



***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017***

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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, 2018 and 2017, 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, 2018 and 2017, 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. 2016-14, *Not-for-Profit Entities*.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

March 22, 2019

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2018</u>	<u>2017</u>
Cash	\$ 248,292	\$ 297,353
Investments	866,098	999,531
Grants receivable	88,505	140,500
Conference sponsorship receivable	29,437	27,828
Pledges receivable	1,392,062	1,026,971
Prepaid expenses and other assets	43,927	22,062
Property and equipment, net	442,792	393,305
	<u> </u>	<u> </u>
Total assets	<u>\$ 3,111,113</u>	<u>\$ 2,907,550</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 94,452	\$ 175,514
Deferred revenue	23,680	24,748
	<u> </u>	<u> </u>
Total liabilities	<u>118,132</u>	<u>200,262</u>
Net assets:		
Without donor restrictions	1,304,439	1,301,256
With donor restrictions	1,688,542	1,406,032
	<u> </u>	<u> </u>
Total net assets	<u>2,992,981</u>	<u>2,707,288</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 3,111,113</u>	<u>\$ 2,907,550</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, 2018		Year ended December 31, 2017	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Support:				
Public support:				
Contributions and grants	\$ 705,477	\$ 825,608	\$ 570,586	\$ 1,284,626
Government grants	196,000		114,000	
In-kind contributions	32,637		30,034	
Total support	934,114	825,608	714,620	1,284,626
Revenues:				
Membership dues	273,143		267,985	
Conferences and seminars, net of financial aid of \$51,380 and \$47,210 in 2018 and 2017, respectively	310,097		329,871	
Dividends and interest	37,516	15,225	24,848	12,775
Miscellaneous revenue	6,817		7,704	
Total revenues	627,573	15,225	630,408	12,775
Net assets released from restrictions	530,654	(530,654)	330,705	(330,705)
Total support and revenues	2,092,341	310,179	1,675,733	966,696
Expenses:				
Program services:				
Training and conferences	891,949		854,152	
Publication and information services	485,683		495,438	
Regranting program	78,294		10,731	
Total program services	1,455,926		1,360,321	
Supporting services:				
Management and general Fundraising	288,737		217,465	
	276,312		164,868	
Total supporting services	565,049		382,333	
Total expenses	2,020,975		1,742,654	
Change in net assets from operations	71,366	310,179	(66,921)	966,696
Nonoperating activities:				
Investment return, net	(68,183)	(27,669)	21,488	11,142
Total nonoperating activities	(68,183)	(27,669)	21,488	11,142
Change in net assets	3,183	282,510	(45,433)	977,838
Net assets, beginning of year	1,301,256	1,406,032	1,346,689	428,194
Net assets, end of year	\$ 1,304,439	\$ 1,688,542	\$ 1,301,256	\$ 1,406,032
				\$ 2,707,288

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 285,693	\$ 932,405
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	77,915	53,641
Unrealized and realized (gain) loss on investments	95,852	(32,630)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	51,995	(75,500)
Conference sponsorship receivable	(1,609)	(12,884)
Pledges receivable	(365,091)	(969,715)
Prepaid expenses and other assets	(21,865)	18,867
Increase (decrease) in:		
Accounts payable and accrued expenses	(81,062)	54,389
Government advances		
Deferred revenue	(1,068)	4,708
Net cash provided (used) by operating activities	<u>40,760</u>	<u>(26,719)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(127,402)	(187,527)
Purchases of investments	(207,106)	(167,028)
Proceeds from sale of investments	244,687	14,809
Net cash used by investing activities	<u>(89,821)</u>	<u>(339,746)</u>
Net decrease in cash	(49,061)	(366,465)
Cash, beginning of year	<u>297,353</u>	<u>663,818</u>
Cash, end of year	<u>\$ 248,292</u>	<u>\$ 297,353</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, 2018 and 2017

	Program services						Total
	Training and conferences		Publication and information services		Regranting program		
	2018	2017	2018	2017	2018	2017	
Salaries	\$ 227,322	\$ 271,597	\$ 229,150	\$ 233,178	\$ 5,303	\$	\$ 461,775
Payroll taxes	18,210	19,769	17,909	16,973	407		36,526
Employee benefits	28,602	40,362	28,832	34,652	667		58,101
Total salaries and related expenses	274,134	331,728	275,891	284,803	6,377		556,402
Consulting fees and honoraria	222,324	144,712	91,979	87,638			314,303
Information technology	17,655	19,267	12,808	9,142	471		30,934
Travel and meetings	99,875	52,064	9,376	17,062			109,251
Space rental, AV, catering	173,733	214,282	1,185	9,891	594		174,918
Office rent and utilities	23,660	26,834	26,948	25,944	100		51,202
Office and miscellaneous expenses	20,986	20,834	6,179	10,887			27,265
Printing and publication	16,437	16,407	23,756	20,389			40,193
Dues and subscriptions	7,520	222	4,991	2,759	34		12,545
Regranting	7,660		500		70,000	10,731	78,160
Depreciation	23,873	20,051	27,800	19,386	629		52,302
Bank charges	4,092	7,751	4,270	7,537	89		8,451
Total expenses	\$ 891,949	\$ 854,152	\$ 485,683	\$ 495,438	\$ 78,294	\$ 10,731	\$ 1,455,926
							\$ 1,360,321

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, 2018 and 2017

	Supporting services					
	Management and general		Fundraising		Total	
	2018	2017	2018	2017	2018	2017
Salaries	\$ 91,957	\$ 67,148	\$ 184,100	\$ 79,714	\$ 276,057	\$ 146,862
Payroll taxes	6,965	4,887	13,503	5,802	20,468	10,689
Employee benefits	11,570	9,979	23,164	11,846	34,734	21,825
Total salaries and related expenses	<u>110,492</u>	<u>82,014</u>	<u>220,767</u>	<u>97,362</u>	<u>331,259</u>	<u>179,376</u>
Consulting fees and honoraria	103,315	71,087	108	31,314	103,423	102,401
Information technology	7,849	22,336	12,579	2,085	20,428	24,421
Travel and meetings	21,033	18,255	2,513	2,520	23,546	20,775
Space rental, AV, catering	469	2,032	469	2,573	469	4,605
Office rent and utilities	8,670	6,526	14,965	12,484	23,635	19,010
Office and miscellaneous expenses	11,581	2,992	2,949	3,128	14,530	6,120
Printing and publication	1,601	892	908	468	2,509	892
Dues and subscriptions	5,089	750	2,594	468	7,683	1,218
Regranting						
Depreciation	9,653	4,876	15,960	9,328	25,613	14,204
Bank charges	8,985	5,705	2,969	3,606	11,954	9,311
Total expenses	<u>\$ 288,737</u>	<u>\$ 217,465</u>	<u>\$ 276,312</u>	<u>\$ 164,868</u>	<u>\$ 565,049</u>	<u>\$ 382,333</u>
					<u>\$ 737,832</u>	<u>\$ 651,637</u>
					<u>\$ 56,994</u>	<u>\$ 47,431</u>
					<u>\$ 92,835</u>	<u>\$ 96,839</u>
					<u>\$ 887,661</u>	<u>\$ 795,907</u>
					<u>\$ 417,726</u>	<u>\$ 334,751</u>
					<u>\$ 51,362</u>	<u>\$ 52,830</u>
					<u>\$ 132,797</u>	<u>\$ 89,901</u>
					<u>\$ 175,387</u>	<u>\$ 228,778</u>
					<u>\$ 74,837</u>	<u>\$ 71,788</u>
					<u>\$ 41,795</u>	<u>\$ 37,841</u>
					<u>\$ 42,702</u>	<u>\$ 37,688</u>
					<u>\$ 20,228</u>	<u>\$ 4,199</u>
					<u>\$ 78,160</u>	<u>\$ 10,731</u>
					<u>\$ 77,915</u>	<u>\$ 53,641</u>
					<u>\$ 20,405</u>	<u>\$ 24,599</u>
					<u>\$ 2,020,975</u>	<u>\$ 1,742,654</u>

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. Nature of the Organization

The National Guild for Community Arts Education (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

New accounting pronouncement

During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

As a result of the adoption of ASU, net assets as of December 31, 2017 were reclassified as follows:

	ASU Classifications		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Net asset classifications			
As previously presented:			
Unrestricted	\$ 1,301,256	\$	\$ 1,301,256
Temporarily restricted		1,257,517	1,257,517
Endowment funds		<u>148,515</u>	<u>148,515</u>
Total net assets	<u>\$ 1,301,256</u>	<u>\$ 1,406,032</u>	<u>\$ 2,707,288</u>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

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.

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.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

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, 2018 and 2017.

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.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Contributions

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. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statement of activities as net assets released from restrictions.

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.

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 \$32,637 and \$30,034 during the years ended December 31, 2018 and 2017, 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.

Governmental support and advances under government grants

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 net assets. Funds received in periods prior to the cost being incurred are deferred until future periods.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

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.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

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.

The Organization invests in various investment securities. Investment securities are exposed to various risks. 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. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2018 and 2017, which are available for operations within one year:

Financial assets at year end	<u>2018</u>	<u>2017</u>
Cash	\$ 248,292	\$ 297,353
Investments	866,098	999,531
Grant receivable	88,505	140,500
Conference sponsorship receivable	29,437	27,828
Pledges receivables	756,830	468,505
Subsequent year's endowment payout	<u>13,000</u>	<u>13,890</u>
 Total financial assets	 <u>2,002,162</u>	 <u>1,947,607</u>
 Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,688,542	1,406,032
Less net assets with purpose restrictions to be met in less than a year	(168,005)	(132,014)
Less pledges receivable in less than a year	(756,830)	(200,000)
Funds functioning as board designated reserve fund	<u>100,000</u>	<u>100,000</u>
	<u>863,707</u>	<u>1,174,018</u>
 Financial assets available to meet cash needs for operating expenditures within one year	 <u>\$ 1,138,455</u>	 <u>\$ 773,589</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses, net of in-kind (approximately \$500,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

In addition, there is a fund functioning as board designated reserve fund established by the governing board 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.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 2.83% for the year ended December 31, 2018. Pledges receivable are due as follows at December 31:

	<u>2018</u>	<u>2017</u>
One year or less	\$ 756,830	\$ 468,505
Two to five years	<u>680,000</u>	<u>600,000</u>
	1,436,830	1,068,505
Less discount	<u>44,768</u>	<u>41,534</u>
	<u>\$ 1,392,062</u>	<u>\$ 1,026,971</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>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash	\$ 31,311	\$ 31,311	\$ 112,453	\$ 112,453
Stock funds	477,541	455,789	440,291	494,754
Bond funds	289,960	277,174	74,101	71,497
Short-term funds			59,464	59,464
Stocks	96,415	101,824	47,516	61,370
Certificate of deposit			<u>200,000</u>	<u>199,993</u>
	<u>\$ 895,227</u>	<u>\$ 866,098</u>	<u>\$ 933,825</u>	<u>\$ 999,531</u>

The following schedule summarizes the investment return for the years ended December 31, 2018 and 2017. The classification of the investment return is reported on the statement of activities.

	<u>2018</u>	<u>2017</u>
Dividend and interest income	\$ 52,741	\$ 37,623
Realized and unrealized gain (loss) on investments	<u>(95,852)</u>	<u>32,630</u>
Investment income (loss)	<u>\$ (43,111)</u>	<u>\$ 70,253</u>

Consistent with the Organization's spending policy, \$13,890 and \$13,705 was appropriated and spent for the years ended December 31, 2018 and 2017, respectively (see Note 12).

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

7. Fair value measurement

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

	2018			
	Level 1	Level 2	Level 3	Total
Cash	\$ 31,311	\$	\$	\$ 31,311
Stock funds	455,789			455,789
Bond funds	277,174			277,174
Stocks	101,824			101,824
	<u>\$ 866,098</u>	<u>\$</u>	<u>\$</u>	<u>\$ 866,098</u>
	2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 112,453	\$	\$	\$ 112,453
Stock funds	494,754			494,754
Bond funds	71,497			71,497
Short-term funds	59,464			59,464
Stocks	61,370			61,370
Certificate of deposit	199,993			199,993
	<u>\$ 999,531</u>	<u>\$</u>	<u>\$</u>	<u>\$ 999,531</u>

8. Property and equipment

Property and equipment consist of the following at December 31:

	2018	2017
Furniture and fixtures	\$ 15,092	\$ 15,092
Computer equipment	36,144	36,144
Website	717,448	374,734
Database software	171,783	161,783
	940,467	587,753
Less accumulated depreciation	<u>497,675</u>	<u>419,759</u>
	442,792	167,994
Website development in process		<u>225,311</u>
	<u>\$ 442,792</u>	<u>\$ 393,305</u>

Depreciation expense was \$77,915 and \$53,641 for the years ended December 31, 2018 and 2017, respectively.

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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 \$74,837 and \$71,788 for the years ended December 31, 2018 and 2017, respectively.

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

Year ending December 31:	
2019	\$ 51,205
	<u>\$ 51,205</u>

10. Major sources of support

For the year ended December 31, 2018, one donor accounted for approximately 27% of total support and revenues. For the year ended December 31, 2017, one donor accounted for approximately 38% of total support and revenues.

11. Net assets

Net assets were available as follows at December 31, 2018 and 2017:

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$1,204,439	\$	\$1,204,439	\$1,201,256	\$	\$1,201,256
Board designated reserve fund	100,000		100,000	100,000		100,000
Specific purpose:						
Leadership Institute					12,500	12,500
Creative Aging		168,005	168,005	140,160		140,160
Equipment				6,500		6,500
Passage of time:						
For periods after December 31		1,258,466	1,258,466	958,466		958,466
Endowment fund		262,071	262,071	288,406		288,406
Total net assets	<u>\$1,304,439</u>	<u>\$1,688,542</u>	<u>\$2,992,981</u>	<u>\$1,301,256</u>	<u>\$1,406,032</u>	<u>\$2,707,288</u>

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11. Net assets (continued)

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

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
National Conference	\$ 51,000	\$ 42,500
Leadership Institute	112,500	52,500
Creative Aging	124,264	60,000
Creative Youth Development		22,000
Equipment	6,500	
Emerging Leadership Institute	22,500	
Passage of time:		
For periods after December 31	200,000	140,000
Appropriation of endowment assets for expenditure	<u>13,890</u>	<u>13,705</u>
	<u>\$ 530,654</u>	<u>\$ 330,705</u>

As of December 31, 2018 and 2017, the Board of Directors has designated \$100,000 and \$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.

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.

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December 31, 2018 and 2017

12. Endowment funds (continued)

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	\$ 139,891	\$ 148,515	\$ 288,406
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>

Changes in endowment net assets were as follows for the year ended December 31, 2017:

	<u>Appreciation</u>	<u>Historical gift value</u>	<u>Total</u>
Endowment net assets, January 1, 2017	\$ 129,679	\$ 148,515	\$ 278,194
Investment return:			
Dividend and interest income	12,775		12,775
Net appreciation in fair value	<u>11,142</u>		<u>11,142</u>
Total investment return	<u>23,917</u>		<u>23,917</u>
Appropriation of endowment assets for expenditure	<u>(13,705)</u>		<u>(13,705)</u>
Endowment net assets, December 31, 2017	<u>\$ 139,891</u>	<u>\$ 148,515</u>	<u>\$ 288,406</u>

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 \$22,241 and \$17,034 during the years ended December 31, 2018 and 2017, 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 \$24,000 and \$23,000 to this plan during the years ended December 31, 2018 and 2017, respectively.

14. Subsequent events

Subsequent events have been evaluated through March 22, 2019, which is the date the financial statements were available to be issued.