



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

YEARS ENDED DECEMBER 31, 2020 AND 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 17

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of National Guild for Community Arts Education, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, 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.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

April 29, 2021

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2020</u>	<u>2019</u>
Cash	\$ 245,050	\$ 171,017
Investments	1,168,154	1,148,697
Grants receivable	122,635	187,235
Conference sponsorship receivable	19,436	42,800
Pledges receivable	649,990	1,155,331
Prepaid expenses and other assets	19,363	22,991
Property and equipment, net	<u>240,858</u>	<u>365,498</u>
 Total assets	 <u>\$ 2,465,486</u>	 <u>\$ 3,093,569</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 85,589	\$ 232,146
Deferred revenue	<u>16,837</u>	<u>17,280</u>
 Total liabilities	 <u>102,426</u>	 <u>249,426</u>
Net assets:		
Without donor restrictions	752,353	721,368
With donor restrictions	<u>1,610,707</u>	<u>2,122,775</u>
 Total net assets	 <u>2,363,060</u>	 <u>2,844,143</u>
 Total liabilities and net assets	 <u>\$ 2,465,486</u>	 <u>\$ 3,093,569</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, 2020		Year ended December 31, 2019	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Support:				
Public support:				
Contributions and grants	\$ 327,152	\$ 290,658	\$ 220,940	\$ 827,095
Government grants	250	298,450	61,329	203,235
In-kind contributions				61,329
Total support	327,402	589,108	282,269	1,030,330
Revenues:				
Membership dues, net of financial aid of \$67,796 and \$0 in 2020 and 2019, respectively	195,872		271,290	271,290
Conferences and seminars, net of financial aid of \$27,066 and \$58,422 in 2020 and 2019, respectively	26,643		237,077	237,077
Dividends and interest	26,658	9,106	44,159	15,701
Miscellaneous revenue	2,083		19,726	19,726
Total revenues	251,256	9,106	572,252	587,953
Net assets released from restrictions	1,106,810	(1,106,810)	640,341	(640,341)
Total support and revenues	1,685,468	(508,596)	1,494,862	405,690
Expenses:				
Program services:				
Training and conferences	801,215		1,053,642	1,053,642
Publication and information services	349,310		427,126	427,126
Regranting program			74,833	74,833
Total program services	1,150,525		1,555,601	1,555,601
Supporting services:				
Management and general	211,653		281,737	281,737
Fundraising	282,140		320,868	320,868
Total supporting services	493,793		602,605	602,605
Total expenses	1,644,318		2,158,206	2,158,206
Change in net assets from operations	41,150	(508,596)	(663,344)	405,690
Nonoperating activities:				
Realized and unrealized gain (loss) on investments	(10,165)	(3,472)	80,273	28,543
Total nonoperating activities	(10,165)	(3,472)	80,273	28,543
Change in net assets	30,985	(512,068)	(583,071)	434,233
Net assets, beginning of year	721,368	2,122,775	1,304,439	1,688,542
Net assets, end of year	\$ 752,353	\$ 1,610,707	\$ 721,368	\$ 2,122,775
				\$ 2,844,143

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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (481,083)	\$ (148,838)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	124,640	117,631
Unrealized and realized (gain) loss on investments	13,637	(108,816)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	64,600	(98,730)
Conference sponsorship receivable	23,364	(13,363)
Pledges receivable	505,341	236,731
Prepaid expenses and other assets	3,628	20,936
Increase (decrease) in:		
Accounts payable and accrued expenses	(146,557)	137,694
Deferred revenue	(443)	(6,400)
	<u>107,127</u>	<u>136,845</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment		(40,337)
Purchases of investments	(231,587)	(430,234)
Proceeds from sale of investments	198,493	256,451
	<u>(33,094)</u>	<u>(214,120)</u>
Net cash used by investing activities		
Net increase (decrease) in cash	74,033	(77,275)
Cash, beginning of year	171,017	248,292
	<u>171,017</u>	<u>248,292</u>
Cash, end of year	<u>\$ 245,050</u>	<u>\$ 171,017</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, 2020 and 2019

	Program services						
	Training and conferences		Publication and information services		Regranting program		Total
	2020	2019	2020	2019	2020	2019	
Salaries	\$ 464,703	\$ 389,364	\$ 225,745	\$ 198,057	\$ 690,448	\$ 590,709	
Payroll taxes	35,074	29,462	17,206	15,127	52,280	44,845	
Employee benefits	32,256	38,667	39,147	33,593	71,403	72,695	
Total salaries and related expenses	532,033	457,493	282,098	246,777	814,131	708,249	
Consulting fees and honoraria	156,603	163,116	3,483	66,267	160,085	229,383	
Office rent and utilities	19,628	37,701	9,852	21,678	29,479	59,657	
Bank charges	8,490	6,399	4,153	3,341	12,644	9,796	
Office and miscellaneous expenses	4,343	15,820	4,950	6,960	9,293	22,825	
Dues and subscriptions	9,778	28,502	1,035	1,444	10,813	29,964	
Printing and publication	350	7,827	13,324	25,376	13,674	33,206	
Information technology	877	3,274	3,535	17,973	4,412	21,271	
Travel and meetings	1,735	80,110	176	4,374	1,911	84,484	
Regranting	2,400	15,317			2,400	85,317	
Space rental, AV, catering	904	180,804			904	180,804	
Professional fees							
Depreciation	64,073	57,279	26,705	32,936	90,778	90,645	
Total expenses	<u>\$ 801,215</u>	<u>\$ 1,053,642</u>	<u>\$ 349,310</u>	<u>\$ 427,126</u>	<u>\$ 1,150,525</u>	<u>\$ 1,555,601</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, 2020 and 2019

	Supporting services					
	Management and general		Fundraising		Total	
	2020	2019	2020	2019	2020	2019
Salaries	\$ 69,025	\$ 70,232	\$ 160,716	\$ 171,259	\$ 229,740	\$ 241,491
Payroll taxes	5,286	5,449	12,279	13,367	17,564	18,816
Employee benefits	7,589	8,929	15,423	21,875	23,012	30,804
Total salaries and related expenses	81,899	84,610	188,418	206,501	270,317	291,111
Consulting fees and honoraria	76,089	51,820	52,984	56,806	129,072	108,626
Office rent and utilities	3,400	7,028	8,359	12,685	11,759	19,713
Bank charges	7,316	13,063	2,998	2,864	10,314	15,927
Office and miscellaneous expenses	8,907	7,267	3,545	2,546	12,452	9,813
Dues and subscriptions	9,882	19,539	1,455	3,619	11,337	23,158
Printing and publication	548	545		269	548	814
Information technology	6,597	4,724	378	1,103	6,975	5,827
Travel and meetings	6,668	22,106	155	5,722	6,822	27,828
Regranting						
Space rental, AV, catering	84	1,774		9,700	84	11,474
Professional fees	250	61,329			250	61,329
Depreciation	10,012	7,932	23,850	19,053	33,862	26,985
Total expenses	\$ 211,653	\$ 281,737	\$ 282,140	\$ 320,868	\$ 493,793	\$ 602,605
					\$ 920,189	\$ 832,200
					69,844	63,661
					94,415	103,499
					1,084,448	999,360
					289,157	338,009
					41,239	79,370
					22,958	25,723
					21,745	32,638
					22,150	53,122
					14,222	34,020
					11,387	27,098
					8,733	112,312
					2,400	85,317
					988	192,278
					250	61,329
					124,640	117,630
					\$ 1,644,318	\$ 2,158,206

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 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, 2020 and 2019

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, 2020 and 2019.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition (continued)

On May 4, 2020, the Organization was granted and received a loan in the amount of \$168,300 pursuant to the Paycheck Protection Program (the PPP). On May 5, 2020, the Organization was granted and received a loan in the amount of \$10,000 pursuant to the Economic Injury Disaster Loan (the EIDL). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The EIDL loan was originally established as a loan to be repaid and has subsequently been allowed to be forgiven as part of the PPP loan. The loans and related interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization has determined the PPP to be a forgivable grant, as such, it has recorded the proceeds of the loan as grant income and has included it in revenues as of December 31, 2020. This was based on a review of the PPP requirements and expectation that the Organization has met all conditions for forgiveness by the Small Business Administration (SBA). In the event that any unforgiven portion of the PPP loan would exist, the amount would be payable over two years at an interest rate of 1% and would mature on April 6, 2022. The application for forgiveness was submitted to the lending institution and has subsequently been forwarded to the SBA for final approval.

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.

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 \$250, and \$61,329 during the years ended December 31, 2020 and 2019, 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, 2020 and 2019

3. Risks and uncertainties

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.

The Organization has reviewed its operations in light of the COVID-19 pandemic in order to determine the impact on its operations and finances. Due to the effect of COVID-19, membership dues and program fees have decreased as the Organization offered to members a reduced option to "pay what you can". The Organization also canceled its annual conference for 2020 and has plans to resume in-person programs in the upcoming year. The Organization believes that the pandemic may continue to have a limited effect on its operations and finances, but the full impact cannot be determined or quantified at this time. In addition, the Federal and State responses to the pandemic could change the analysis done by the Organization, and that change could be material.

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2020, which is available for operations within one year:

Financial assets at year end:

Cash	\$ 245,050
Investments	1,168,154
Grant receivable	122,635
Conference sponsorship receivable	19,436
Pledges receivables, due in one year	610,624
Subsequent year's endowment payout	<u>14,050</u>
Total financial assets	<u>2,179,949</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	1,610,707
Less net assets with purpose restrictions to be met in less than a year	<u>(638,155)</u>
	<u>972,552</u>
Financial assets available to meet cash needs for operating expenditures within one year	<u><u>\$ 1,207,397</u></u>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 \$411,000). 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, membership dues, 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 approximately 1.0% for the years ended December 31, 2020 and 2019. Pledges receivable are due as follows at December 31:

	<u>2020</u>	<u>2019</u>
One year or less	\$ 610,624	\$ 905,295
Two to five years	<u>40,000</u>	<u>260,000</u>
	650,624	1,165,295
Less discount	<u>634</u>	<u>9,964</u>
	<u>\$ 649,990</u>	<u>\$ 1,155,331</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>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash	\$ 288,794	\$ 288,794	\$ 156,610	\$ 156,610
Stock funds	422,023	462,230	513,266	573,795
Bond funds	311,974	315,114	301,750	296,371
Stocks	<u>95,052</u>	<u>102,016</u>	<u>97,011</u>	<u>121,921</u>
	<u>\$ 1,117,843</u>	<u>\$ 1,168,154</u>	<u>\$ 1,068,637</u>	<u>\$ 1,148,697</u>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

6. Investments (continued)

The following schedule summarizes the investment return for the years ended December 31, 2020 and 2019. The classification of the investment return is reported on the statement of activities.

	<u>2020</u>	<u>2019</u>
Dividend and interest income	\$ 35,764	\$ 59,860
Realized and unrealized gain (loss) on investments	<u>(13,637)</u>	<u>108,816</u>
Investment income	<u>\$ 22,127</u>	<u>\$ 168,676</u>

Consistent with the Organization's spending policy, \$14,050 and \$13,810 of the endowment assets were appropriated and spent for the years ended December 31, 2020 and 2019, 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>2020</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash	\$ 288,794	\$	\$	\$ 288,794
Stock funds	462,230			462,230
Bond funds	315,114			315,114
Stocks	<u>102,016</u>			<u>102,016</u>
	<u>\$ 1,168,154</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,168,154</u>
	<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>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

8. Property and equipment

Property and equipment consist of the following at December 31:

	2020	2019
Furniture and fixtures	\$ 15,092	\$ 15,092
Computer equipment	36,144	36,144
Website	751,285	717,448
Database software	<u>178,283</u>	<u>178,283</u>
	980,804	946,967
Less accumulated depreciation	<u>739,946</u>	<u>615,306</u>
	240,858	331,661
Website development in process	<u> </u>	<u>33,837</u>
	<u>\$ 240,858</u>	<u>\$ 365,498</u>

Depreciation expense was \$124,640 and \$117,631 for the years ended December 31, 2020 and 2019, respectively.

9. Leases

The Organization leases its offices under a sublease that expired on November 30, 2019. In December of 2019, this lease was renewed until November 30, 2022. The base rent is \$4,818 per month and includes an escalation clause of 3.5% per year on a compounded basis. On August 25, 2020, the Organization signed an addendum agreement to the original lease. As a result of the signed addendum, the Organization was not liable for monthly rent from July 1, 2020 – December 31, 2020. On December 29, 2020, the Organization signed an additional addendum agreement, which delayed the originally scheduled 3.5% rent increase from December 1, 2020 to July 1, 2021. The Organization will remain responsible for its proportionate share of the building's real estate tax and common area maintenance costs. The changes resulting from the addendum agreements have been reflected into the future minimum commitments schedule below. Rent expense, including real estate taxes, insurance, utilities and other costs associated with the lease was \$41,239 and \$79,370 for the years ended December 31, 2020 and 2019, respectively.

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

Year ending December 31:	
2021	\$ 59,001
2022	<u>56,771</u>
	<u>\$ 115,772</u>

10. Major sources of support

For the year ended December 31, 2020, two donors accounted for approximately 25% of total support and revenues. For the year ended December 31, 2019, two donors accounted for approximately 24% of total support and revenues.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

11. Net assets

Net assets were available as follows at December 31, 2020 and 2019:

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 685,853	\$	\$ 685,853	\$ 621,368	\$	\$ 621,368
Board designated reserve fund	66,500		66,500	100,000		100,000
Specific purpose:						
CAELI		25,000	25,000			
Creative Aging		238,005	238,005		287,304	287,304
Creative Aging Institutes		5,000	5,000		5,000	5,000
Distance Learning		70,150	70,150		35,000	35,000
Leadership Campaign		150,000	150,000		200,000	200,000
Passage of time:						
For periods after December 31		838,463	838,463		1,302,966	1,302,966
Endowment fund		284,089	284,089		292,505	292,505
Total net assets	<u>\$ 752,353</u>	<u>\$1,610,707</u>	<u>\$2,363,060</u>	<u>\$ 721,368</u>	<u>\$2,122,775</u>	<u>\$2,844,143</u>

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

	2020	2019
Satisfaction of purpose restrictions:		
Conference	\$	\$ 100,735
Creative Aging	166,800	149,951
Creative Aging Institutes	5,000	5,000
Distance Learning	91,800	35,100
Leadership Campaign	61,357	53,500
PPP and EIDL Loan - payroll and operational expenditures	178,300	
Community Arts Education Leadership Institutes		129,995
CAELI	25,000	8,500
Regional Trainings and Events		30,750
Creative Youth Development	100,000	100,000
Passage of time:		
For periods after December 31	464,503	13,000
Appropriation of endowment assets for expenditure	14,050	13,810
	<u>\$ 1,106,810</u>	<u>\$ 640,341</u>

As of December 31, 2020 and 2019, the Board of Directors has designated \$66,500 and \$100,000, respectively, 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 is not donor restricted, it is classified as net assets without donor restrictions.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020:

	<u>Appreciation</u>	<u>Historical gift value</u>	<u>Total</u>
Endowment net assets, January 1, 2020	\$ 143,990	\$ 148,515	\$ 292,505
Investment return:			
Dividend and interest income	9,106		9,106
Net depreciation in fair value	<u>(3,472)</u>		<u>(3,472)</u>
Total investment return	<u>5,634</u>		<u>5,634</u>
Appropriation of endowment assets for expenditure	<u>(14,050)</u>		<u>(14,050)</u>
Endowment net assets, December 31, 2020	<u>\$ 135,574</u>	<u>\$ 148,515</u>	<u>\$ 284,089</u>

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 appreciation 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>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 \$19,832 and \$20,390 during the years ended December 31, 2020 and 2019, 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 \$27,000 and \$26,000 to this plan during the years ended December 31, 2020 and 2019, respectively.

14. Subsequent events

Subsequent events have been evaluated through April 29, 2021, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.