



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

YEARS ENDED DECEMBER 31, 2021 AND 2020

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Balance Sheets	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 18

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, 2021 and 2020, 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, 2021 and 2020, 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 these 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

May 4, 2022

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2021</u>	<u>2020</u>
Cash	\$ 239,161	\$ 245,050
Investments	1,305,608	1,168,154
Grants receivable	159,350	122,635
Conference sponsorship receivable	15,610	19,436
Pledges receivable	347,453	649,990
Prepaid expenses and other assets	14,144	19,363
Property and equipment, net	<u>134,739</u>	<u>240,858</u>
 Total assets	 <u>\$ 2,216,065</u>	 <u>\$ 2,465,486</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 78,663	\$ 85,589
Deferred revenue	<u>13,532</u>	<u>16,837</u>
 Total liabilities	 <u>92,195</u>	 <u>102,426</u>
Net assets:		
Without donor restrictions	1,098,683	752,353
With donor restrictions	<u>1,025,187</u>	<u>1,610,707</u>
 Total net assets	 <u>2,123,870</u>	 <u>2,363,060</u>
 Total liabilities and net assets	 <u>\$ 2,216,065</u>	 <u>\$ 2,465,486</u>

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>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (239,190)	\$ (481,083)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	106,119	124,640
Unrealized and realized (gain) loss on investments	(58,044)	13,637
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(36,715)	64,600
Conference sponsorship receivable	3,826	23,364
Pledges receivable	302,537	505,341
Prepaid expenses and other assets	5,219	3,628
Increase (decrease) in:		
Accounts payable and accrued expenses	(6,926)	(146,557)
Deferred revenue	(3,305)	(443)
Net cash provided by operating activities	<u>73,521</u>	<u>107,127</u>
Cash flows from investing activities:		
Purchases of investments	(136,481)	(231,587)
Proceeds from sale of investments	<u>57,071</u>	<u>198,493</u>
Net cash used by investing activities	<u>(79,410)</u>	<u>(33,094)</u>
Net increase (decrease) in cash	(5,889)	74,033
Cash, beginning of year	<u>245,050</u>	<u>171,017</u>
Cash, end of year	<u>\$ 239,161</u>	<u>\$ 245,050</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, 2021 and 2020

	Program services							
	Training and conferences		Publication and information services		Regranting program		Total program services	
	2021	2020	2021	2020	2021	2020	2021	2020
Salaries	\$ 265,060	\$ 464,703	\$ 366,618	\$ 225,745	\$	\$	\$ 631,678	\$ 690,448
Payroll taxes	22,662	35,074	30,028	17,206			52,690	52,280
Employee benefits	19,282	32,256	25,431	39,147			44,713	71,403
Total salaries and related expenses	307,004	532,033	422,077	282,098			729,081	814,131
Consulting fees and honoraria	121,391	156,603	16,818	3,481			138,209	160,084
Regranting	86,000	2,400	-	-			86,000	2,400
Office rent and utilities	20,599	19,628	27,421	9,852			48,020	29,480
Office and miscellaneous expenses	3,012	4,344	3,105	4,950			6,117	9,294
Dues and subscriptions	9,880	9,778	3,240	1,035			13,120	10,813
Bank charges	6,036	8,490	8,170	4,154			14,206	12,644
Professional fees	300	-	-	-			300	-
Printing and publication	634	350	11,850	13,324			12,484	13,674
Information technology	151	877	5,998	3,535			6,149	4,412
Travel and meetings	-	1,735	-	176			-	1,911
Space rental, AV, catering	15	904	20	-			35	904
Depreciation	58,365	64,073	20,162	26,705			78,527	90,778
Total expenses	\$ 613,387	\$ 801,215	\$ 518,861	\$ 349,310	\$	\$	\$ 1,132,248	\$ 1,150,525

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

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition (continued)

On January 29, 2021, the Organization was granted and received a loan in the amount of \$175,327 pursuant to the Paycheck Protection Program (the PPP). 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, 2021. 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). The application for forgiveness was approved by the SBA in April 2022.

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 \$15,300, and \$250 during the years ended December 31, 2021 and 2020, 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, 2021 and 2020

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 since 2019 as the Organization offered to members a reduced option to “pay what you can”. The Organization also canceled its annual conference for 2021 and has plans to resume a conference program 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, 2021, which is available for operations within one year:

Financial assets at year end:

Cash	\$ 239,161
Investments	1,305,608
Grant receivable	159,350
Conference sponsorship receivable	15,610
Pledges receivables, due in one year	327,786
Subsequent year's endowment payout	<u>13,978</u>
Total financial assets	<u>2,061,493</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	1,025,187
Less net assets with purpose restrictions to be met in less than a year	<u>(486,000)</u>
	<u>539,187</u>
Financial assets available to meet cash needs for operating expenditures within one year	<u><u>\$ 1,522,306</u></u>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$380,000). 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, 2021 and 2020. Pledges receivable are due as follows at December 31:

	<u>2021</u>	<u>2020</u>
One year or less	\$ 327,786	\$ 610,624
Two to five years	<u>20,000</u>	<u>40,000</u>
	347,786	650,624
Less discount	<u>333</u>	<u>634</u>
	<u>\$ 347,453</u>	<u>\$ 649,990</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>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash	\$ 312,016	\$ 312,016	\$ 288,794	\$ 288,794
Stock funds	469,194	570,455	422,023	462,230
Bond funds	320,791	315,351	311,974	315,114
Stocks	<u>94,426</u>	<u>107,786</u>	<u>95,052</u>	<u>102,016</u>
	<u>\$ 1,196,427</u>	<u>\$ 1,305,608</u>	<u>\$ 1,117,843</u>	<u>\$ 1,168,154</u>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

6. Investments (continued)

The following schedule summarizes the investment return for the years ended December 31, 2021 and 2020. The classification of the investment return is reported on the statement of activities.

	<u>2021</u>	<u>2020</u>
Dividend and interest income	\$ 63,709	\$ 35,764
Realized and unrealized gain (loss) on investments	<u>58,044</u>	<u>(13,637)</u>
Investment income	<u>\$ 121,753</u>	<u>\$ 22,127</u>

Consistent with the Organization's spending policy, \$13,978 and \$14,050 of the endowment assets were appropriated and spent for the years ended December 31, 2021 and 2020, 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>2021</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash	\$ 312,016	\$	\$	\$ 312,016
Stock funds	570,455			570,455
Bond funds	315,351			315,351
Stocks	<u>107,786</u>			<u>107,786</u>
	<u>\$ 1,305,608</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,305,608</u>
	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

8. Property and equipment

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 15,092	\$ 15,092
Computer equipment	36,144	36,144
Website	751,285	751,285
Database software	<u>178,283</u>	<u>178,283</u>
	980,804	980,804
Less accumulated depreciation	<u>846,065</u>	<u>739,946</u>
	<u>\$ 134,739</u>	<u>\$ 240,858</u>

Depreciation expense was \$106,119 and \$124,640 for the years ended December 31, 2021 and 2020, respectively.

9. Leases

The Organization had leased its offices under a sublease with an initial expiration date of November 30, 2019. In December of 2019, this lease was initially renewed until November 30, 2022. The base rent was \$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 this 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 termination date of this original lease was changed from November 30, 2022 to July 31, 2021, ending this lease entirely.

On July 26, 2021, the Organization signed a new sublease agreement with a different landlord for twelve months. Monthly rent under this new sublease is \$2,200 from August 1, 2021 to July 31, 2022. Under the new sublease, the Organization is no longer responsible for a proportionate share of the building's real estate costs and common area maintenance expenses. Future minimum commitments on the remaining sublease are schedule below.

Rent expense was \$57,861 and \$41,239 for the years ended December 31, 2021 and 2020, respectively.

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

Year ending December 31:	
2022	<u>\$ 15,400</u>
	<u>\$ 15,400</u>

10. Major sources of support

For the year ended December 31, 2021, two donors accounted for approximately 35% of total support and revenues. For the year ended December 31, 2020, two donors accounted for approximately 25% of total support and revenues.

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

11. Net assets

Net assets were available as follows at December 31, 2021 and 2020:

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$1,032,183	\$	\$1,032,183	\$ 685,853	\$	\$ 685,853
Board designated reserve fund	66,500		66,500	66,500		66,500
Specific purpose:						
CAELI		25,000	25,000		25,000	25,000
Creative Aging		87,500	87,500		238,005	238,005
Creative Aging Institutes					5,000	5,000
Distance Learning		50,000	50,000		70,150	70,150
Leadership Campaign		100,000	100,000		150,000	150,000
Passage of time:						
For periods after December 31		462,966	462,966		838,463	838,463
Endowment fund		299,721	299,721		284,089	284,089
Total net assets	<u>\$1,098,683</u>	<u>\$1,025,187</u>	<u>\$2,123,870</u>	<u>\$ 752,353</u>	<u>\$1,610,707</u>	<u>\$2,363,060</u>

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

	2021	2020
Satisfaction of purpose restrictions:		
Creative Aging	\$ 405,208	\$ 166,800
PPP and EIDL Loan - payroll and operational expenditures	175,327	178,300
Distance Learning	100,150	91,800
Creative Youth Development	50,000	
Leadership Campaign	50,000	61,357
Purchase of Equipment and Furnishings	6,500	
Creative Aging Institutes	5,000	5,000
Creative Youth Development		100,000
CAELI		25,000
Passage of time:		
For periods after December 31	456,846	464,503
Appropriation of endowment assets for expenditure	13,978	14,050
	<u>\$ 1,263,009</u>	<u>\$ 1,106,810</u>

As of December 31, 2021 and 2020, the Board of Directors has designated \$66,500 and \$66,500, 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, 2021 and 2020

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, 2021:

	<u>Appreciation</u>	<u>Historical gift value</u>	<u>Total</u>
Endowment net assets, January 1, 2021	\$ 135,574	\$ 148,515	\$ 284,089
Investment return:			
Dividend and interest income	15,494		15,494
Net depreciation in fair value	<u>14,116</u>		<u>14,116</u>
Total investment return	<u>29,610</u>		<u>29,610</u>
Appropriation of endowment assets for expenditure	<u>(13,978)</u>		<u>(13,978)</u>
Endowment net assets, December 31, 2021	<u>\$ 151,206</u>	<u>\$ 148,515</u>	<u>\$ 299,721</u>

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, 2021	\$ 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, 2021	<u>\$ 135,574</u>	<u>\$ 148,515</u>	<u>\$ 284,089</u>

NATIONAL GUILD FOR COMMUNITY ARTS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$13,309 and \$19,832 during the years ended December 31, 2021 and 2020, 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 \$8,000 and \$27,000 to this plan during the years ended December 31, 2021 and 2020, respectively.

14. Subsequent events

Subsequent events have been evaluated through May 4, 2022, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.