



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

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of National Guild for Community Arts Education, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Guild for Community Arts Education, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

December 6, 2024

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2023</u>	<u>2022</u>
Cash	\$ 21,984	\$ 132,714
Investments	184,260	966,606
Grants receivable	120,050	31,000
Conference sponsorship receivable	1,758	2,425
Pledges receivable	18,250	85,786
Prepaid expenses and other assets	141,189	18,189
Property and equipment, net	<u>7,933</u>	<u>57,161</u>
Total assets	<u>\$ 495,424</u>	<u>\$ 1,293,881</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 60,537	\$ 73,615
Deferred revenue	<u>70,307</u>	<u>1,500</u>
Total liabilities	<u>130,844</u>	<u>75,115</u>
Net assets:		
Without donor restrictions	(97,880)	650,566
With donor restrictions	<u>462,460</u>	<u>568,200</u>
Total net assets	<u>364,580</u>	<u>1,218,766</u>
Total liabilities and net assets	<u>\$ 495,424</u>	<u>\$ 1,293,881</u>

See notes to financial statements.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (854,186)	\$ (905,104)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	49,229	79,127
Unrealized and realized (gains) losses on investments	(5,622)	111,248
Bad debt	40,291	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(89,050)	128,350
Conference sponsorship receivable	667	13,185
Pledges receivable	27,245	261,667
Prepaid expenses and other assets	(123,000)	(4,045)
Increase (decrease) in:		
Accounts payable and accrued expenses	(13,078)	(5,048)
Deferred revenue	68,807	(12,032)
Net cash used by operating activities	<u>(898,697)</u>	<u>(332,652)</u>
Cash flows from investing activities:		
Purchases of equipment		(1,549)
Purchases of investments	(21,033)	(44,246)
Proceeds from sale of investments	809,000	272,000
Net cash provided by investing activities	<u>787,967</u>	<u>226,205</u>
Net decrease in cash	(110,730)	(106,447)
Cash, beginning of year	<u>132,714</u>	<u>239,161</u>
Cash, end of year	<u>\$ 21,984</u>	<u>\$ 132,714</u>

See notes to financial statements.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2023 and 2022

	Program services						Total program services
	Training and conferences		Publication and information services		Advocacy		
	2023	2022	2023	2022	2023	2022	
Salaries	\$ 130,884	\$ 346,279	\$ 198,284	\$ 304,292	\$ 67,819	\$ 396,987	\$ 650,571
Payroll taxes	11,004	28,866	16,671	25,969	5,702	33,377	54,835
Employee benefits	12,245	28,711	18,942	26,836	5,523	36,710	55,547
Total salaries and related expenses	154,133	403,856	233,897	357,097	79,044	467,074	760,953
Consulting fees and honoraria	162,509	8,700		250	24,000	186,509	8,950
Regranting	29,777	4,865		2,437		29,777	7,302
Travel and meetings		11,238		9,833		21,071	21,071
Office rent and utilities	17,826	7,866		7,126		17,826	14,992
Bank charges and other fees	1,618	1,413		1,213		1,618	2,626
Office and miscellaneous expenses		1,435		1,256			2,691
Dues and subscriptions	19,565	1,587		2,806		19,565	1,587
Space rental, AV, catering	1,043	348		433		1,043	3,154
Printing and publication							433
Information technology		35,260		30,978			66,238
Depreciation							
Total expenses	\$ 386,471	\$ 476,568	\$ 233,897	\$ 413,429	\$ 103,044	\$ 723,412	\$ 889,997

See notes to financial statements.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2023 and 2022

	Supporting services					
	Management and general		Fundraising		Total supporting services	
	2023	2022	2023	2022	2023	2022
Salaries	\$ 187,237	\$ 63,912	\$ 114,943	\$ 62,704	\$ 302,180	\$ 126,616
Payroll taxes	15,742	5,368	9,664	5,206	25,406	10,574
Employee benefits	15,835	12,954	8,618	5,135	24,453	18,089
Total salaries and related expenses	218,814	82,234	133,225	73,045	352,039	155,279
Consulting fees and honoraria	154,946	208,379	7,950		162,896	208,379
Regranting		54,119			54,119	
Travel and meetings	11,781	21,142		34	11,781	21,176
Office rent and utilities	6,258	1,969		1,880	6,258	3,849
Bank charges and other fees	6,888	7,782		1,477	6,888	9,259
Office and miscellaneous expenses	9,626	17,569		1,265	9,626	18,834
Dues and subscriptions	21,880	16,456		340	21,880	16,796
Space rental, AV, catering		7,334				7,334
Printing and publication	2,995	64		63	2,995	127
Information technology	85				85	
Bad debt	40,291				40,291	
Depreciation	49,229	6,504		6,385	49,229	12,889
Total expenses	\$ 522,793	\$ 423,552	\$ 141,175	\$ 84,489	\$ 663,968	\$ 508,041
					\$ 1,387,380	\$ 1,398,038

See notes to financial statements.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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.

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 dividend income earned on investments. Non-operating activities are limited to realized and unrealized gains (losses) on investments, and other activities considered to be of a more unusual or nonrecurring nature.

Cash

Cash consists of demand deposit accounts. 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, 2023 and 2022

2. Summary of significant accounting policies (continued)

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the balance sheet. Unrealized gains and losses are included in the change in net assets without donor restriction for the gains and losses that are unrestricted, and in the change in net assets with donor restriction for the gains and losses that are restricted for the support of certain programs. Investment fees are netted against investment income.

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.

Conference sponsorship receivable

Accounts receivable consist primarily of amounts unpaid from conferences and seminars. All receivables are expected to be collected within one year.

Allowance for credit losses

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 credit losses was necessary at December 31, 2023 and 2022.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

2. Summary of significant accounting policies (continued)

Grants and pledge receivables

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until certain conditions are met.

All grants and pledges receivable are expected to be collected within one year.

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:

Computer equipment	3 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.

Deferred revenue

Payments for membership dues or conferences and seminars for the next period received before the end of the current year, are recorded as deferred revenue and are recognized as revenue when the funds are earned.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition

The Organization recognizes contributions when cash, investments, 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.

The Organization recognizes revenue from conference and seminar events when the events take place. Amounts received prior to the commencement of the conference and seminar events, including deposits, are deferred to the applicable period.

A portion of the Organization's revenue was derived from cost-reimbursable federal grants, which were conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received were recognized as revenue when the Organization incurred expenditures in compliance with specific contract or grant provisions. Amounts received on cost reimbursement grants, prior to incurring qualifying expenditures, were 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.

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.

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.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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 (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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation.

Recently adopted accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which affects all entities that hold financial assets and net investment in leases that are not accounted for at fair value through the change in net assets. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Organization adopted ASU 2016-13 effective January 1, 2023 and the pronouncement did not have a material effect on the Organization's financial statements.

3. Going concern evaluation by management

The Organization has experienced a reduction in profitability and cash flow in recent years. The Organization has implemented and will continue to adopt the following measures to assure its continued operation as a going concern:

Related to financial management and fundraising, the Organization has: (1) improved the fundraising function by establishing a clear fundraising calendar with specific goals and added emphasis on developing new donor relationships and greater board members participation; (2) established payment plans with various vendors to assist with cash flow issues; (3) introduced tiered membership with distinct benefits to replace the pay as you can which will result in increased membership dues; (4) added virtual events to the programming to generate additional revenues; (5) implemented cost-saving measures to reduce expenses by 10% by June 2025; and, (6) secured a loan for \$50,000 to increase cash flows.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

3. Going concern evaluation by management (continued)

To address the structural concern, the Organization has: (1) recruited board members with financial and fundraising backgrounds to help increase revenues; (2) created a new staff restructure with a second leader and research co-executive or managing director model to reduce costs; and, (3) changed its financial reporting procedures to more accurately reflect programmatic costs.

In addition, the Organization is updating operational policies for better procurement and management of contracts and planning for a much leaner budget for calendar years 2025 and 2026 with monthly cash flows updates to rebuild its reserve funds.

4. Risks and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, investments, pledges, and grants 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 a brokerage institution. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions and insured brokerage houses. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. 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.

5. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2023, which are available for operations within one year:

Financial assets at year end:

Cash	\$ 21,984
Investments	184,260
Grants receivable	120,050
Conference sponsorship receivable	1,758
Pledges receivables, due in one year	<u>18,250</u>
Total financial assets	<u>346,302</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	462,460
Less net assets with purpose restrictions to be met in less than a year	<u>(278,200)</u>
	<u>184,260</u>
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 162,042</u>

The Organization maintains its cash and liquid assets to ensure the availability of funds to meet its current expenses and liquidate its liabilities. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues which include fees, contributions, and other income.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

6. Investments

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

	2023		2022	
	Cost	Fair value	Cost	Fair value
Money market	\$ 2,035	\$ 2,035	\$ 48,685	\$ 48,685
Mutual funds	145,195	157,418	825,569	836,635
Stocks	34,126	24,807	93,443	81,286
	<u>\$ 181,356</u>	<u>\$ 184,260</u>	<u>\$ 967,697</u>	<u>\$ 966,606</u>

The following schedule summarizes the investment return and its classification in the statement of activities at December 31:

	2023		
	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 15,164	\$ 5,869	\$ 21,033
Realized and unrealized gains on investments	4,053	1,569	5,622
	<u>\$ 19,217</u>	<u>\$ 7,438</u>	<u>\$ 26,655</u>

	2022		
	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 34,088	\$ 10,157	\$ 44,245
Realized and unrealized losses on investments	(85,709)	(25,539)	(111,248)
	<u>\$ (51,621)</u>	<u>\$ (15,382)</u>	<u>\$ (67,003)</u>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

7. Fair value measurement

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

	2023			Total
	Level 1	Level 2	Level 3	
Money market fund (at cost)	\$	\$	\$	\$ 2,035
Mutual funds	157,418			157,418
Stocks	24,807			24,807
	<u>\$ 182,225</u>	<u>\$</u>	<u>\$</u>	<u>\$ 184,260</u>

	2022			Total
	Level 1	Level 2	Level 3	
Money market fund (at cost)	\$	\$	\$	\$ 48,685
Mutual funds	836,635			836,635
Stocks	81,286			81,286
	<u>\$ 917,921</u>	<u>\$</u>	<u>\$</u>	<u>\$ 966,606</u>

8. Property and equipment

Property and equipment consist of the following at December 31:

	2023	2022
Furniture and fixtures	\$	\$ 15,092
Computer equipment	1,549	37,693
Website	751,285	751,285
Database software	161,745	178,283
	914,579	982,353
Less accumulated depreciation	<u>906,646</u>	<u>925,192</u>
	<u>\$ 7,933</u>	<u>\$ 57,161</u>

Depreciation expense was \$49,229 and \$79,127 for the years ended December 31, 2023 and 2022, respectively. During the calendar year 2023, the Organization wrote off \$67,774 of fully depreciated items that were no longer in service.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

9. Net assets

Net assets were available as follows at December 31, 2023 and 2022:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ (97,880)	\$	\$ (97,880)	\$ 584,066	\$	\$ 584,066
Board designated reserve fund				66,500		66,500
Specific purpose:						
CAELI		25,000	25,000		25,000	25,000
Comprehensive Community Arts Education Advocacy Initiative		100,000	100,000			
Equity, Inclusion, and Diversity (EID) capacity building project Leadership Campaign		53,200	53,200		35,000	35,000
Equity, Inclusion, and Diversity (EID) capacity building project Leadership Campaign					60,000	60,000
Passage of time:						
For periods after December 31		100,000	100,000		178,466	178,466
Endowment fund		184,260	184,260		269,734	269,734
Total net assets	<u>\$ (97,880)</u>	<u>\$ 462,460</u>	<u>\$ 364,580</u>	<u>\$ 650,566</u>	<u>\$ 568,200</u>	<u>\$ 1,218,766</u>

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

	2023	2022
Satisfaction of purpose restrictions:		
To support personnel expenses in response to and recovery from COVID-19	\$	\$ 150,000
Creative Aging		87,500
Distance Learning		50,000
Leadership Campaign	6,800	50,000
Equity, Inclusion, and Diversity (EID) capacity building project	35,000	40,000
Passage of time:		
For periods after December 31	278,466	284,500
Appropriation of endowment assets for expenditure	92,912	14,605
	<u>\$ 413,178</u>	<u>\$ 676,605</u>

Up to December 31, 2022, the Board of Directors had designated \$66,500 of net assets 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 was not donor restricted, it was classified as net assets without donor restrictions. During calendar year 2023, the Board decided to release this reserve fund to support operations.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

10. 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, 2023:

	<u>Appreciation/ Depreciation</u>	<u>Historical gift value</u>	<u>Total</u>
Endowment net assets, January 1, 2023	\$ 121,219	\$ 148,515	\$ 269,734
Investment return:			
Interest and dividend income	5,869		5,869
Net appreciation in fair value	1,569		1,569
Total investment return	7,438		7,438
Appropriation of endowment assets for expenditure	(92,912)		(92,912)
Endowment net assets, December 31, 2023	<u>\$ 35,745</u>	<u>\$ 148,515</u>	<u>\$ 184,260</u>

Changes in endowment net assets were as follows for the year ended December 31, 2022:

	<u>Appreciation/ Depreciation</u>	<u>Historical gift value</u>	<u>Total</u>
Endowment net assets, January 1, 2022	\$ 151,206	\$ 148,515	\$ 299,721
Investment return:			
Interest and dividend income	10,157		10,157
Net depreciation in fair value	(25,539)		(25,539)
Total investment return	(15,382)		(15,382)
Appropriation of endowment assets for expenditure	(14,605)		(14,605)
Endowment net assets, December 31, 2022	<u>\$ 121,219</u>	<u>\$ 148,515</u>	<u>\$ 269,734</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

11. Retirement plans

The Organization offers a SIMPLE IRA plan to eligible employees with an employer match of up to 3% of eligible compensation. Matching contributions amounted to \$14,526 and \$12,719 during the years ended December 31, 2023 and 2022, 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 did not make contributions to this plan during the years ended December 31, 2023 and 2022.

12. Leases - commitment and contingencies

On July 26, 2021, the Organization signed a sublease agreement with a landlord for twelve months. Monthly rent under this sublease was \$2,200 from August 1, 2021 to July 31, 2022.

On November 17, 2022, the Organization signed a new month to month sublease agreement for the rental of a workstation within an office building. The monthly payments under this new sublease is \$700. The lease can be terminated by either party with four weeks' notice.

Rent expense was \$6,258 and \$24,920 for the years ended December 31, 2023 and 2022, respectively.

13. Major sources of support

For the year ended December 31, 2023, two donors accounted for approximately 94% of total support and revenues. For the year ended December 31, 2022, two donors accounted for approximately 46% of total support and revenues. The accounts receivable balance for these donors totaled \$100,000 and \$21,000 as of December 31, 2023 and 2022, respectively.

14. Subsequent events

In January 2024, the Organization claimed the Employee Retention Credits (ERC) for the second, third and fourth quarters in calendar year 2020; and, the first, second and third quarters in calendar year 2021 in the total amount of \$221,919. The ERC credits were received on February 16, 2024.

As part of working capital considerations, on June 17, 2024, the Organization entered into a loan agreement with SeaChange in the amount of \$50,000 at a fixed rate of 6% per annum. The note matures in April 2025. Interest is paid in quarterly installments within fifteen days of the end of each quarter. The loan is subject to certain financial and non-financial covenants.

Subsequent events have been evaluated through December 6, 2024, which is the date the financial statements were available to be issued. Except as noted above, no other subsequent events were noted.