



NEW ENGLAND FOUNDATION FOR THE ARTS

**FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

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May 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
New England Foundation for the Arts, Incorporated:

Report on the Financial Statements

We have audited the accompanying financial statements of New England Foundation for the Arts, Incorporated (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows 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.

Auditor's 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 New England Foundation for the Arts, Incorporated as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Acosta, Pinning & Co., P.C.

Boston, Massachusetts
July 31, 2019

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Statements of Financial Position
May 31, 2018 and 2017

Assets	2018	2017
Current Assets:		
Cash	\$ 8,192,054	\$ 4,605,731
Cash - fiscal agent	61,835	59,809
Short-term investments	-	2,840,946
Current portion of contributions, grants and other receivables	4,158,254	6,003,743
Prepaid expenses and other	102,391	247,074
Total current assets	12,514,534	13,757,303
Investments	9,707,069	8,826,206
Contributions, Grants and Other Receivables, net of current portion	2,284,575	1,563,798
Property and Equipment, net	146,896	253,699
Deposit	12,727	12,727
Total assets	<u>\$ 24,665,801</u>	<u>\$ 24,413,733</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 278,128	\$ 225,576
Current portion of grants payable	1,606,987	2,093,183
Fiscal agent payable	61,835	59,809
Total current liabilities	1,946,950	2,378,568
Grants Payable, net of current portion	709,862	-
Total liabilities	<u>2,656,812</u>	<u>2,378,568</u>
Net Assets:		
Unrestricted:		
Operating	810,950	431,455
Property and equipment	146,896	253,699
Board designated - funds functioning as endowment	4,539,674	4,306,868
Board designated - strategic opportunity and risk reserve	466,819	370,292
Total unrestricted	5,964,339	5,362,314
Temporarily restricted	16,044,650	16,672,851
Total net assets	<u>22,008,989</u>	<u>22,035,165</u>
Total liabilities and net assets	<u>\$ 24,665,801</u>	<u>\$ 24,413,733</u>

The accompanying notes are an integral part of these statements.

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NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Statements of Activities and Changes in Net Assets
For the Years Ended May 31, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue:						
Contributions and grants	\$ 123,462	\$ 5,200,461	\$ 5,323,923	\$ 73,156	\$ 9,894,650	\$ 9,967,806
National Endowment for the Arts	-	1,092,400	1,092,400	-	1,277,176	1,277,176
State arts councils	-	98,000	98,000	-	104,880	104,880
Service fees and other income	71,484	-	71,484	321,581	-	321,581
Investment return designated for current operations	187,822	-	187,822	181,586	-	181,586
Interest and dividends	36,621	61,246	97,867	44,844	78,601	123,445
Net assets released from program restrictions	7,304,816	(7,304,816)	-	7,460,779	(7,460,779)	-
Total operating revenue	7,724,205	(852,709)	6,871,496	8,081,946	3,894,528	11,976,474
Operating Expenses:						
Program services:						
National Dance Project	2,542,360	-	2,542,360	2,732,692	-	2,732,692
National Theater Project	1,273,636	-	1,273,636	1,319,800	-	1,319,800
Center Stage	364,511	-	364,511	1,207,196	-	1,207,196
New England Presenting and Touring	877,621	-	877,621	511,503	-	511,503
Creative City	491,141	-	491,141	419,210	-	419,210
Research, Documentation and Evaluation	361,869	-	361,869	370,567	-	370,567
Public Art	292,613	-	292,613	18,396	-	18,396
Sponsored Projects	5,000	-	5,000	-	-	-
Total program services	6,208,751	-	6,208,751	6,579,364	-	6,579,364
Supporting services:						
Administrative and general	953,222	-	953,222	724,543	-	724,543
Development	252,105	-	252,105	267,611	-	267,611
Marketing and communications	88,867	-	88,867	208,014	-	208,014
Total supporting services	1,294,194	-	1,294,194	1,200,168	-	1,200,168
Total operating expenses	7,502,945	-	7,502,945	7,779,532	-	7,779,532
Changes in net assets from operations	221,260	(852,709)	(631,449)	302,414	3,894,528	4,196,942
Non-Operating Revenues and Expenses:						
Investment return	568,587	224,508	793,095	553,563	236,050	789,613
Investment return designated for current operations	(187,822)	-	(187,822)	(181,586)	-	(181,586)
Total non-operating revenues and expenses	380,765	224,508	605,273	371,977	236,050	608,027
Changes in net assets	602,025	(628,201)	(26,176)	674,391	4,130,578	4,804,969
Net Assets:						
Beginning of year	5,362,314	16,672,851	22,035,165	4,687,923	12,542,273	17,230,196
End of year	\$ 5,964,339	\$ 16,044,650	\$ 22,008,989	\$ 5,362,314	\$ 16,672,851	\$ 22,035,165

The accompanying notes are an integral part of these statements.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Statements of Cash Flows
For the Years Ended May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (26,176)	\$ 4,804,969
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Investment return	(793,095)	(789,613)
Depreciation	106,803	85,864
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	1,124,712	(4,287,085)
Prepaid expenses and other	144,683	(104,877)
Accounts payable and accrued expenses	52,552	9,321
Grants payable	223,666	(94,479)
	<u>833,145</u>	<u>(375,900)</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Purchases of investments	(683,239)	(2,960,497)
Net proceeds from sale of investments	3,436,417	6,727,672
Acquisition of property and equipment	-	(158,557)
	<u>2,753,178</u>	<u>3,608,618</u>
Net cash provided by investing activities		
Net Change in Cash	3,586,323	3,232,718
Cash:		
Beginning of year	<u>4,605,731</u>	<u>1,373,013</u>
End of year	<u>\$ 8,192,054</u>	<u>\$ 4,605,731</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain on investments	<u>\$ 337,995</u>	<u>\$ 368,656</u>

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

The New England Foundation for the Arts, Incorporated (NEFA), a Massachusetts not-for-profit organization, invests in artists and communities and fosters equitable access to the arts, enriching the cultural landscape in New England and the nation. NEFA accomplishes this by granting funds to artists and cultural organizations; connecting them to each other and their audiences; and analyzing their economic contributions. NEFA's New England focus continues at the center of a portfolio of programs that are local, regional, national, and international in scope.

NEFA was established on May 6, 1976, and serves as a regional partner for the National Endowment for the Arts, the New England state arts agencies, and private foundations and donors.

NEFA operates programs in the following areas:

New England Presenting, Touring and Network-Building – connects New England artists and communities through **Expeditions** and **New England States Touring (NEST)** 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**.

New England Creative Economy Research, Documentation and Evaluation – increases public understanding of the creative economy through research and analysis; supports New England's leaders in the creative economy with forums such as **Creative Communities Exchange**; provides program services, including **CreativeGround.org**, a directory of cultural nonprofits, creative businesses and artists of all disciplines.

Performing Arts – provides support for the creation and touring of dance and theater through the **National Dance Project**, **National Theater Project** and other grant-making and professional development opportunities for artists and presenters; fosters community engagement and international exchange; and through special initiatives, creates opportunities for artists at various stages in their careers.

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.

International Cultural Exchange – connects international artists with artists and communities in the United States, using the power of art to foster cultural understanding, and cultivates international opportunities and reciprocal learning, through **Center Stage**, an initiative of the U.S. Department of State's Bureau of Educational and Cultural Affairs, and other initiatives.

Sponsored Projects – provides financial support and oversight to programs or projects conducted by organizations without 501(c)(3) status, when such projects have the potential to advance NEFA's own charitable and programmatic goals.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS (Continued)

NEFA is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). NEFA is also exempt from state income taxes. Donors may deduct contributions made to NEFA within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

NEFA's financial statements have been prepared in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Contributions, Grants and Other Receivables and Allowance for Doubtful Accounts

Contributions, grants and other receivables include unconditional promises to give (see Note 10). Management evaluates the collectability of the contributions, grants and other receivables and records an allowance for any amounts where collections are doubtful. At May 31, 2018 and 2017, there was no allowance for doubtful accounts recorded.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the date of donation. NEFA capitalizes property and equipment with a cost of over \$2,500 and an estimated useful life of one year or more. Renewal and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives and consist of the following:

	<u>Estimated Useful Life</u>	<u>2018</u>	<u>2017</u>
Leasehold improvements	Life of lease	\$ 379,352	\$ 379,352
Computer software	5 years	434,078	434,078
Computer hardware	5 years	58,973	58,973
Furniture and equipment	5 years	<u>70,456</u>	<u>70,456</u>
		942,859	942,859
Less - accumulated depreciation		<u>795,963</u>	<u>689,160</u>
		<u>\$ 146,896</u>	<u>\$ 253,699</u>

Depreciation expense was \$106,803 and \$85,864 for the years ended May 31, 2018 and 2017, respectively.

Expense Allocations

Expenses related directly to a function are distributed to that function, while other expenses are allocated to functions based on management's estimates.

Grants Payable

Grant awards are recorded as a liability on the date the grant is awarded by NEFA and all conditions are met. NEFA awarded grants totaling \$3,644,091 and \$3,393,809 during the years ended May 31, 2018 and 2017, respectively.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Unrestricted contributions and grants are recorded as revenue when received or unconditionally committed. All other revenue is recorded as earned.

Donor restricted contributions and grants are recorded as temporarily restricted revenue and net assets, if they are received or committed with donor stipulations that limit the use of the net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenues and expenses include investment returns.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by NEFA. NEFA has grouped its unrestricted net assets into the following categories:

- **Operating net assets** consist of amounts which are available for use in NEFA's operating activities.
- **Property and equipment net assets** reflect the net book value of NEFA's property and equipment.
- **Board Designated - Funds Functioning as Endowment** represents amounts which have been designated by the Board of Directors to function as an endowment (see pages 8 and 9 and Note 7).
- **Board Designated - Strategic Opportunity and Risk Reserve** represents amounts which have been designated by the Board of Directors for investment for periodic risk management and strategic risk-taking. These net assets are expendable in accordance with the Board of Directors' prescribed policy.

Temporarily Restricted Net Assets

NEFA receives contributions and grants that are designated by donors for specific purposes or time periods. These contributions and grants, as well as investment earnings on specific funds as directed by the donor, are recorded as temporarily restricted net assets until they are expended for their designated purpose or time period.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets consist of the following at May 31:

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Fund for the Arts	\$ 3,144,917	\$ 3,009,163
Other programs	<u>12,899,733</u>	<u>13,663,688</u>
	<u>\$ 16,044,650</u>	<u>\$ 16,672,851</u>

The Fund for the Arts is intended to fund programs for the creation of art in public spaces. The related investments are classified as long-term assets in the accompanying statements of financial position based on the intent of the fund. In addition, all investment return related to this fund is donor restricted and, therefore, increases or decreases the temporarily restricted net asset balance until released.

Donated Goods and Services

During fiscal years 2018 and 2017, NEFA received in-kind donations of software licensing, website advertising, and other miscellaneous in-kind donations with a fair value of \$36,230 and \$56,227, respectively, as determined by the donors. These amounts have been recorded as service fees and other income in the accompanying financial statements.

Investments

Investments consist of NEFA's holdings of marketable securities held for purposes of financial returns. Investment income includes interest, dividends and mutual fund distributions of these investments which are recorded when earned or declared. Realized gains and losses on investment transactions are recorded based on the average cost method.

Investment Return Allocations, Spending Policy and Investment Policy

During fiscal year 2016, the Board of Directors voted to create a Board designated - funds functioning as endowment. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets. Interest and dividends on the Board designated - funds functioning as endowment are considered to be investment return as the funds are not available for appropriation until expenditure under the spending policy.

NEFA has a spending policy of appropriating for distribution each year three to five percent of a three-year average of the funds functioning as endowment. The exact percentage will be determined by a vote of the Board of Directors each year. In establishing this policy, NEFA considered the long-term expected investment return on its endowment. This 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 2018 and 2017, the Board voted to appropriate for distribution \$187,822 and \$181,586, respectively, which is 5% of the three-year average of the funds functioning as endowment.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Allocations, Spending Policy and Investment Policy (Continued)

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-moderately 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 unrestricted and temporarily restricted investment balances. 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 70% stocks and 30% fixed income.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make 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. Actual results could differ from those estimates.

Fair Value Measurements

NEFA follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that NEFA would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

NEFA uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of NEFA. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, 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 financial instrument developed 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 developed based on the best information available.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs except for certain investments (see Note 6).

Income Taxes

NEFA accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. NEFA has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at May 31, 2018 and 2017. NEFA's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through July 31, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. RELATED PARTY TRANSACTION AND FISCAL AGENT

Related Party Transaction

The executive directors of the state arts agencies of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont serve on NEFA's Board of Directors. For the years ended May 31, 2018 and 2017, NEFA received approximately \$98,000 and \$104,880, respectively, in grants and support from these agencies.

During fiscal year 2018, NEFA paid \$56,794 for various grants and miscellaneous event expenses to an organization in which a NEFA Board member is a Director.

During the years ended May 31, 2018 and 2017, NEFA was a fiscal agent for the Massachusetts and New Hampshire state arts agencies. NEFA receives and disburses funds on behalf of these agencies. Each of these agencies also funds NEFA. Fiscal agent funds totaled \$61,835 and \$59,809 as of May 31, 2018 and 2017, respectively. These amounts are included in cash - fiscal agent and fiscal agent payable in the accompanying statements of financial position. Since NEFA is a fiscal agent, these activities are appropriately not included in the accompanying statements of activities and changes in net assets.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

4. LINE OF CREDIT

NEFA has a \$1,000,000 line of credit available with a bank, renewable annually in November. Interest on outstanding borrowings is at .5% over the bank's prime lending rate (4.75% and 4.00% at May 31, 2018 and 2017, respectively). The line of credit is secured by a portion of NEFA's investments. There was no outstanding balance on this line of credit as of May 31, 2018 and 2017.

5. 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. For the years ended May 31, 2018 and 2017, NEFA's contribution totaled \$16,760 and \$18,000, 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. As of May 31, 2018 and 2017, NEFA accrued \$32,400 and \$29,007, respectively, of total compensation for each year in DEC, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

NEFA maintains a 457(b) Deferred Compensation Plan (the 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 contribution totaled \$4,866 and \$3,840 for the years ended May 31, 2018 and 2017, respectively.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

6. INVESTMENTS

Investments measured at fair value using the following inputs are as follows at May 31:

<u>Description</u>	2018			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market accounts	\$ 599,654	\$ -	\$ -	\$ 599,654
U.S. Treasuries	99,875	-	-	99,875
U.S. Government and agency issues	810,143	-	-	810,143
Corporate debt securities	1,293,872	-	-	1,293,872
Mutual funds	665,665	-	-	665,665
Accrued interest	24,221	-	-	24,221
Stocks:				
Consumer	1,062,296	-	-	1,062,296
Information Technology	1,598,589	-	-	1,598,589
Financial	879,594	-	-	879,594
Industrial	804,918	-	-	804,918
Healthcare	938,018	-	-	938,018
Utilities	182,502	-	-	182,502
Materials	288,750	-	-	288,750
Real Estate	54,430	-	-	54,430
Energy	405,442	-	-	405,442
Total	\$ 9,707,969	\$ -	\$ -	\$ 9,707,969

<u>Description</u>	2017			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market accounts	\$ 308,734	\$ -	\$ -	\$ 308,734
U.S. Treasuries	2,840,946	-	-	2,840,946
U.S. Government and agency issues	675,961	80,310	-	756,271
Corporate debt securities	1,437,185	80,083	-	1,517,268
Mutual funds	301,866	-	-	301,866
Accrued interest	15,148	-	-	15,148
Stocks:				
Consumer	1,596,902	-	-	1,596,902
Information Technology	1,369,534	-	-	1,369,534
Financial	1,186,445	-	-	1,186,445
Industrial	937,411	-	-	937,411
Healthcare	342,737	-	-	342,737
Utilities	335,647	-	-	335,647
Energy	158,243	-	-	158,243
Total	\$ 11,506,759	\$ 160,393	\$ -	\$ 11,667,152

NEFA values certain U.S. Government and agency issues and corporate debt securities using Level 2 inputs, as a pricing model is utilized to determine fair value which is unobservable to NEFA.

NEFA values all other investments, which are publicly traded, using observable, or Level 1 inputs; the quoted price in an active market.

Certain investments are reflected as long-term assets in accordance with NEFA's intent to hold these investments for long-term growth. Investments are not insured and are subject to ongoing market fluctuations.

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

6. INVESTMENTS (Continued)

The investments have been allocated among the unrestricted and temporarily restricted net asset classes in the accompanying financial statements according to the absence or presence of donor restrictions.

Investment return is comprised of the following for the years ended May 31:

	<u>2018</u>	<u>2017</u>
Realized gains	\$ 419,078	\$ 378,243
Unrealized gains	337,955	368,656
Investment income	<u>101,846</u>	<u>96,969</u>
	858,879	843,868
Less - investment expense	<u>65,784</u>	<u>54,255</u>
	<u>\$ 793,095</u>	<u>\$ 789,613</u>

7. ENDOWMENTS

Changes in Board-designated endowment net assets are as follows for the years ended May 31:

	<u>2018</u>	<u>2017</u>
Beginning endowment net assets	\$ 4,306,868	\$ 4,053,500
Investment return	420,628	434,954
Appropriation of endowment assets for expenditure	<u>(187,822)</u>	<u>(181,586)</u>
Ending endowment net assets	<u>\$ 4,539,674</u>	<u>\$ 4,306,868</u>

8. LEASES

NEFA leases space under an operating lease that is due to expire on July 31, 2020, with monthly payments that will range from \$16,291 to \$18,327. The facility lease requires NEFA to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses.

NEFA also leases certain equipment under an operating lease agreement that expires in September 2019, at an aggregate monthly payment of approximately \$260.

Rent expense under these lease agreements was approximately \$210,000 and \$209,000 for the years ended May 31, 2018 and 2017, respectively.

Future minimum lease payments under these agreements are as follows:

2019	\$ 215,966
2020	219,962
2021	<u>36,654</u>
	<u>\$ 472,582</u>

NEW ENGLAND FOUNDATION FOR THE ARTS, INCORPORATED

Notes to Financial Statements
May 31, 2018 and 2017

9. CONCENTRATIONS

NEFA maintains its cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, these balances exceeded the insured amounts. NEFA has not experienced any losses in such accounts. NEFA believes it is not exposed to any significant credit risk on its cash.

As of May 31, 2018, approximately 49% of NEFA's contributions, grants and other receivables are due from the National Endowment for the Arts and 47% is due from another Federal agency and one foundation. In addition, 16% of the total operating revenue is from the National Endowment for the Arts and 69% is from two foundations.

As of May 31, 2017, approximately 27% of NEFA's contributions, grants and other receivables were due from the National Endowment for the Arts and 71% was due from another Federal agency and two foundations. In addition, 10% of the total operating revenue was from the National Endowment for the Arts and 77% was from another Federal agency and two foundations.

10. CONTRIBUTIONS, GRANTS AND OTHER RECEIVABLES

As of May 31, 2018 and 2017, contributions, grants and other receivables consist of amounts expected to be received as follows:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 4,158,254	\$ 6,003,743
Due in one to five years	<u>2,284,575</u>	<u>1,563,798</u>
	6,442,829	7,567,541
Less - current portion	<u>4,158,254</u>	<u>6,003,743</u>
Long-term contributions, grants and other receivables, net	<u>\$ 2,284,575</u>	<u>\$ 1,563,798</u>

The contributions, grants and other receivables have not been discounted as the discount is not material to the accompanying financial statements.

11. GRANTS PAYABLE

As of May 31, 2018, grants payable consist of \$1,606,987 expected to be paid in fiscal year 2019. The remainder of grants payable is expected to be paid in fiscal year 2020.

The grants payable have not been discounted as it is not material to the accompanying financial statements.

12. FUNDING

NEFA receives funding under various Federal and state grants to carry on its programs. These grants are renewable annually and are subject to possible audit by the appropriate governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of NEFA as of May 31, 2018 and 2017, or the changes in its net assets for the years then ended.