NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

Financial Statements
For the Year Ended May 31, 2020

(With Independent Auditors' Report Thereon)

CONTENTS

MELANSON

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New England Foundation for the Arts, Inc.

We have audited the accompanying financial statements of New England Foundation for the Arts, Inc., which comprise the statement of financial position as of May 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditors' 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

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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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New England Foundation for the Arts, Inc. as of May 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New England Foundation for the Arts, Inc.'s fiscal year 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated March 4, 2021 on our consideration of New England Foundation for the Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New England Foundation for the Arts, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New England Foundation for the Arts, Inc.'s internal control over financial reporting and compliance.

Melanson

Andover, Massachusetts
March 4, 2021

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

Statement of Financial Position
May 31, 2020
(with comparative totals as of May 31, 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,399,638	$ 7,283,085	$ 8,682,723	$ 8,980,845
Restricted cash - fiscal agent	47,234	-	47,234	61,847
Contributions receivable, in less than one year	55,041	3,978,400	4,033,441	126,777
Grants receivable	2,427,471	-	2,427,471	2,111,097
Other receivables	-	-	-	3,216
Other assets	49,806	-	49,806	24,634
Total Current Assets	3,979,190	11,261,485	15,240,675	11,308,416
Noncurrent Assets:				
Investments	2,180,220	3,596,340	5,776,560	5,614,522
Investments - endowment	4,735,309	-	4,735,309	4,644,109
Contributions receivable, in more than one year	-	2,065,950	2,065,950	2,969,100
Property and equipment, net	140,826	-	140,826	71,693
Security deposit	12,727	-	12,727	12,727
Total Noncurrent Assets	7,069,082	5,662,290	12,731,372	13,312,151
Total Assets	$ 11,048,272	$ 16,923,775	$ 27,972,047	$ 24,620,567
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	$ 65,165	$ -	$ 65,165	$ 110,210
Accrued liabilities	242,730	-	242,730	197,866
Grants payable	1,941,316	-	1,941,316	1,502,812
Refundable advances	346,923	-	346,923	-
Other liabilities	59,809	-	59,809	59,809
Total Current Liabilities	2,655,943	-	2,655,943	1,870,697
Noncurrent Liabilities:				
Grants payable, net of current portion	1,942,550	-	1,942,550	2,028,888
Total Noncurrent Liabilities	1,942,550	-	1,942,550	2,028,888
Total Liabilities	4,598,493	-	4,598,493	3,899,585
Net Assets:				
Without donor restrictions:				
Undesignated	1,274,447	-	1,274,447	1,096,695
Board-designated	5,175,332	-	5,175,332	5,126,316
With donor restrictions:				
Time or purpose restricted	-	16,923,775	16,923,775	14,497,971
Total Net Assets	6,449,779	16,923,775	23,373,554	20,720,982
Total Liabilities and Net Assets	$ 11,048,272	$ 16,923,775	$ 27,972,047	$ 24,620,567

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

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

Statement of Activities
For the Year Ended May 31, 2020
(with comparative totals for the year ended May 31, 2019)

	2020 Without Donor Restrictions	2020 With Donor Restrictions	2020 Total	2019 Total
SUPPORT AND REVENUE				
Contributions	$ 249,962	$ 8,368,881	$ 8,618,843	$ 7,428,948
Government Grants	1,336,504	-	1,336,504	2,059,821
SBA Grant (Paycheck Protection Program)	100,000	-	100,000	-
Program Service Fees	22,481	-	22,481	147,563
Interest Income	72,631	-	72,631	38,154
Endowment Transfer to Support Operations	458,306	-	458,306	206,898
Net Assets Released From Restriction	6,267,926	(6,267,926)	-	-
Total Support and Revenue	8,507,810	2,100,955	10,608,765	9,881,384
EXPENSES				
Program Services:				
National dance project	2,851,476	-	2,851,476	3,202,103
National theater project	1,646,543	-	1,646,543	2,108,085
Center stage	266,577	-	266,577	1,129,893
New England programs	1,404,373	-	1,404,373	1,099,808
Public art	764,362	-	764,362	458,300
Total Program Services	6,933,331	-	6,933,331	7,998,189
Supporting Services:				
General and administrative	1,268,292	-	1,268,292	1,213,618
Fundraising	299,502	-	299,502	260,924
Total Supporting Services	1,567,794	-	1,567,794	1,474,542
Total Expenses	8,501,125	-	8,501,125	9,472,731
Change in Net Assets From Operations	6,685	2,100,955	2,107,640	408,653
NON-OPERATING REVENUES AND EXPENSES				
Investment Return, net	678,389	324,849	1,003,238	536,038
Endowment Transfer to Support Operations	(458,306)	-	(458,306)	(206,898)
Total Non-operating Revenues and Expenses	220,083	324,849	544,932	329,140
Change in Net Assets	226,768	2,425,804	2,652,572	737,793
Net Assets, Beginning of Year	6,223,011	14,497,971	20,720,982	19,983,189
Net Assets, End of Year	$ 6,449,779	$ 16,923,775	$ 23,373,554	$ 20,720,982

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

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

Statement of Functional Expenses
For the Year Ended May 31, 2020
(with comparative totals for the year ended May 31, 2019)

	2020										
	Program Services						Supporting Services				
	National Dance Project	National Theater Project	Center Stage	New England Programs	Public Art	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2020 Total	2019 Total
Personnel expense:											
Salaries and wages	$ 250,546	$ 218,446	$ 81,461	$ 350,742	$ 163,293	$ 1,064,488	$ 658,438	$ 164,823	$ 823,261	$ 1,887,749	$ 1,687,329
Payroll taxes	20,822	18,072	6,862	29,031	13,575	88,362	55,270	13,680	68,950	157,312	133,604
Employee benefits	59,517	51,028	19,584	82,195	38,410	250,734	138,283	38,642	176,925	427,659	325,393
Depreciation	7,413	6,423	2,475	11,492	5,048	32,851	17,895	5,072	22,967	55,818	75,204
Grants	2,232,488	1,082,191	-	666,084	464,250	4,445,013	-	-	-	4,445,013	4,631,301
Honoraria	63,750	58,550	-	2,700	14,350	139,350	3,875	2,000	5,875	145,225	342,392
Information technology	9,337	8,993	3,304	14,160	5,710	41,504	23,782	7,240	31,022	72,526	54,968
Insurance	1,209	1,137	456	1,848	796	5,446	3,427	-	3,427	8,873	13,531
Conferences and meetings	36,462	58,739	69	48,142	6,616	150,028	34,984	26,915	61,899	211,927	174,772
Marketing and communications	13,233	6,511	7,347	18,762	983	46,836	22,132	-	22,132	68,968	265,878
Miscellaneous	346	10,657	3,372	8,421	164	22,960	22,714	3,999	26,713	49,673	45,187
Occupancy	39,432	34,255	14,081	61,010	27,259	176,037	93,816	27,253	121,069	297,106	313,253
Office expenses	15,531	11,751	4,380	12,895	2,526	47,083	28,498	4,708	33,206	80,289	76,133
Contracted services	37,353	2,726	121,500	67,441	10,619	239,639	109,643	4	109,647	349,286	622,490
Professional development	193	66	-	122	7,125	7,506	16,923	41	16,964	24,470	33,265
Travel	63,844	76,998	1,686	29,328	3,638	175,494	38,612	5,125	43,737	219,231	678,031
Total	$ 2,851,476	$ 1,646,543	$ 266,577	$ 1,404,373	$ 764,362	$ 6,933,331	$ 1,268,292	$ 299,502	$ 1,567,794	$ 8,501,125	$ 9,472,731

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

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

Statement of Cash Flows
For the Year Ended May 31, 2020
(with comparative totals for the year ended May 31, 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	$ 2,652,572	$ 737,793
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	55,818	75,204
Net unrealized (gain) loss on investments	(319,954)	(251,292)
Net realized (gain) loss on investments	(540,224)	(317,424)
Changes in operating assets and liabilities:		
Contributions receivable	(3,003,514)	(790,579)
Grants receivable	(316,374)	-
Other receivables	3,216	(2,582)
Other assets	(25,172)	77,757
Accounts payable	(45,045)	60,956
Accrued liabilities	44,864	1,802
Grants payable	352,166	1,214,851
Refundable advances	346,923	-
Other liabilities	-	(34,836)
Net Cash Provided (Used) By Operating Activities	(794,724)	771,650
Cash Flows From Investing Activities:		
Purchase of investments	(2,622,625)	(1,845,455)
Proceeds from sales of investments	3,229,564	1,862,608
Purchases of property and equipment	(124,950)	-
Net Cash Provided By Investing Activities	481,989	17,153
Net Change in Cash, Cash Equivalents, and Restricted Cash	(312,735)	788,803
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	9,042,692	8,253,889
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 8,729,957	$ 9,042,692

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

1. Organization

The New England Foundation for the Arts, Inc. (NEFA) invests in artists and communities and fosters equitable access to the arts, enriching the cultural landscape in New England and the nation. NEFA supports artists and communities through grants, convenings, online tools, research, and network-building opportunities in the performing arts, public art, and interdisciplinary art. NEFA's values include artists and the creative process; equity, diversity, inclusion, and accessibility (EDIA); knowledge building and sharing; leadership; partnership; and public funding for the arts.

NEFA was founded in 1976 as one of six Regional Arts Organizations (RAOs) in partnership with the National Endowment for the Arts (NEA) and New England's state arts agencies to strengthen regional and national arts opportunities. Today, NEFA's programs are local, regional, national, and international in scope, and include:

National Dance Project
Provides support for the creation and touring of dance work through grants to dance artists and presenters; fosters community engagement and international exchange; and through special initiatives, creates opportunities for dance artists at various stages in their careers.

National Theater Project
Explores creating a system of support for professional artist-led collaborative, devised theater. Modeled after NEFA's National Dance Project, the program supports ensemble theater development and touring in the United States.

Center Stage
An international exchange program that will bring performing artists from around the globe to tour throughout the United States. The program is an effort to demonstrate respect and understanding of cultures by bringing international performing artists to the United States so that Americans can grow in appreciation and understanding of other nations, while providing opportunities to international performers.

New England Programs
Connects New England artists and communities through expeditions and New England States Touring grants for public presentations and touring, provides focused opportunities including those related to curatorial research, individual artists and Native artists and communities; hosts convenings such as the annual Idea Swap.

Public Art

Provides support for public art through programs including Fund for the Arts and Creative City by grant-making that pairs artists with community organizations and integrates public participation into artistic process; provides professional development training to artists working in the public realm.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used in preparing and presenting the accompanying financial statements.

Change in Accounting Principle

ASU 2014-09 and ASU 2018-08 Revenue Recognition

NEFA has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, as management believes these standards improve the usefulness and understandability of NEFA's financial reporting. ASU 2014-09 and 2018-08 have been implemented in fiscal year 2020, and the presentation in these financial statements has been adjusted accordingly. Analysis of various provisions of these standards resulted in no significant changes in the way NEFA recognizes revenue and, therefore, no changes to the previously issued audited financial statements (presented in these financial statements as comparative financial information) were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the new standards.

ASU 2016-01 Equity Investments

In fiscal year 2020, NEFA has adopted FASB ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* which relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The adoption of this ASU did not have a significant impact on the financial statements.

ASU 2018-13 Changes to the Disclosure Requirements for Fair Value Measurement

In fiscal year 2020, NEFA has adopted FASB ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies the disclosure requirements for fair value measurements, and removes disclosures related to transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing transfers between levels, the valuation process of Level 3 fair value measurements, and a roll forward of Level 3 investments. The adoption of this ASU did not have a significant impact on the financial statements.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended May 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for long-term purposes are excluded from this definition.

Contributions Receivable

Unconditional contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the Statement of Activities. The allowance for uncollectible contributions is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions are written off when deemed uncollectable. Management has determined that no allowance is necessary.

Grants Receivable

Grants receivable, 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 substantially met. Amounts recorded as grants receivable represent cost-reimbursable federal and state contracts and grants, which the incurrence of allowable qualifying expenses and/or the performance of certain requirements have been met or performed. The allowance for uncollectible grants receivable is based on historical experience and a review of subsequent collections. Management has determined that no allowance is necessary.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return/(loss) is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investments include equity securities of public companies which are carried at fair value based on quoted market prices.

NEFA maintains pooled investment accounts for its donor-restricted funds and board-designated endowments. Realized and unrealized gains and losses from the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, if purchased, and at fair value at the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 years), or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed, and any resulting gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Assets not in service are not depreciated.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in fiscal years 2020 or 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The Board has designated, from net assets without donor restrictions, net assets for a board-designated endowment and for a strategic opportunity and risk reserve.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

A portion of NEFA'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 NEFA has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. 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 substantially met.

Revenue from program service fees is due at time of registration and is recognized when the performance obligations of providing the services are met. The performance obligation of delivering program services is simultaneously received and consumed by individuals and organizations; therefore, the revenue is recognized when the service occurs.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by Generally Accepted Accounting Principles. Generally Accepted Accounting Principles allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets and (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated professional services are recorded at the respective fair values of the services received. Contributed goods are recorded at fair value at the date of donation and as expenses when placed in service or distributed. Donated use of facilities is reported as a contribution and as an expense at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the amount is reported as a contribution and an unconditional promise to give at the date of the gift, and the expense is reported over the term of use. No significant contributions of such goods or services were received during the years ended May 31, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Expenses that relate solely to the functional categories are directly charged, however, there are certain expenses that are allocated. Personnel expenses, including salaries and wages, payroll taxes, and employee benefits, occupancy, information technology, insurance, certain office expenses, and depreciation are allocated based on time and effort estimates.

Measure of Operations

The Statement of Activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to NEFA's ongoing programs and services. Non-operating activities are limited to resources outside of those programs and services and are comprised of non-recurring gains and losses on sales and dispositions and investment income.

Income Taxes

NEFA has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for charitable contribution deductions, and has been determined not to be a private foundation. NEFA is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, NEFA is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. In fiscal years 2020 and 2019, NEFA was not subject to unrelated business income tax and did not file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 may differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with grants and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, individuals, and organizations supportive of NEFA's mission. Investments are made by diversified investment managers whose performance is monitored by the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Investment

Committee believes that its investment policies and guidelines are prudent for the long-term welfare of NEFA.

Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset or liability.

New Accounting Standards to be Adopted in the Future

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. Examples of contributed nonfinancial assets include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash or other financial assets. It also requires certain disclosures for each category of contributed nonfinancial assets recognized. The amendments in this ASU should be applied on a retrospective basis and will be effective for NEFA for the year ending May 31, 2022. Early adoption is permitted. NEFA is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Leases
In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right of use asset and lease liability on the Statement of Financial Position at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the Statement of Activities. This ASU will be effective for NEFA for the year ending May 31, 2023. NEFA is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Credit Losses
In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the Statement of Activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This ASU will be effective for NEFA for the year ending May 31, 2024. NEFA is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position, are comprised of the following at May 31, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	$ 8,682,723	$ 8,980,845
Restricted cash - fiscal agent	47,234	61,847
Contributions receivable	6,099,391	3,095,877
Grants receivable	2,427,471	2,111,097
Other receivables	-	3,216
Investments	5,776,560	5,614,522
Investments - endowment	4,735,309	4,644,109
Total financial assets	27,768,688	24,511,513
Less amounts not available to be used within one year:		
Restricted cash - fiscal agent	(47,234)	(61,847)
Contributions receivable to be collected in more than one year	(2,065,950)	(2,969,100)
Board designated net assets - endowment	(4,735,309)	(4,644,109)
Board designated net assets - strategic opportunity and risk reserve	(440,023)	(482,207)
Net assets with donor restrictions not expected to be met in less than one year	(10,009,142)	(8,445,111)
Total financial assets available within one year	10,471,030	7,909,139
Additional liquidity resources:		
Bank line of credit	1,000,000	1,000,000
Total financial assets and liquidity resources available within one year	$ 11,471,030	$ 8,909,139

The board-designated endowment is subject to an annual spending rate as determined by the Board of Directors. Although there is no intention to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NEFA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next year, NEFA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

4. Restricted Cash – Fiscal Agent

NEFA is the fiscal agent for the Massachusetts and New Hampshire state art agencies. NEFA receives and disburses funds on behalf of these agencies. Each of these agencies also funds NEFA. As of May 31, 2020 and 2019, restricted cash totaled $47,234 and $61,847, respectively. Since NEFA is a fiscal agent, these activities are appropriately not included in the accompanying Statement of Activities and change in net assets.

5. Contributions Receivable

Unconditional contributions receivable are estimated to be collected as follows at May 31, 2020 and 2019:

	2020	2019
Receivable in less than one year	$ 4,033,441	$ 126,777
Receivable in one to five years	2,065,950	2,969,100
Total	$ 6,099,391	$ 3,095,877

Discount to net present value has not been recorded, as it has been determined to be immaterial.

6. Investments

Investments, measured at fair value on a recurring basis, consist of the following at May 31, 2020:

Investment Type	Level 1	Level 2	Level 3	Total
Money market funds	$ 646,070	$ -	$ -	$ 646,070
U.S. Treasuries	-	379,027	-	379,027
U.S. Government bonds	-	629,161	-	629,161
Corporate debt securities	-	1,418,859	-	1,418,859
Mutual funds	378,350	-	-	378,350
Common stock	6,732,610	-	-	6,732,610
Exchange traded funds	245,524	-	-	245,524
Real estate investment trust funds	82,268	-	-	82,268
Total	$ 8,084,822	$ 2,427,047	$ -	$ 10,511,869

Investments, measured at fair value on a recurring basis, consist of the following at May 31, 2019:

Investment Type	Level 1	Level 2	Level 3	Total
Money market funds	$ 310,491	$ -	$ -	$ 310,491
U.S. Treasuries	-	230,600	-	230,600
U.S. Government bonds	-	956,862	-	956,862
Corporate debt securities	-	1,509,916	-	1,509,916
Mutual funds	102,856	-	-	102,856
Common stock	7,005,964	-	-	7,005,964
Exchange traded funds	41,120	-	-	41,120
Certificates of deposit	-	100,822	-	100,822
Total	$ 7,460,431	$ 2,798,200	$ -	$ 10,258,631

Unrealized gains and (losses) recognized during fiscal years 2020 and 2019 on equity securities totaled $319,954 and $251,292, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of NEFA's investments to interest rate fluctuations as of May 31, 2020 is as follows:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	N/A
Money market funds	$ 646,070	$ -	$ -	$ -	$ -	$ 646,070
U.S. Treasuries	379,027	-	106,688	272,339	-	-
U.S. Government bonds	629,161	-	537,470	85,300	6,391	-
Corporate debt securities	1,418,859	226,022	813,554	379,283	-	-
Mutual funds	378,350	-	-	-	-	378,350
Common stock	6,732,610	-	-	-	-	6,732,610
Exchange traded funds	245,524	-	-	-	-	245,524
Real estate investment trust funds	82,268	-	-	-	-	82,268
Total	$ 10,511,869	$ 226,022	$ 1,457,712	$ 736,922	$ 6,391	$ 8,084,822

Information about the sensitivity of the fair values of NEFA's investments to interest rate fluctuations as of May 31, 2019 is as follows:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	N/A
Money market funds	$ 310,491	$ -	$ -	$ -	$ -	$ 310,491
U.S. Treasuries	230,600	-	177,958	52,642	-	-
U.S. Government bonds	956,862	49,773	545,974	352,036	9,079	-
Corporate debt securities	1,509,916	370,022	885,291	254,603	-	-
Mutual funds	102,856	-	-	-	-	102,856
Common stock	7,005,964	-	-	-	-	7,005,964
Exchange traded funds	41,120	-	-	-	-	41,120
Certificates of deposit	100,822	-	100,822	-	-	-
Total	$ 10,258,631	$ 419,795	$ 1,710,045	$ 659,281	$ 9,079	$ 7,460,431

7. Property and Equipment

Property and equipment is comprised of the following at May 31, 2020 and 2019:

	2020	2019
Leasehold improvements	$ 176,599	$ 159,649
Computer software	210,653	210,653
Furniture and equipment	42,237	42,237
Construction in progress	108,000	-
Subtotal	537,489	412,539
Less accumulated depreciation	(396,663)	(340,846)
Total	$ 140,826	$ 71,693

Depreciation expense totaled $55,818 and $75,204 for the years ended May 31, 2020 and May 31, 2019, respectively.

8. Accrued Expenses

Accrued expenses consist primarily of accrued vacation time and related payroll liabilities.

9. Grants Payable

Grants payable are estimated to be paid as follows at May 31, 2020 and 2019:

	2020	2019
Payable in less than one year	$ 1,941,316	$ 1,502,812
Payable in one to five years	1,942,550	2,028,888
Total	$ 3,883,866	$ 3,531,700

Discount to net present value has not been recorded, as it has been determined to be immaterial.

10. Refundable Advances

In April 2020, NEFA received loan proceeds in the amount of $446,923 under the Small Business Administration (SBA) Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted March 27, 2020, provides for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses. The loan and accrued interest may be forgiven after twenty-four weeks providing NEFA uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains certain payroll levels. The amount of loan forgiveness will be reduced if NEFA terminates employees or reduces salaries during the twenty-four week period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with deferral of payments for the first ten months. NEFA intends to use the proceeds for purposes consistent with the PPP requirements. While NEFA currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, NEFA cannot guarantee that the loan will be forgiven, in whole or in part. In accordance with Generally Accepted Accounting Principles, NEFA has recognized $100,000 of the PPP loan as revenue as a result of qualifying expenses incurred in fiscal year 2020. The remaining balance of the PPP loan, in the amount of $346,923 is reflected as a refundable advance in the Statement of Financial Position.

11. Line of Credit

NEFA has a $1,000,000 line of credit available, secured by a portion of NEFA's investments. This line is payable upon demand and requires monthly interest payments on the outstanding balance at the Wall Street Journal prime rate plus 0.5%. There is a requirement that the line must be a zero balance for one 30 consecutive day period annually. At May 31, 2020 and 2019, NEFA had no outstanding balance on the line of credit and did not draw on the line during fiscal years 2020 and 2019.

12. Endowment Funds

Types of Funds

NEFA's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing NEFA to appropriate for expenditure or accumulate so much of an endowment fund as NEFA determines is prudent for the uses, benefit, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, NEFA classifies as perpetual (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Board-designated Endowment

As of May 31, 2020 and 2019, the Board of Directors had designated $4,735,309 and $4,644,109, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of NEFA. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Investment Return Objectives, Risk Parameters, and Strategies

NEFA's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 5%, while growing the funds if possible.

To satisfy its long-term rate-of-return objectives, NEFA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for selecting the investment managers of NEFA's portfolio. NEFA's Investment Committee believes broad diversification and a moderate to moderate high level of risk approach to portfolio management is necessary to reduce volatility and prudently maximize total return. The portfolio objectives include the following:

- Obtain the highest level of return for the Investment Committee's desired level of risk;
- Limit risk exposure through prudent diversification;

- Maintain purchasing power of the portfolio by maintaining the level of services in relation to average cost increases;
- Withdrawals and annual spending policy based on needs of NEFA as voted by the Investment Committee; and
- Control the costs of administering and managing the portfolio.

NEFA uses the total return method for allocating the investment return to investment balances with and without donor restrictions. The investment objective includes a multi-asset investment portfolio designed for monies with long-term investment horizons. The asset allocation of the underlying funds in the portfolio is diversified in approximately 64% stocks and 36% fixed income at May 31, 2020.

Spending Policy

NEFA's Board of Directors has approved a spending policy of appropriating for distribution each year 3-5% of a three-year average of the board-designated endowment fund. The exact percentage will be determined by vote of the Board of Directors each year. In establishing this policy, NEFA considered the long-term expected return on its endowment, which is consistent with NEFA's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return. During fiscal years 2020 and 2019, the Board voted to appropriate for distribution $223,306 and $206,898, respectively, which is 5% of the three-year's average of the board-designated endowment fund. Additionally, in fiscal year 2020, the Board voted to appropriate $235,000 for emergency relief to artists due to the COVID-19 pandemic.

Changes in board-designed endowment net assets for the years ended May 31, 2020 and 2019 are as follows:

	2020	2019
Board-designated endowment net assets, beginning of year	$ 4,644,109	$ 4,539,674
Contributions	45,000	32,813
Investment return, net	504,506	278,520
Amounts appropriated for expenditure	(458,306)	(206,898)
Board-designated endowment net assets, end of year	$ 4,735,309	$ 4,644,109

13. Net Assets

Net Assets Without Donor Restrictions

Board-designated net assets are net assets without donor restrictions which the Board of Directors has placed self-imposed limits on, and are comprised of the following at May 31, 2020 and 2019:

Purpose	2020	2019
Endowment	$ 4,735,309	$ 4,644,109
Strategic opportunity and risk reserve	440,023	482,207
Total	$ 5,175,332	$ 5,126,316

Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following at May 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
National dance project	$ 5,173,622	$ 8,333,889
National theater project	6,137,750	1,775,982
New England programs	1,861,691	144,212
Public art	3,448	920,173
Fund for the arts	3,596,340	3,318,491
Other programs	150,924	5,224
Total	$ 16,923,775	$ 14,497,971

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of the passage of time as follows for the years ended May 31, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions:		
National dance project	$ 3,175,267	$ 3,708,987
National theater project	1,776,082	2,089,993
Center stage	-	166,349
New England programs	272,852	306,736
Public art	916,725	474,856
Fund for the arts	47,000	-
Other programs	80,000	243,365
Total	$ 6,267,926	$ 6,990,286

14. Grants

NEFA has been awarded cost-reimbursable grants of $1,162,129 that have not been recognized at May 31, 2020 because qualifying expenditures have not yet been incurred.

Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's Uniform Guidance, and review by grantor agencies. This review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, NEFA's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of NEFA.

15. Operating Leases

NEFA leases office space under the terms of a non-cancellable lease agreement that is scheduled to expire on July 31, 2020. The agreement requires NEFA to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses. Rent expense, which is included in occupancy in the Statement of Functional Expenses, totaled $218,906 and $212,797 for the years ended May 31, 2020 and 2019, respectively.

In May 2020, NEFA entered into a 10 year non-cancellable lease agreement, effective August 1, 2020, for a new office location with an option to extend for an additional 5 years. The agreement requires NEFA to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses.

Future minimum lease payments are as follows:

Fiscal Year	Amount
2021	$ 194,089
2022	192,858
2023	197,680
2024	202,622
2025	207,687
Thereafter	1,158,288
Total future minimum lease payments	$ 2,153,224

16. Retirement Plans

NEFA maintains an IRC Section 403(b) defined contribution retirement plan and tax-deferred annuity plan. The defined contribution retirement plan covers all eligible employees as defined in the plan. NEFA matches participant contributions up to 3% of an employee's annual compensation up to $80 per month. The tax-deferred annuity plan covers all eligible employees as defined in the plan and is funded solely by employee elective contributions. NEFA contributed $23,808 and $20,030 for the years ended May 31, 2020 and May 31, 2019, respectively.

NEFA'S 403(b) defined contribution retirement plan includes a discretionary employer contribution component (DEC). This enables NEFA to contribute a specified amount to the retirement account for each staff member without requiring their participation and adding to the amount an employee can currently elect to contribute each year and have matched by NEFA in the existing plan. NEFA contributed $39,460 and $23,636 for the years ended May 31, 2020 and 2019, respectively.

NEFA maintains a 457(b) deferred compensation plan. Eligible employees are limited to the officers of NEFA. Eligible employees may make contributions to the plan up to the maximum amount permitted by law and are immediately fully vested in the plan. NEFA matches contributions on a discretionary basis as determined by the Board of Directors. NEFA may also decide to make a non-elective contribution to the plan at the discretion of the Board of Directors. NEFA's contributions to the plan for the years ended May 31, 2020 and 2019 totaled $4,800 and $4,800, respectively.

17. Supplemental Disclosures of Cash Flow Information

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Statement of Financial Position that sum to the total of the same such amounts shown in the Statement of Cash Flows.

	2020	2019
Cash and cash equivalents	$ 8,682,723	$ 8,980,845
Restricted cash - fiscal agent	47,234	61,847
Total cash, cash equivalents, and restricted cash shown in the Statement of Cash Flows	$ 8,729,957	$ 9,042,692

18. Related Party Transactions

Senior leaders of the state art agencies of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont serve on NEFA's Board of Directors. For the years ended May 31, 2020 and 2019, NEFA received approximately $105,000 and $106,500, respectively, in grants and support from these agencies.

During fiscal years 2020 and 2019, NEFA paid $51,562 and $37,249, respectively, for various grants and miscellaneous event expenses to an organization in which a NEFA board member is a director.

19. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on those we serve, our funders, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

20. Concentrations of Risk

A material part of NEFA's revenue is dependent upon government sources, the loss of which would have a materially adverse effect on NEFA. During the years ended May 31, 2020 and 2019, funding from the National Endowment for the Arts accounted for 10% and 11%, respectively, of total operating revenues and 90% and 21%, respectively, of total grants receivable. NEFA relies on the funding from the National Endowment for the Arts to cover a significant portion of its administrative expenses. During the years ended May 31, 2020 and 2019, funding from the U.S. Department of State accounted for 2% and 9%, respectively, of total operating revenues and 10% and 19%, respectively, of total grants receivable. During the years ended May 31, 2020 and 2019, funding from two foundations accounted for 81% and 68%, respectively, of total operating revenues and 91% and 54%, respectively, of total contributions receivable.

21. Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

22. Subsequent Events

Subsequent events have been evaluated through March 4, 2021, the date the financial statements were available to be issued.