019 and 2018, respectively. This amount has been reported as both in-kind contribution support and expenses on the statement of activities.

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

Income taxes

The Organization is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

3. Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, investments, pledges, grants and conference sponsorship receivable. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Investments are maintained at brokerage institutions. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions and insured brokerage houses. Concentrations of credit risk with respect to pledges and grants receivable are limited due to the fact that they are from substantial contributors and established foundations, and have short payment periods. Credit risk from conference sponsorship receivable is limited due to the fact that the receivables are from members and are based on a fee-for-service arrangement. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2019, which is available for operations within one year:

Financial assets at year end:

| | |
|--------------------------------------|------------------|
| Cash | \$ 171,017 |
| Investments | 1,148,697 |
| Grant receivable | 187,235 |
| Conference sponsorship receivable | 42,800 |
| Pledges receivables, due in one year | 905,295 |
| Subsequent year's endowment payout | <u>13,810</u> |
| Total financial assets | <u>2,468,854</u> |

Less amounts not available to be used within one year:

| | |
|---|--------------------------|
| Net assets with donor restrictions | 2,122,775 |
| Less net assets with purpose restrictions to be met in less than a year | <u>(527,305)</u> |
| | <u>1,595,470</u> |
| Financial assets available to meet cash needs for operating expenditures within one year | <u><u>\$ 873,384</u></u> |

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

4. Availability and liquidity (continued)

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses, net of in-kind (approximately \$524,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including grants, fees for services, and contributions.

The governing board has also designated a reserve fund that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

5. Pledges receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discount was computed using the risk-free interest of 1.86% for the year ended December 31, 2019. Pledges receivable are due as follows at December 31:

| | <u>2019</u> | <u>2018</u> |
|-------------------|---------------------|---------------------|
| One year or less | \$ 905,295 | \$ 756,830 |
| Two to five years | <u>260,000</u> | <u>680,000</u> |
| | 1,165,295 | 1,436,830 |
| Less discount | <u>9,964</u> | <u>44,768</u> |
| | <u>\$ 1,155,331</u> | <u>\$ 1,392,062</u> |

The difference between the amounts pledged and collected has historically been insignificant. Accordingly, no provision has been made for uncollectible amounts.

6. Investments

Investment securities are carried at fair value and consist of the following at December 31:

| | <u>2019</u> | | <u>2018</u> | |
|-------------|---------------------|---------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Fair value</u> | <u>Cost</u> | <u>Fair value</u> |
| Cash | \$ 156,610 | \$ 156,610 | \$ 31,311 | \$ 31,311 |
| Stock funds | 513,266 | 573,795 | 477,541 | 455,789 |
| Bond funds | 301,750 | 296,371 | 289,960 | 277,174 |
| Stocks | <u>97,011</u> | <u>121,921</u> | <u>96,415</u> | <u>101,824</u> |
| | <u>\$ 1,068,637</u> | <u>\$ 1,148,697</u> | <u>\$ 895,227</u> | <u>\$ 866,098</u> |

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

6. Investments (continued)

The following schedule summarizes the investment return for the years ended December 31, 2019 and 2018. The classification of the investment return is reported on the statement of activities.

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|--------------------|
| Dividend and interest income | \$ 59,860 | \$ 52,741 |
| Realized and unrealized gain (loss) on investments | <u>108,816</u> | <u>(95,852)</u> |
| Investment income (loss) | <u>\$ 168,676</u> | <u>\$ (43,111)</u> |

Consistent with the Organization's spending policy, \$13,810 and \$13,890 was appropriated and spent for the years ended December 31, 2019 and 2018, respectively (see Note 12).

7. Fair value measurement

The classification of the Organization's investment securities at fair value are as follows at December 31:

| | <u>2019</u> | | | <u>Total</u> |
|-------------|---------------------|----------------|----------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Cash | \$ 156,610 | \$ | \$ | \$ 156,610 |
| Stock funds | 573,795 | | | 573,795 |
| Bond funds | 296,371 | | | 296,371 |
| Stocks | <u>121,921</u> | | | <u>121,921</u> |
| | <u>\$ 1,148,697</u> | <u>\$</u> | <u>\$</u> | <u>\$ 1,148,697</u> |
| | <u>2018</u> | | | <u>Total</u> |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Cash | \$ 31,311 | \$ | \$ | \$ 31,311 |
| Stock funds | 455,789 | | | 455,789 |
| Bond funds | 277,174 | | | 277,174 |
| Stocks | <u>101,824</u> | | | <u>101,824</u> |
| | <u>\$ 866,098</u> | <u>\$</u> | <u>\$</u> | <u>\$ 866,098</u> |

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

8. Property and equipment

Property and equipment consist of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------------|-------------------|
| Furniture and fixtures | \$ 15,092 | \$ 15,092 |
| Computer equipment | 36,144 | 36,144 |
| Website | 717,448 | 717,448 |
| Database software | <u>178,283</u> | <u>171,783</u> |
| | 946,967 | 940,467 |
| Less accumulated depreciation | <u>615,306</u> | <u>497,675</u> |
| | 331,661 | 442,792 |
| Website development in process | <u>33,837</u> | <u> </u> |
| | <u>\$ 365,498</u> | <u>\$ 442,792</u> |

Depreciation expense was \$117,631 and \$77,915 for the years ended December 31, 2019 and 2018, respectively.

9. Leases

The Organization leases its offices under a sublease expiring November 30, 2019. The base rent is \$4,498 per month and includes an escalation clause of 3.5% per year on a compounded basis. The Organization is also responsible for its proportionate share of the building's real estate tax and common area maintenance costs. Rent expense, including real estate taxes, insurance, utilities and other costs associated with the lease was \$79,370 and \$74,837 for the years ended December 31, 2019 and 2018, respectively.

The minimum annual rental payments under these leases are as follows:

| | |
|--------------------------|------------------|
| Year ending December 31: | |
| 2019 | <u>\$ 52,997</u> |
| | <u>\$ 52,997</u> |

10. Major sources of support

For the year ended December 31, 2019, two donors accounted for approximately 24% of total support and revenues. For the year ended December 31, 2018, one donor accounted for approximately 27% of total support and revenues.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

11. Net assets

Net assets were available as follows at December 31, 2019 and 2018:

| | 2019 | | | 2018 | | |
|-------------------------------|----------------------------|-------------------------|--------------------|----------------------------|-------------------------|--------------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Undesignated | \$ 621,368 | \$ | \$ 621,368 | \$1,204,439 | \$ | \$1,204,439 |
| Board designated reserve fund | 100,000 | | 100,000 | 100,000 | | 100,000 |
| Specific purpose: | | | | | | |
| Creative Aging | | 287,304 | 287,304 | | 168,005 | 168,005 |
| Creative Aging Institutes | | 5,000 | 5,000 | | | |
| Distance Learning | | 35,000 | 35,000 | | | |
| Leadership Campaign | | 200,000 | 200,000 | | | |
| Passage of time: | | | | | | |
| For periods after December 31 | | 1,302,966 | 1,302,966 | | 1,258,466 | 1,258,466 |
| Endowment fund | | 292,505 | 292,505 | | 262,071 | 262,071 |
| Total net assets | <u>\$ 721,368</u> | <u>\$2,122,775</u> | <u>\$2,844,143</u> | <u>\$1,304,439</u> | <u>\$1,688,542</u> | <u>\$2,992,981</u> |

Releases from net assets with donor restrictions as follows during the year ended December 31:

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Satisfaction of purpose restrictions: | | |
| Conference | \$ 100,735 | \$ 128,000 |
| Leadership Institute | | 112,500 |
| Creative Aging | 149,951 | 124,264 |
| Creative Aging Institutes | 5,000 | |
| Equipment | | 6,500 |
| Emerging Leadership Institute | | 22,500 |
| Distance Learning | 35,100 | |
| Leadership Campaign | 53,500 | |
| Community Arts Education Leadership Institutes | 129,995 | 19,000 |
| CAELI | 8,500 | |
| Regional Trainings and Events | 30,750 | |
| Creative Youth Development | 100,000 | 100,000 |
| Passage of time: | | |
| For periods after December 31 | 13,000 | 200,000 |
| Appropriation of endowment assets for expenditure | 13,810 | 13,890 |
| | <u>\$ 640,341</u> | <u>\$ 726,654</u> |

As of December 31, 2019 and 2018, the Board of Directors has designated \$100,000 respectively, of net asset without donor restrictions, as a board reserve fund to allow flexibility for project support or opportunity. Since that amount resulted from an internal designation and is not donor restricted, it is classified as net assets without donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

12. Endowment funds

The Organization's endowments consist of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization is responsible for the long-term investment policies for donor-restricted endowment funds. The Board of Trustees has established a policy whereby 5% of the three-year rolling average of the year end value or the fund balance may be draw down, if needed. No such distribution shall be made to the extent it would reduce the value below the endowed corpus.

The Organization interprets the UPMIFA of the State of New York as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Changes in endowment net assets were as follows for the year ended December 31, 2019:

| | <u>Appreciation</u> | <u>Historical gift value</u> | <u>Total</u> |
|---|---------------------|----------------------------------|-------------------|
| Endowment net assets, January 1, 2019 | \$ 113,556 | \$ 148,515 | \$ 262,071 |
| Investment return: | | | |
| Dividend and interest income | 15,701 | | 15,701 |
| Net depreciation in fair value | <u>28,543</u> | | <u>28,543</u> |
| Total investment return | <u>44,244</u> | | <u>44,244</u> |
| Appropriation of endowment assets for expenditure | <u>(13,810)</u> | | <u>(13,810)</u> |
| Endowment net assets, December 31, 2019 | <u>\$ 143,990</u> | <u>\$ 148,515</u> | <u>\$ 292,505</u> |

Changes in endowment net assets were as follows for the year ended December 31, 2018:

| | <u>Appreciation</u> | <u>Historical gift value</u> | <u>Total</u> |
|---|---------------------|----------------------------------|-------------------|
| Endowment net assets, January 1, 2018 | \$ 139,890 | \$ 148,515 | \$ 288,405 |
| Investment return: | | | |
| Dividend and interest income | 15,225 | | 15,225 |
| Net depreciation in fair value | <u>(27,669)</u> | | <u>(27,669)</u> |
| Total investment return | <u>(12,444)</u> | | <u>(12,444)</u> |
| Appropriation of endowment assets for expenditure | <u>(13,890)</u> | | <u>(13,890)</u> |
| Endowment net assets, December 31, 2018 | <u>\$ 113,556</u> | <u>\$ 148,515</u> | <u>\$ 262,071</u> |

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

13. Pension plans

The Organization offers a SIMPLE IRA plan to its employees with an employer match of up to 3% of eligible compensation. Matching contributions amounted to \$20,390 and \$22,241 during the years ended December 31, 2019 and 2018, respectively.

The Organization also established a 457(b) plan for certain employees. Contributions towards this plan are discretionary and are determined by the Board. The Organization contributed \$26,000 and \$24,000 to this plan during the years ended December 31, 2019 and 2018, respectively.

14. Subsequent events

Subsequent events have been evaluated through March 17, 2020, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.