NATIONAL FOUNDATION FOR ADVANCEMENT IN THE ARTS, INC. AND SUBSIDIARIES D/B/A NATIONAL YOUNGARTS FOUNDATION

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

MBAF

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

NATIONAL FOUNDATION FOR
ADVANCEMENT IN THE ARTS, INC. AND SUBSIDIARIES
D/B/A NATIONAL YOUNGARTS FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
National Foundation for Advancement in the Arts, Inc. and Subsidiaries
d/b/a National YoungArts Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Foundation for Advancement in the Arts, Inc. and Subsidiaries d/b/a National YoungArts Foundation (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Foundation for Advancement in the Arts, Inc. and Subsidiaries d/b/a National YoungArts Foundation as of June 30, 2019 and 2018, and the consolidated results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Morrison, Brown, Argiz & Farra

Miami, Florida
December 10, 2019

NATIONAL FOUNDATION FOR
ADVANCEMENT IN THE ARTS, INC. AND SUBSIDIARIES
D/B/A NATIONAL YOUNGARTS FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	**2019**	**2018**
Cash and cash equivalents (including restricted cash of $100,000 and $0 as of June 30, 2019 and 2018, respectively)	$ 1,917,658	$ 1,907,258
Pledges receivable, net	732,725	763,703
Other receivables, net	66,358	46,513
Prepaid expenses and other assets	255,020	223,968
Interest in charitable remainder unitrust	126,269	127,254
Investments	47,549,134	45,441,285
Property and equipment, net	22,324,673	22,764,078
TOTAL ASSETS	**$ 72,971,837**	**$ 71,274,059**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	$ 800,089	$ 610,048
TOTAL LIABILITIES	800,089	610,048
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
NET ASSETS		
Without donor restrictions:		
Undesignated	23,991,082	24,567,084
Board-designated	3,883,811	2,709,806
Total net assets without donor restrictions	27,874,893	27,276,890
With donor restrictions	44,296,855	43,387,121
TOTAL NET ASSETS	72,171,748	70,664,011
TOTAL LIABILITIES AND NET ASSETS	**$ 72,971,837**	**$ 71,274,059**

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

NATIONAL FOUNDATION FOR
ADVANCEMENT IN THE ARTS, INC. AND SUBSIDIARIES
D/B/A NATIONAL YOUNGARTS FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT:						
Contributions	$ 9,544,426	$ 435,247	$ 9,979,673	$ 10,246,063	$ 588,703	$ 10,834,766
Government grants	114,712	-	114,712	188,250	-	188,250
In-kind contributions	396,108	-	396,108	366,443	-	366,443
TOTAL SUPPORT	10,055,246	435,247	10,490,493	10,800,756	588,703	11,389,459
SPECIAL EVENTS:						
Current year underwritings and tickets and sales	2,058,605	-	2,058,605	2,018,337	-	2,018,337
OTHER REVENUES:						
Gain on insurance proceeds (NOTE 7)	-	-	-	41,207	-	41,207
Applications	85,299	-	85,299	91,931	-	91,931
Other revenues and gains (losses), net	50,195	(985)	49,210	99,846	8,360	108,206
TOTAL OTHER REVENUES	135,494	(985)	134,509	232,984	8,360	241,344
NET INVESTMENT GAINS	172,398	2,540,672	2,713,070	210,732	2,940,746	3,151,478
Net assets released from restrictions	2,065,200	(2,065,200)	-	1,580,800	(1,580,800)	-
TOTAL SUPPORT, SPECIAL EVENTS, OTHER REVENUES AND GAINS	14,486,943	909,734	15,396,677	14,843,609	1,957,009	16,800,618

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

NATIONAL FOUNDATION FOR
ADVANCEMENT IN THE ARTS, INC. AND SUBSIDIARIES
D/B/A NATIONAL YOUNGARTS FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30,

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
EXPENSES:						
YoungArts program	$ 10,026,936	$ -	$ 10,026,936	$ 9,563,624	$ -	$ 9,563,624
General and administrative	1,349,523	-	1,349,523	1,490,307	-	1,490,307
Development	2,512,481	-	2,512,481	2,348,427	-	2,348,427
TOTAL EXPENSES	13,888,940	-	13,888,940	13,402,358	-	13,402,358
CHANGE IN NET ASSETS BEFORE IMPAIRMENT LOSS ON CONSTRUCTION IN PROGRESS	598,003	909,734	1,507,737	1,441,251	1,957,009	3,398,260
IMPAIRMENT LOSS ON CONSTRUCTION IN PROGRESS	-	-	-	(2,779,409)	-	(2,779,409)
CHANGE IN NET ASSETS	598,003	909,734	1,507,737	(1,338,158)	1,957,009	618,851
NET ASSETS - BEGINNING OF YEAR	27,276,890	43,387,121	70,664,011	28,615,048	41,430,112	70,045,160
NET ASSETS - END OF YEAR	**$ 27,874,893**	**$ 44,296,855**	**$ 72,171,748**	**$ 27,276,890**	**$ 43,387,121**	**$ 70,664,011**

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

NATIONAL FOUNDATION FOR ADVANCEMENT IN THE ARTS, INC. AND SUBSIDIARIES D/B/A NATIONAL YOUNGARTS FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

		Supporting Services		
	YoungArts Program	General and Administrative	Development	Total
Salaries and benefits	$ 3,602,535	$ 508,918	$ 970,136	$ 5,081,589
Advertising	106,546	1,081	-	107,627
Bad debt expense	-	6,901	-	6,901
Bank charges and fees	-	11,380	5,729	17,109
Campus operating expenses	555,134	63,083	12,617	630,834
Depreciation and amortization	463,831	41,758	8,352	513,941
Equipment rentals and maintenance	196,763	73,285	38,967	309,015
Grants, awards and stipends	722,932	-	21,000	743,932
Independent contractors	132,531	36,869	175,824	345,224
Insurance and taxes	306,405	33,912	9,383	349,700
In-kind expenses	-	396,108	-	396,108
Materials, supplies and services	760,972	22,502	120,134	903,608
Postage and distribution	54,479	2,136	7,408	64,023
Printing, design and photo	189,883	3,138	30,390	223,411
Professional fees	477,773	93,566	14,183	585,522
Program and event consultants	997,160	-	27,175	1,024,335
Rental facilities	150,088	-	4,233	154,321
Special events	850	1,011	993,903	995,764
Telephone	41,550	4,809	10,611	56,970
Travel	1,267,504	49,066	62,436	1,379,006
TOTAL EXPENSES	**$ 10,026,936**	**$ 1,349,523**	**$ 2,512,481**	**$ 13,888,940**

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

NATIONAL FOUNDATION FOR
ADVANCEMENT IN THE ARTS, INC. AND SUBSIDIARIES
D/B/A NATIONAL YOUNGARTS FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

		Supporting Services		
	YoungArts Program	General and Administrative	Development	Total
Salaries and benefits	$ 3,338,659	$ 544,807	$ 796,216	$ 4,679,682
Advertising	98,435	118	-	98,553
Bad debt expense	-	27,500	-	27,500
Bank charges and fees	435	6,981	17,993	25,409
Campus operating expenses	529,041	60,118	12,024	601,183
Depreciation and amortization	483,570	54,951	10,990	549,511
Equipment rentals and maintenance	182,966	116,467	17,811	317,244
Grants, awards and stipends	655,023	-	14,930	669,953
Independent contractors	627,996	86,119	180,765	894,880
Insurance and taxes	404,336	45,887	9,177	459,400
In-kind expenses	27,344	339,099	-	366,443
Materials, supplies and services	710,514	31,778	106,973	849,265
Postage and distribution	48,928	1,464	2,621	53,013
Printing, design and photo	213,371	-	56,444	269,815
Professional fees	277,084	130,220	75,775	483,079
Program and event consultants	553,458	-	17,611	571,069
Rental facilities	120,139	-	-	120,139
Special events	34,356	234	978,571	1,013,161
Telephone	59,139	-	-	59,139
Travel	1,198,830	44,564	50,526	1,293,920
TOTAL EXPENSES	**$ 9,563,624**	**$ 1,490,307**	**$ 2,348,427**	**$ 13,402,358**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,507,737	$ 618,851
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	513,941	549,511
Provision for uncollectible pledges	6,901	27,500
Pledge present value discount adjustment	(18,000)	(6,897)
Unrealized gains from investments, net	(649,502)	(716,799)
Realized gains from investments, net	(1,333,314)	(1,582,388)
Unrealized loss (gain) in interest in charitable remainder unitrust	985	(8,360)
Impairment loss on construction in progress	-	2,779,409
Changes in assets:		
Pledges receivable, net	42,077	(607,270)
Other receivables, net	(19,845)	(44,734)
Prepaid expenses and other assets	(31,052)	4,064
Changes in liabilities:		
Accounts payable, accrued expenses and other liabilities	190,041	(57,018)
TOTAL ADJUSTMENTS	(1,297,768)	337,018
NET CASH PROVIDED BY OPERATING ACTIVITIES	209,969	955,869
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(74,536)	(360,770)
Purchases of investments	(1,910,147)	(22,502,026)
Proceeds from sales of investments	1,785,114	23,231,347
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(199,569)	368,551
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,400	1,324,420
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,907,258	582,838
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 1,917,658**	**$ 1,907,258**

SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS:		
In-kind	**$ 396,108**	**$ 366,443**
Donation of artwork to third party	**$ -**	**$ 2,000,000**

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

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Structure

The National Foundation for Advancement in the Arts, Inc. d/b/a National YoungArts Foundation ("NFAA") is a non-profit organization under the Florida Not-For-Profit Corporation Act and is exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code. The National YoungArts Foundation ("YoungArts") identifies the most accomplished young artists in the visual, literary, design and performing arts, and provides them with creative and professional development opportunities throughout their careers. Management believes the NFAA qualifies for the charitable contribution deduction and has been classified as a foundation that is not a private foundation.

On August 28, 2013, NFAA became the sole member of National YoungArts Foundation Campus, LLC (the "LLC"). NFAA contributed 100% of its interest in its newly purchased facilities to the LLC in exchange for a 100% interest in the LLC. As a limited liability company, liability is limited to amounts reflected in the member account. The LLC shall have a perpetual existence until it is dissolved and its affairs are wound up in accordance with the respective operating agreement. On June 30, 2016, NFAA transferred its interest in the LLC to the National YoungArts Foundation Supporting Organization ("NYFSO"), a separate non-profit organization. NYFSO, through its subsidiary the LLC, then entered into a lease agreement with NFAA whereby NFAA rents the campus' real and personal property (including buildings, land and furniture) from the LLC.

Basis of Accounting

The consolidated financial statements include the accounts of NFAA, NYFSO, and the latter's subsidiary, the LLC. (collectively referred to as the "Foundation"). NYFSO owns 100% of the membership interest in the LLC, and the LLC owns the campus' real property and improvements. The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany accounts and transactions have been eliminated in the consolidation.

Consolidated Financial Statement Presentation

Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

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 Foundation's management and the board of trustees.

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 Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statements of Activities.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Revenue Source

For the years ended June 30, 2019 and 2018, two related entities, a trust and a foundation, provided more than 10% of total support, special events and other revenues, as follows:

	2019		2018	
Recipient Entity	**Support**	**Percentage of Total Support**	**Support**	**Percentage of Total Support**
NFAA	$ 6,431,108	59%	$ 6,386,434	56%
NYFSO	$ 1,780,155	100%	$ 2,142,077	98%

This includes in-kind contributions of approximately 3% for each of the years ended June 30, 2019 and 2018. The Foundation relies upon the related entities continued support to fund operations.

Cash and Cash Equivalents

The Foundation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents primarily consist of general checking, payroll and savings accounts. Money market funds which are included within investments are not included within cash and cash equivalents. The Foundation has restricted cash to be used for arts education programs.

Pledges Receivable, Net

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Pledges determined to be uncollectible during the year in which such pledges are received are shown as a reduction of contributions. Pledges determined to be uncollectible subsequent to the year in which such pledges are received are charged to the allowance for uncollectible pledges. The allowance for uncollectible pledges is based on the Foundation's historical pledge collection experience and management's evaluation of other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a market rate of return and are recorded at net present value.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Consolidated Statements of Financial Position. Investment gains (including gains and losses on investments, interest and dividends) are included in the Consolidated Statements of Activities as increases in net assets without donor restrictions unless the gains are restricted by donor or law. Investments in alternative investments are valued using the most recent valuation available from the respective external fund manager.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of amounts expended for insurance and other expenses.

Property and Equipment, Net

All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost, or if contributed, at fair value at the time of the donation and depreciated or amortized using the straight-line method over the estimated useful lives of the assets.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

When assets are sold or retired, the cost and related accumulated depreciation or amortization are removed from the accounts and gains or losses, if any, are recognized currently. Repairs and maintenance are charged to expense as incurred. Donations of property and equipment are recorded as support at their estimated fair value.

Useful lives are as follows:

Building and building improvements	39 years
Furniture and equipment	3 – 7 years
Website and software	5 years
Vehicle	5 years

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes in the business climate indicate that they may be impaired. The Foundation performs its review by comparing the carrying amounts of long-lived assets to the estimated undiscounted cash flows relating to such assets. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows. During the year ended June 30, 2018, the Foundation determined that the construction in progress was not going to be completed with the current plans and recorded an impairment loss of $2,779,409 (NOTE 7).

Contributions

Contributions are recorded at their estimated fair values on the date of the contribution. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. However, contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. When a donor 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 through the release from restrictions.

In-Kind Contributions

Donated services are recognized as contributions if the services create or enhance a non-financial asset, or require specialized skills and are performed by people with those skills or the costs of such services are paid on behalf of the Foundation, and such services would otherwise be purchased by the Foundation. The Foundation records these contributions at fair value and in the period the services are provided as both support and expense in the Consolidated Statements of Activities. Accordingly, the Foundation recognized approximately $396,000 and $366,000 of in-kind contributions during the years ended June 30, 2019 and 2018, respectively. Volunteers contribute a wide array of services supporting all functions of the Foundation; however, these services do not meet the criteria for recognition.

Expense Classifications

YoungArts Program: YoungArts encourages young artists by creating opportunities for them to advance in their artistic pursuits. The YoungArts program serves winners nationally, with programs in Miami, New York, Los Angeles and Washington, DC. Programming provides them with creative and professional development opportunities that include workshops, masterclasses, exhibitions and performances. All costs associated with attending a program is fully covered for all participants by YoungArts. Program related expenses include artistic fees for master teachers and directors, workshop materials and supplies, and transportation and housing.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Classifications (Continued)

General and Administrative: Expenses include the costs of operations of the Foundation which do not relate specifically to other functional categories but benefit all functions indirectly.

Development: Expenses include the costs of fundraising. These costs include payroll, occupancy and office expenses as well as the costs of certain fundraising events.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Foundation 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These include, but are not limited to, the determination of the net realizable value of receivables, fair market value of investments and the useful lives of acquired assets. Actual results could vary from the estimates that were used.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments.

At times, such balances may be in excess of the insurance limits of the Federal Deposit Insurance Corporation. The Foundation has not experienced losses on its cash and cash equivalents.

Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Foundation has an investment policy and has hired professional investment advisors who report to the board of trustees and management and periodically review the investment portfolio to monitor these risks.

Tax Status

The National Foundation for Advancement in the Arts, Inc. and the National YoungArts Foundation Supporting Organization are separately registered with the Internal Revenue Service as non-profit organizations under Internal Revenue Code Section 501(c)(3) and, accordingly, are exempt from income taxes. The wholly-owned subsidiary, National YoungArts Foundation Campus, LLC is considered a disregarded entity.

The Foundation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Foundation files income tax returns. The Foundation is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2016.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements

Classification of Restricted Cash

In November 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this update did not have a material effect on the Foundation's consolidated financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended June 30, 2019, the Foundation adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Foundation has applied the update retrospectively to all periods presented and adjusted the presentation of these consolidated financial statements accordingly. As a result, the Foundation has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Foundation's Consolidated Financial Position and changes in net assets. In addition, the Foundation has elected to continue to present the Consolidated Statements of Cash Flows using the indirect method and continues to include separate Consolidated Statements of Functional Expenses in its consolidated financial statements.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2019 and in interim periods in annual periods beginning after December 15, 2020. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2017. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Foundation's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The Foundation is evaluating the method of adoption it will elect. The update is originally effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The effective dates have tentatively been extended to fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Foundation is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

Clarifying the Interaction between Topic 808 and Topic 606

In November 2018, the FASB issued an accounting standard update to clarify the interaction between Topic 808, Collaborative Arrangements, and Topic 606, Revenue from Contracts with Customers. The update is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early application permitted. The Foundation is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Reclassification

Certain items on the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated subsequent events through December 10, 2019, which is the date the consolidated financial statements were available to be issued.

2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Foundation maintains an informal policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. The Foundation holds cash in various interest-bearing bank accounts with well-known financial institutions. Additionally, the Foundation has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of income to programs and operations supported by its endowments while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis.

The Foundation's financial assets available within one year of the Consolidated Statement of Financial Position date for general expenditures as of June 30, 2019 are as follows:

Cash and cash equivalents	$ 1,917,658
Pledges receivable, net	732,725
Other receivables, net	66,358
Investments	47,549,134
Total financial assets available within one year	50,265,875
Less: amounts unavailable for general expenditures within one year due to:	
Net assets restricted by donors for specific purposes and programs	(44,170,586)
Less: amounts unavailable to management without Board approval	
Board designated - endowment	(3,883,811)
Total financial assets available to management	**$ 2,211,478**

The Foundation's board designated endowment totaling approximately $3,884,000, is available for general expenditures at the Board of Director's discretion and approval. The Foundation also has donor restricted endowment investments totaling approximately $12,725,000 that are temporarily restricted for educational purposes and may be available for general expenditures at the Board of Director's discretion and approval.

3. PLEDGES RECEIVABLE, NET

Pledges receivable, net are summarized as follows at June 30,:

	2019	2018
Gross pledges receivable	$ 818,775	$ 857,500
Less: Allowance for doubtful accounts	(72,500)	(72,500)
Less: Discount on long-term pledges	(13,550)	(21,297)
Pledges receivable, net	**$ 732,725**	**$ 763,703**

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 1.8%) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

3. PLEDGES RECEIVABLE, NET (CONTINUED)

Payments due on pledges receivable as of June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 618,775
2021	100,000
2022	100,000
	$ 818,775

The allowance for doubtful accounts at June 30, 2019 and 2018 was $72,500. Bad debt expense for the years ended June 30, 2019 and 2018, was approximately $7,000 and $28,000, respectively.

4. INTEREST IN CHARITABLE REMAINDER UNITRUST

A donor established an irrevocable trust naming the Foundation as a remainder beneficiary of a charitable remainder unitrust. Under terms of the trust, the Foundation is to receive the lesser of $500,000 or 25% of the trust's assets upon the death of the last surviving beneficiary. Based on a joint life and last survivor expectancy of approximately 16 and 17 years as of June 30, 2019 and 2018, respectively, at a 5% rate, the present value of future distributions is estimated to be $126,269 and $127,254 at June 30, 2019 and 2018, respectively. This amount is recorded as Interest in charitable remainder unitrust in the Consolidated Statements of Financial Position. During the years ended June 30, 2019 and 2018, the charitable remainder unitrust (depreciated) appreciated by $(985) and $8,360, respectively, which is included in Other revenues and gains (losses), net in the Consolidated Statements of Activities.

5. INVESTMENTS

The Foundation has invested in the following funds at June 30,:

	2019	2018
Money market	$ 3,087,573	$ 1,879,115
Equity securities	26,452,700	24,342,615
Mutual funds	-	3,693,902
Fixed income	10,902,237	8,749,568
Alternative strategies	7,106,624	6,776,085
Total investments	**$ 47,549,134**	**$ 45,441,285**

Net investment gains from cash equivalents and investments is comprised of the following for the years ended June 30,:

	2019	2018
Interest and dividends	$ 910,169	$ 1,077,697
Net realized gains	1,333,314	1,582,388
Net unrealized gains	649,502	716,799
Investment fees	(179,915)	(225,406)
Total investment gains	**$ 2,713,070**	**$ 3,151,478**

6. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the FASB ASC are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Money market: Valued at cost, which approximates fair value.

Equity securities: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Fixed income: Valued at the closing price reported in the active market in which the individual securities are traded.

Alternative strategies: Valued by the underlying investments of the funds and are valued at fair value on a monthly basis by the investment managers. Certain funds are redeemable at their Net Asset Value ("NAV") per share on a monthly basis. The fair value of the investments are a publicly quoted pricing input used in determining the NAV of the alternative strategies, which is not publicly quoted. The Foundation considers the length of time until the investment is redeemable, including notice and lock up periods or any other restriction on the disposition of the investment. The Foundation also considers the nature of the portfolios of the underlying investments and their ability to liquidate their underlying investments. The NAV per share is used as a practical expedient to estimate the fair value of the alternative strategies as long as certain requirements are met.

Fair value of shares of underlying alternative strategies equals the number of shares of the respective underlying investments multiplied by the closing NAV per share quoted by that investment and held by the Foundation at year end.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following tables represent the Foundation's financial instruments measured at fair value on a recurring basis for each of the fair value hierarchy levels:

		Fair Value Measurements at June 30, 2019		
Description	**Fair Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Assets:				
Money market	$ 3,087,573	$ 3,087,573	$ -	$ -
Equity securities	26,452,700	26,452,700	-	-
Fixed income	10,902,237	10,902,237	-	-
Total assets in the fair value hierarchy	40,442,510	40,442,510	-	-
Investments measured at net asset value *	7,106,624	-	-	-
Total assets at fair value	**$ 47,549,134**	**$ 40,442,510**	**$ -**	**$ -**

		Fair Value Measurements at June 30, 2018		
Description	**Fair Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Assets:				
Money market	$ 1,879,115	$ 1,879,115	$ -	$ -
Equity securities	24,342,615	24,342,615	-	-
Mutual funds	3,693,902	3,693,902	-	-
Fixed income	8,749,568	8,749,568	-	-
Total assets in the fair value hierarchy	38,665,200	38,665,200	-	-
Investments measured at net asset value *	6,776,085	-	-	-
Total assets at fair value	**$ 45,441,285**	**$ 38,665,200**	**$ -**	**$ -**

(*) In accordance with Subtopic 820-10, certain investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value per Share

Alternative strategies include investments in limited partnerships where the Foundation has the right to withdraw its investments at least quarterly, or annually after the expiration of "lock-up" periods of one to three years pursuant to the respective offering memorandums. The underlying investments of the funds are valued at fair value on a quarterly basis by the partnerships for which fair value is measured using the NAV per share practical expedient. Also included in Alternative strategies are investments in offshore funds that include investments in hedge funds. As part of the Alternative strategies investment structure, initial capital call commitments are required.

	Fair Value as of 6/30/2019	Unfunded Commitments as of 6/30/2019	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Multi-Strategy (a)	$ 2,436,117	$ -	Various	60 Days
Equity Long / Short (b)	2,670,908	-	Monthly and Quarterly	60 Days
Equity Long / Short (c)	1,999,599	-	Quarterly	45 Days
Total	**$ 7,106,624**	**$ -**		

	Fair Value as of 6/30/2018	Unfunded Commitments as of 6/30/2018	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Multi-Strategy (a)	$ 2,477,273	$ -	Various	60 Days
Equity Long / Short (b)	2,376,867	-	Monthly and Quarterly	45 Days
Equity Long / Short (c)	1,921,945	-	Quarterly	45 Days
Total	**$ 6,776,085**	**$ -**		

The following is a summary of the investment strategies of the investments valued using the NAV per share practical expedient:

(a) The fund's objective is to provide investors with capital appreciation through allocation of its assets among a diverse group of money managers. Investment strategies include equity, debt securities, options, futures, forwards, swap contracts and other equity derivatives of both United States of America and foreign issuers.

(b) The fund was formed for the purpose of investing in a widely diversified portfolio consisting exclusively of U.S. and non-U.S. equity securities that are publicly traded on the U.S. securities exchanges, and expects holding periods to average more than one year. The fund may also invest in stock index futures for risk management purposes. The fund seeks to achieve superior rates of return with low volatility and a relatively low beta through investments in a widely diversified portfolio.

(c) The fund is an offshore feeder fund in a master structure. The fund's objective is to invest substantially all its assets in Locust Wood Capital, L.P.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30,:

	2019	2018
Land	$ 11,892,756	$ 11,892,756
Building and building improvements	11,742,553	11,742,554
Furniture and equipment	1,037,267	1,027,342
Website and software	383,812	319,200
Vehicle	83,575	83,575
	25,139,963	25,065,427
Accumulated depreciation and amortization	(2,815,290)	(2,301,349)
	$ 22,324,673	**$ 22,764,078**

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled $513,941 and $549,511, respectively.

Impairment of Construction in Progress

During the year ended June 30, 2018, management determined the original construction in progress was impaired due to the plans changing and wrote down construction in progress. The total impairment loss totaled $2,779,409 and is reflected in the Consolidated Statements of Activities for the year ended June 30, 2018.

Natural Disaster and Insurance Proceeds

In September 2017, the Foundation suffered minor property damage due to Hurricane Irma. As a result, the Foundation has been awarded through June 30, 2018, insurance proceeds of approximately $92,000 for property damage, which has been applied against the cost to fund repairs and related expenses to restore the property to its original condition. The insurance proceeds awarded for property damage are included in “Gain on insurance proceeds” on the accompanying Consolidated Statements of Activities for the year ended June 30, 2018.

Gain on insurance proceeds consists of the following for the year ended June 30, 2018:

Gross insurance proceeds	$ 91,915
Repairs and related expenses	(50,708)
	$ 41,207

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation has received various donations throughout the years from its donors which have been without donor restrictions as to purpose or time. Although these funds are included in net assets without donor restrictions, management and the Board of Trustees segregated these funds so that the principal is designated not to be expended without board approval. These funds totaled $3,883,811 and $2,709,806 as of June 30, 2019 and 2018, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for use in arts education programs and consisted of the following as of June 30,:

	2019	2018
Restricted contributions with specific purpose/time restrictions	$ 463,950	$ 588,703
Restricted cash with specific purpose/time restrictions	100,000	-
Donor-restricted endowment funds	43,732,905	42,798,418
	$ 44,296,855	**$ 43,387,121**

10. ENDOWMENTS

Interpretation of Relevant Law

The Foundation's endowment consists of several investment funds established for a variety of purposes. Its endowment includes donor-restricted and board-designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Foundation has interpreted the FUPMIFA 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 Foundation classifies as restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in restricted net assets is classified as restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

(1) The duration and preservation of the fund

(2) The purposes of the Foundation and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

10. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Summary of Endowment Net Assets at June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 43,732,905	$ 43,732,905
Board-designated endowment funds	3,883,811	-	3,883,811
Total endowment net assets	**$ 3,883,811**	**$ 43,732,905**	**$ 47,616,716**

Summary of Endowment Net Assets at June 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 42,798,418	$ 42,798,418
Board-designated endowment funds	2,709,806	-	2,709,806
Total endowment net assets	**$ 2,709,806**	**$ 42,798,418**	**$ 45,508,224**

Changes in Endowment Net Assets for the year ended June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 2,709,806	$ 42,798,418	$ 45,508,224
Net investment gains	172,398	2,539,687	2,712,085
Investment purchases	1,001,607	-	1,001,607
Released from restriction and appropriated for expenditure	-	(1,605,200)	(1,605,200)
Endowment net assets, ending	**$ 3,883,811**	**$ 43,732,905**	**$ 47,616,716**

Changes in Endowment Net Assets for the year ended June 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 2,499,077	$ 41,430,112	$ 43,929,189
Net investment gains	210,729	2,949,109	3,159,838
Released from restriction and appropriated for expenditure	-	(1,580,803)	(1,580,803)
Endowment net assets, ending	**$ 2,709,806**	**$ 42,798,418**	**$ 45,508,224**

10. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

With donor restrictions Net Assets:	2019
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA	$ 11,840,364

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019 or 2018. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions to the extent that the deficiencies fall below the restricted corpus.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation-adjusted basis. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that achieve the majority of the gains of the S&P 500 while limiting the negative returns caused by decreases in the S&P 500, by assuming a moderate level of investment risk and limiting volatility. The Foundation expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives on an inflation adjusted basis with moderate volatility, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's policy is to appropriate 5% of the average fiscal year-end endowment fund balance for the prior three years for distribution in the following fiscal year which totaled $435,200 and $428,800 for the years ended June 30, 2019 and 2018, respectively. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow, net of distributions, at an average of 3.25% percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

11. RETIREMENT PLAN

The Foundation has a defined contribution plan (the "Plan") covering all full time employees over the age of 21 with at least one year of service. The Plan conforms to the provisions set by Internal Revenue Code Section 403(b), Defined Contribution (Money Purchase) Retirement Plan. The Foundation matches participants' contributions to the Plan dollar-for-dollar up to 5% of the employee's salary and the amount is fully vested when the contribution is made. Contributions for the years ended June 30, 2019 and 2018 were $159,592 and $136,415, respectively, and are reflected within Salaries and benefits in the Consolidated Statements of Functional Expenses.

12. SPECIAL EVENTS

Revenues and expenses of special events held during the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
	Gala Affair	Gala Affair
Revenue:		
Underwriting	$ 289,500	$ 240,050
Tickets and sales	1,769,105	1,778,287
Total revenue	2,058,605	2,018,337
Expenses:		
Direct benefits	995,764	1,013,161
Net Special Events	**$ 1,062,841**	**$ 1,005,176**

13. ARTWORK GIFT

In June 2013, the Foundation received a gift of artwork valued at $2,000,000. Under the terms of the gift agreement, the Foundation was to display the painting in its gallery and use the artwork in its educational programming. The gift agreement specified that the artwork will be loaned or donated (at the option of the Foundation), to the U.S. Department of State Art in Embassies program upon completion of the Embassy's construction. Until such time, the painting was recorded as an asset and liability in the Consolidated Statements of Financial Position under the captions, "Artwork" and "Artwork pledged to a third party," respectively. During the year ended June 30, 2018, the Foundation donated the artwork to the U.S. Department of State Art in Embassies program. The related asset and liability was removed from the Consolidated Statements of Financial Position at the date of the transfer.

14. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Foundation is involved in legal proceedings arising in the ordinary course of business. The Foundation believes there is no litigation pending against it that could have, individually or in the aggregate, a material adverse effect on its consolidated financial position, results of activities or cash flows.

15. SUBSEQUENT EVENT

In August 2019, the Foundation received a donation of real estate consisting of land and building. The real estate is adjacent to the Foundation's headquarters in Miami, Florida and occupies approximately 10,000 square feet. An appraisal on the donated real estate estimated the fair market value to be $3,550,000. The real estate is free and clear of all liens as of the date of donation, August 1, 2019. The property will be used by the Foundation to expand programs.