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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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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MBAF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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, 2020 and 2019, 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Coronavirus

As further discussed in Note 1, National Foundation for Advancement in the Arts, Inc. and Subsidiaries d/b/a National YoungArts Foundation is subject to the current economic and health conditions in the United States, including the coronavirus which was designated as a global pandemic by the World Health Organization on March 11, 2020. Management is currently assessing the impact of these conditions and continues to explore various options to minimize the financial impact; however, the ultimate outcome is not known as of the date these consolidated financial statements were available to be issued. Our opinion is not modified with respect to this matter.

Morrison, Brown, Argiz & Farra

Miami, Florida
February 22, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	**2020**	**2019**
Cash and cash equivalents (including restricted cash of $52,836 and $100,000 as of June 30, 2020 and 2019, respectively)	$ 2,585,691	$ 1,917,658
Pledges receivable, net	1,571,215	732,725
Other receivables, net	45,559	66,358
Prepaid expenses and other assets	537,829	255,020
Interest in charitable remainder unitrust	127,348	126,269
Investments	47,099,981	47,549,134
Property and equipment, net	25,520,388	22,324,673
TOTAL ASSETS	**$ 77,488,011**	**$ 72,971,837**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	$ 1,187,141	$ 800,089
TOTAL LIABILITIES	1,187,141	800,089
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
NET ASSETS		
Without donor restrictions:		
Undesignated	28,071,639	23,991,082
Board-designated	4,013,459	3,883,811
Total net assets without donor restrictions	32,085,098	27,874,893
With donor restrictions	44,215,772	44,296,855
TOTAL NET ASSETS	76,300,870	72,171,748
TOTAL LIABILITIES AND NET ASSETS	**$ 77,488,011**	**$ 72,971,837**

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,

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT:						
Contributions	$ 13,235,758	$ 973,494	$ 14,209,252	$ 9,544,426	$ 435,247	$ 9,979,673
Government grants	231,345	-	231,345	114,712	-	114,712
In-kind contributions	442,263	-	442,263	396,108	-	396,108
TOTAL SUPPORT	13,909,366	973,494	14,882,860	10,055,246	435,247	10,490,493
SPECIAL EVENTS:						
Current year underwritings and tickets and sales	1,524,425	-	1,524,425	2,058,605	-	2,058,605
OTHER REVENUES:						
Applications	89,517	-	89,517	85,299	-	85,299
Other revenues and gains (losses), net	145,111	1,079	146,190	50,195	(985)	49,210
TOTAL OTHER REVENUES	234,628	1,079	235,707	135,494	(985)	134,509
NET INVESTMENT GAINS	129,648	1,134,544	1,264,192	172,398	2,540,672	2,713,070
NET ASSETS RELEASED FROM RESTRICTIONS	2,190,200	(2,190,200)	-	2,065,200	(2,065,200)	-
TOTAL SUPPORT, SPECIAL EVENTS, OTHER REVENUES AND GAINS (LOSSES)	17,988,267	(81,083)	17,907,184	14,486,943	909,734	15,396,677

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,

	2020			2019		
	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	$ 10,151,899	$ -	$ 10,151,899	$ 10,026,936	$ -	$ 10,026,936
General and administrative	1,139,525	-	1,139,525	1,349,523	-	1,349,523
Development	2,486,638	-	2,486,638	2,512,481	-	2,512,481
TOTAL EXPENSES	13,778,062	-	13,778,062	13,888,940	-	13,888,940
CHANGE IN NET ASSETS	4,210,205	(81,083)	4,129,122	598,003	909,734	1,507,737
NET ASSETS - BEGINNING OF YEAR	27,874,893	44,296,855	72,171,748	27,276,890	43,387,121	70,664,011
NET ASSETS - END OF YEAR	**$ 32,085,098**	**$ 44,215,772**	**$ 76,300,870**	**$ 27,874,893**	**$ 44,296,855**	**$ 72,171,748**

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, 2020

		Supporting Services		
	YoungArts Program	General and Administrative	Development	Total
Salaries and benefits	$ 3,558,930	$ 426,026	$ 910,688	$ 4,895,644
Advertising	127,499	606	244	128,349
Bad debt expense	-	76,000	-	76,000
Bank charges and fees	651	18,400	64	19,115
Campus operating expenses	809,889	89,741	18,750	918,380
Depreciation and amortization	445,792	50,658	10,132	506,582
Equipment rentals and maintenance	181,930	63,972	67,618	313,520
Grants, awards and stipends	975,759	-	-	975,759
Independent contractors	357,362	63,492	577	421,431
Insurance and taxes	390,004	42,040	16,562	448,606
In-kind expenses	284,698	54,783	102,782	442,263
Materials, supplies and services	639,143	56,916	71,047	767,106
Postage and distribution	19,763	(339)	5,043	24,467
Printing, design and photo	160,423	1,363	26,928	188,714
Professional fees	367,938	158,807	342,068	868,813
Program and event consultants	948,651	-	22,045	970,696
Rental facilities	30,987	-	-	30,987
Special events	470	652	842,277	843,399
Telephone	25,119	10,230	10,967	46,316
Travel	826,891	26,178	38,846	891,915
TOTAL EXPENSES	**$ 10,151,899**	**$ 1,139,525**	**$ 2,486,638**	**$ 13,778,062**

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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 4,129,122	$ 1,507,737
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	506,582	513,941
Provision for uncollectible pledges	76,000	6,901
Pledge present value discount adjustment	(9,095)	(18,000)
Unrealized gains from investments, net	(496,168)	(649,502)
Realized gains from investments, net	(118,730)	(1,333,314)
Unrealized (gains) losses in interest in charitable remainder unitrust	(1,079)	985
Contributed property	(3,550,000)	-
Changes in assets:		
Pledges receivable, net	(905,395)	42,077
Other receivables, net	20,799	(19,845)
Prepaid expenses and other assets	(282,809)	(31,052)
Changes in liabilities:		
Accounts payable, accrued expenses and other liabilities	387,052	190,041
TOTAL ADJUSTMENTS	(4,372,843)	(1,297,768)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(243,721)	209,969
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(152,297)	(74,536)
Purchases of investments	(1,098,766)	(1,910,147)
Proceeds from sales of investments	2,162,817	1,785,114
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	911,754	(199,569)
NET INCREASE IN CASH AND CASH EQUIVALENTS	668,033	10,400
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,917,658	1,907,258
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 2,585,691**	**$ 1,917,658**

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
In-kind	**$ 442,263**	**$ 396,108**
Contributed property	**$ 3,550,000**	**$ -**

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, 2020 and 2019, two related entities, a trust and a foundation, provided more than 10% of total support, special events and other revenues, as follows:

	2020		2019	
Recipient Entity	Support	Percentage of Total Support	Support	Percentage of Total Support
NFAA	$ 5,846,384	35%	$ 6,431,108	51%
NYFSO	$ 1,840,000	11%	$ 1,780,155	14%

This includes in-kind contributions of approximately 3% for each of the years ended June 30, 2020 and 2019. 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 to be used at a future date.

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

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.

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
Vehicles	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.

Revenue Recognition

Contributions

Transfers of cash or other assets or settlements of liabilities that are both voluntary and nonreciprocal are recognized as contributions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Foundation fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Contributions are considered to be available for general operations of the Foundation unless specifically restricted by the donor. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

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 and reported in the Consolidated Statements of Activities as “Net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

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

Revenue Recognition (Continued)

Grants

Revenue from grants and contracts is recognized as earned when contract requirements are met. The Foundation has contracts and grants with various grantors. These grants are subject to review and audit. However, management is of the opinion that any disallowance of costs by the grantors would not have a material adverse effect on the Foundation's consolidated financial position.

Special Events

Proceeds received from special events are recorded as revenue after the event has occurred.

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 $442,000 and $396,000 of in-kind contributions during the years ended June 30, 2020 and 2019, respectively. Volunteers contribute a wide array of services supporting all functions of the Foundation; however, these services do not meet the criteria for recognition.

Advertising

The Foundation expenses advertising costs when they are incurred. Advertising expenses was approximately $128,000 and $108,000 for the years ended June 30, 2020 and 2019, respectively.

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.

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.

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

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.

Risks and Uncertainties

Since January 2020, the coronavirus ("COVID-19") outbreak has caused substantial disruption in international and U.S. economies and markets. The fear of further spread of COVID-19 has caused quarantines, cancellation of events and travel, business and school shutdowns, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated COVID-19 as a pandemic. While the Foundation did not incur significant disruptions during the year ended June 30, 2020 from COVID-19, the Foundation is unable to predict the impact that COVID-19 will have on the consolidated financial position and change in net assets due to numerous uncertainties. These uncertainties include the severity of the virus, the duration of the outbreak, governmental, or other actions (which include promotion of social distancing), or changes to the Foundation's operations. The Foundation is currently evaluating the potential adverse effect this matter will have on its consolidated financial position, operations and cash flows. While the ultimate outcome of this uncertainty is unknown, it is reasonably possible the impact may be materially adverse.

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 2017.

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

Adopted Accounting Pronouncements

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") which seeks to enhance the recognition, measurement, presentation and disclosure requirements of financial instruments. The update is effective for fiscal years beginning after December 15, 2018 and for interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this update did not have a material effect on the Foundation's consolidated financial statements.

Accounting Guidance for Contributions Received and Contributions Made

During the year ended June 30, 2020, the Foundation adopted ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as an exchange transaction and determining whether a contribution is conditional or not. The adoption of this update did not have a material effect on the Foundation's consolidated financial statements.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued an ASU 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 was effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019; however, due to the circumstances surrounding COVID-19, the FASB issued relief in the form of deferral of the required adoption date for nonprofit entities to annual periods beginning after December 15, 2019 and for interim periods beginning after December 15, 2020, with early adoption permitted. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an ASU 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 and lessor accounting. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements but expects upon adoption that the update will not have a material effect on the Foundation's financial condition.

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 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 effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022, with early application permitted.

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

Recent Accounting Pronouncements (Continued)

Contributed Nonfinancial Assets

In September 2020, the FASB issued an ASU which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

Reclassification

Certain items on the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation.

Subsequent Events

The Foundation has evaluated subsequent events through February 22, 2021, 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 Statements of Financial Position date for general expenditures are as follows as of June 30,:

	2020	2019
Cash and cash equivalents	$ 2,585,691	$ 1,917,658
Pledges receivable, net	1,571,215	732,725
Other receivables, net	45,559	66,358
Investments	47,099,981	47,549,134
Total financial assets available within one year	51,302,446	50,265,875
Less: amounts unavailable for general expenditures within one year due to:		
Net assets restricted by donors for specific purposes and programs	(44,088,424)	(44,170,586)
Less: amounts unavailable to management without Board approval		
Board designated - endowment	(4,013,459)	(3,883,811)
Total financial assets available to management	**$ 3,200,563**	**$ 2,211,478**

2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

The Foundation's board designated endowment totaling approximately $4,013,000, 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,:

	2020	2019
Gross pledges receivable	$ 1,724,170	$ 818,775
Less: Allowance for doubtful accounts	(148,500)	(72,500)
Less: Discount on long-term pledges	(4,455)	(13,550)
Pledges receivable, net	**$ 1,571,215**	**$ 732,725**

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately .17%) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

Payments due on pledges receivable as of June 30, 2020 are as follows:

Less than one year	$ 1,024,170
One to five years	700,000
	$ 1,724,170

The allowance for doubtful accounts at June 30, 2020 and 2019 was $148,500 and $72,500, respectively. Bad debt expense for the years ended June 30, 2020 and 2019, was $76,000 and $6,901, 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 15 and 16 years as of June 30, 2020 and 2019, respectively, at a 5% rate, the present value of future distributions is estimated to be $127,348 and $126,269 at June 30, 2020 and 2019, respectively. This amount is recorded as "Interest in charitable remainder unitrust" in the Consolidated Statements of Financial Position. During the years ended June 30, 2020 and 2019, the charitable remainder unitrust appreciated (depreciated) by $1,079 and $(985), 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,:

	2020	2019
Money market	$ 3,434,544	$ 3,087,573
Equity securities	26,732,673	26,452,700
Fixed income	12,205,812	10,902,237
Alternative strategies	4,726,952	7,106,624
Total investments	**$ 47,099,981**	**$ 47,549,134**

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

	2020	2019
Interest and dividends	$ 831,766	$ 910,169
Net realized gains	118,730	1,333,314
Net unrealized gains	496,168	649,502
Investment fees	(182,472)	(179,915)
Total investment gains	**$ 1,264,192**	**$ 2,713,070**

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.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020 and 2019.

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.

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.

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, 2020		
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	$ 3,434,544	$ 3,434,544	$ -	$ -
Equity securities	26,732,673	26,732,673	-	-
Fixed income	12,205,812	12,205,812	-	-
Total assets in the fair value hierarchy	42,373,029	42,373,029	-	-
Investments measured at net asset value *	4,726,952	-	-	-
Total assets at fair value	**$ 47,099,981**	**$ 42,373,029**	**$ -**	**$ -**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

		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**	**$ -**	**$ -**

(*) 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.

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 6/30/2020	**Unfunded Commitments as of 6/30/2020**	**Redemption Frequency**	**Redemption Notice Period**
Hedge Funds:				
Equity Long / Short (b)	$ 2,618,824	$ -	Monthly and Quarterly	60 Days
Equity Long / Short (c)	2,108,128	-	Quarterly	45 Days
Total	**$ 4,726,952**	**$ -**		

	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**	**$ -**		

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value per Share (Continued)

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,:

	2020	2019
Land	$ 15,442,756	$ 11,892,756
Building and building improvements	11,742,553	11,742,553
Furniture and equipment	1,070,324	1,037,267
Website and software	503,052	383,812
Vehicle	83,575	83,575
	28,842,260	25,139,963
Accumulated depreciation and amortization	(3,321,872)	(2,815,290)
	$ 25,520,388	**$ 22,324,673**

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 totaled $506,582 and $513,941, respectively.

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.

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 $4,013,459 and $3,883,811 as of June 30, 2020 and 2019, 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,:

	2020	2019
Restricted contributions with specific purpose/time restrictions	$ 1,257,108	$ 463,950
Restricted cash with specific purpose/time restrictions	52,836	100,000
Donor-restricted endowment funds	42,905,828	43,732,905
	$ 44,215,772	**$ 44,296,855**

10. ENDOWMENTS

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.

Interpretation of Relevant Law

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)

Summary of Endowment Net Assets at June 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 11,853,229	$ 11,853,229
Accumulated earnings on perpetual endowment	-	761,509	761,509
Term endowment	-	30,291,090	30,291,090
Board-designated endowment funds	4,013,459	-	4,013,459
Total endowment net assets	**$ 4,013,459**	**$ 42,905,828**	**$ 46,919,287**

Summary of Endowment Net Assets at June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 11,853,228	$ 11,853,228
Accumulated earnings on perpetual endowment	-	930,819	930,819
Term endowment	-	30,948,858	30,948,858
Board-designated endowment funds	3,883,811	-	3,883,811
Total endowment net assets	**$ 3,883,811**	**$ 43,732,905**	**$ 47,616,716**

Changes in Endowment Net Assets for the year ended June 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 3,883,811	$ 43,732,905	$ 47,616,716
Net investment gains	129,648	1,135,623	1,265,271
Released from restriction and appropriated for expenditure	-	(1,962,700)	(1,962,700)
Endowment net assets, ending	**$ 4,013,459**	**$ 42,905,828**	**$ 46,919,287**

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**

10. ENDOWMENTS (CONTINUED)

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, 2020 or 2019. 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 $612,200 and $435,200 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 were $153,839 and $159,592, 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 consisted of the following during the years ended June 30,:

	2020	2019
	Gala Affair	Gala Affair
Revenue:		
Underwriting	$ 1,221,000	$ 1,769,105
Tickets and sales	303,425	289,500
Total revenue	1,524,425	2,058,605
Expenses:		
Direct benefits	843,399	995,764
Net Special Events	**$ 681,026**	**$ 1,062,841**

13. 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.