



# **National Foundation For Advancement In The Arts, Inc. And Subsidiaries D/B/A YoungArts**

## **Consolidated Financial Statements and Supplemental Schedules**

As of June 30, 2021 and 2020 and For the Years  
Ended June 30, 2021 and 2020

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

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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 YoungArts

### ***Opinion***

We have audited the consolidated financial statements of National Foundation for Advancement in the Arts, Inc. and Subsidiaries d/b/a YoungArts ("YoungArts"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of YoungArts as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of YoungArts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the 2021 Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about YoungArts's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



***Auditor's Responsibilities for the Audit of the 2021 Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of YoungArts's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about YoungArts's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



***Other Matter - 2020 Financial Statements***

The consolidated financial statements of National Foundation for Advancement in the Arts, Inc. and Subsidiaries d/b/a YoungArts, as of and for the year ended June 30, 2020 were audited by Morrison, Brown, Argiz & Farra, LLC (“MBAF”), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those consolidated financial statements in their report dated February 22, 2021.

Miami, Florida  
December 17, 2021

**BDO USA, LLP**  
Certified Public Accountants

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 5,274,129	\$ 2,585,691
Pledges receivable, net	1,325,618	1,571,215
Other receivables, net	45,507	45,559
Prepaid expenses and other assets	411,023	537,829
Interest in charitable remainder unitrust	145,593	127,348
Investments	55,131,885	47,099,981
Property and equipment, net	25,405,318	25,520,388
TOTAL ASSETS	<b>\$ 87,739,073</b>	<b>\$ 77,488,011</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable, accrued expenses and other liabilities	\$ 921,742	\$ 1,187,141
TOTAL LIABILITIES	921,742	1,187,141
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	31,060,586	28,071,639
Board-designated	4,981,849	4,013,459
Total net assets without donor restrictions	36,042,435	32,085,098
With donor restrictions	50,774,896	44,215,772
TOTAL NET ASSETS	86,817,331	76,300,870
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 87,739,073</b>	<b>\$ 77,488,011</b>

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 YOUNGARTS**

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	2021			2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT:</b>						
Contributions	\$ 9,782,944	\$ 416,081	\$ 10,199,025	\$ 13,235,758	\$ 973,494	\$ 14,209,252
Government grants	273,432	-	273,432	231,345	-	231,345
In-kind contributions	29,580	-	29,580	442,263	-	442,263
<b>TOTAL SUPPORT</b>	<b>10,085,956</b>	<b>416,081</b>	<b>10,502,037</b>	<b>13,909,366</b>	<b>973,494</b>	<b>14,882,860</b>
<b>SPECIAL EVENTS:</b>						
Current year underwritings and tickets and sales	-	-	-	1,524,425	-	1,524,425
<b>OTHER REVENUES:</b>						
Applications	96,482	-	96,482	89,517	-	89,517
Other revenues and gains, net	21,598	18,245	39,843	145,111	1,079	146,190
<b>TOTAL OTHER REVENUES</b>	<b>118,080</b>	<b>18,245</b>	<b>136,325</b>	<b>234,628</b>	<b>1,079</b>	<b>235,707</b>
<b>NET INVESTMENT GAINS</b>	<b>968,390</b>	<b>8,672,031</b>	<b>9,640,421</b>	<b>129,648</b>	<b>1,134,544</b>	<b>1,264,192</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>2,547,233</b>	<b>(2,547,233)</b>	<b>-</b>	<b>2,190,200</b>	<b>(2,190,200)</b>	<b>-</b>
<b>TOTAL SUPPORT, SPECIAL EVENTS, OTHER REVENUES AND NET INVESTMENT GAINS</b>	<b>13,719,659</b>	<b>6,559,124</b>	<b>20,278,783</b>	<b>17,988,267</b>	<b>(81,083)</b>	<b>17,907,184</b>

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 YOUNGARTS**

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

	<b>2021</b>			<b>2020</b>		
	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	\$ 7,426,182	\$ -	\$ 7,426,182	\$ 10,151,899	\$ -	\$ 10,151,899
General and administrative	929,165	-	929,165	1,139,525	-	1,139,525
Development	1,406,975	-	1,406,975	2,486,638	-	2,486,638
TOTAL EXPENSES	<u>9,762,322</u>	<u>-</u>	<u>9,762,322</u>	<u>13,778,062</u>	<u>-</u>	<u>13,778,062</u>
CHANGE IN NET ASSETS	3,957,337	6,559,124	10,516,461	4,210,205	(81,083)	4,129,122
NET ASSETS - BEGINNING OF YEAR	<u>32,085,098</u>	<u>44,215,772</u>	<u>76,300,870</u>	<u>27,874,893</u>	<u>44,296,855</u>	<u>72,171,748</u>
NET ASSETS - END OF YEAR	<u><b>\$ 36,042,435</b></u>	<u><b>\$ 50,774,896</b></u>	<u><b>\$ 86,817,331</b></u>	<u><b>\$ 32,085,098</b></u>	<u><b>\$ 44,215,772</b></u>	<u><b>\$ 76,300,870</b></u>

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 YOUNGARTS**

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30,

	2021				2020			
	YoungArts Program	Supporting Services		Total	YoungArts Program	Supporting Services		Total
		General and Administrative	Development			General and Administrative	Development	
Salaries and benefits	\$ 3,109,317	\$ 319,980	\$ 973,094	\$ 4,402,391	\$ 3,558,930	\$ 426,026	\$ 910,688	\$ 4,895,644
Advertising	36,628	1,679	1,250	39,557	127,499	606	244	128,349
Bad debt expense	-	3,441	-	3,441	-	76,000	-	76,000
Bank charges and fees	471	13,648	960	15,079	651	18,400	64	19,115
Campus operating expenses	597,978	67,952	13,590	679,520	809,889	89,741	18,750	918,380
Depreciation and amortization	387,069	43,984	8,797	439,850	445,792	50,658	10,132	506,582
Equipment rentals and maintenance	139,374	63,049	91,336	293,759	181,930	63,972	67,618	313,520
Grants, awards and stipends	1,041,029	-	-	1,041,029	975,759	-	-	975,759
Independent contractors	149,372	22,367	-	171,739	357,362	63,492	577	421,431
Insurance and taxes	394,738	42,673	12,945	450,356	390,004	42,040	16,562	448,606
In-kind expenses	11,792	17,788	-	29,580	284,698	54,783	102,782	442,263
Materials, supplies and services	132,345	34,642	5,648	172,635	639,143	56,916	71,047	767,106
Postage and distribution	27,000	837	6,596	34,433	19,763	(339)	5,043	24,467
Printing, design and photo	98,697	1,199	20,986	120,882	160,423	1,363	26,928	188,714
Professional fees	442,048	276,739	220,632	939,419	367,938	158,807	342,068	868,813
Program and event consultants	783,348	-	32,850	816,198	948,651	-	22,045	970,696
Rental facilities	17,577	-	-	17,577	30,987	-	-	30,987
Special events	-	-	-	-	470	652	842,277	843,399
Telephone	34,337	2,530	8,875	45,742	25,119	10,230	10,967	46,316
Travel	23,062	16,657	9,416	49,135	826,891	26,178	38,846	891,915
<b>TOTAL EXPENSES</b>	<b>\$ 7,426,182</b>	<b>\$ 929,165</b>	<b>\$ 1,406,975</b>	<b>\$ 9,762,322</b>	<b>\$ 10,151,899</b>	<b>\$ 1,139,525</b>	<b>\$ 2,486,638</b>	<b>\$ 13,778,062</b>

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 YOUNGARTS**

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

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ 10,516,461</u>	<u>\$ 4,129,122</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	439,850	506,582
Provision for uncollectible pledges	3,441	76,000
Pledge present value discount adjustment	686	(9,095)
Unrealized gains from investments, net	(4,798,082)	(496,168)
Realized gains from investments, net	(4,501,752)	(118,730)
Unrealized gains in interest in charitable remainder unitrust	(18,245)	(1,079)
Contributed property	-	(3,550,000)
Changes in operating assets:		
Pledges receivable, net	241,470	(905,395)
Other receivables, net	52	20,799
Prepaid expenses and other assets	126,806	(282,809)
Changes in operating liabilities:		
Accounts payable, accrued expenses and other liabilities	<u>(265,399)</u>	<u>387,052</u>
<b>TOTAL ADJUSTMENTS</b>	<u>(8,771,173)</u>	<u>(4,372,843)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>1,745,288</u>	<u>(243,721)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(324,780)	(152,297)
Purchases of investments	(986,389)	(1,098,766)
Proceeds from sales of investments	<u>2,254,319</u>	<u>2,162,817</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>943,150</u>	<u>911,754</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,688,438	668,033
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>2,585,691</u>	<u>1,917,658</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 5,274,129</b></u>	<u><b>\$ 2,585,691</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS:</b>		
In-kind	<u>\$ 29,580</u>	<u>\$ 442,263</u>
Contributed property	<u>\$ -</u>	<u>\$ 3,550,000</u>

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 YOUNGARTS**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Organization Structure**

The National Foundation for Advancement in the Arts, Inc. d/b/a YoungArts (“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. It 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 that 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 “YoungArts”). 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 YoungArts’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 YoungArts 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

**Concentration of Revenue Source**

For the years ended June 30, 2021 and 2020, two related entities, a trust and a foundation, provided more than 10% of total support, special events and other revenues, as follows:

<u>Recipient Entity</u>	<u>2021</u>		<u>2020</u>	
	<u>Support</u>	<u>Percentage of Total Support</u>	<u>Support</u>	<u>Percentage of Total Support</u>
NFAA	\$ 5,451,188	51%	\$ 5,846,384	35%
NYFSO	\$ 2,603,518	24%	\$ 1,840,000	11%

This includes in-kind contributions of approximately 0.30% and 3% for the years ended June 30, 2021 and 2020, respectively. YoungArts relies upon the related entities continued support to fund operations.

**Cash and Cash Equivalents**

YoungArts 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. YoungArts 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 YoungArts 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 YoungArts'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.

**NATIONAL FOUNDATION FOR  
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SUBSIDIARIES D/B/A YOUNGARTS**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

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**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. YoungArts 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. YoungArts did not recognize any impairment on long-lived assets during the years ended June 30, 2021 and 2020.

**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 YoungArts 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 YoungArts unless specifically restricted by the donor. YoungArts 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.

**NATIONAL FOUNDATION FOR  
ADVANCEMENT IN THE ARTS, INC. AND  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

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**Revenue Recognition (Continued)**

Contributions (Continued)

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.

Grants Revenue

YoungArts receives all of its grants and contract revenues from various state and local agencies. Revenues from state and local agency grants and contracts are recorded in accordance with Accounting Standards Update (“ASU”) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”) and based upon terms of the grant agreements which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred or the allowable services are provided to program participants. Accordingly, YoungArts evaluates whether a transfer of asset is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. YoungArts records conditional contributions as a refundable advance for monies received in advance of the expenditure of allowable costs. As of June 30, 2021 and 2020, there were no conditional promises.

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 YoungArts, and such services would otherwise be purchased by YoungArts. YoungArts 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, YoungArts recognized approximately \$30,000 and \$442,000 of in-kind contributions during the years ended June 30, 2021 and 2020, respectively. Volunteers contribute a wide array of services supporting all functions of YoungArts; however, these services do not meet the criteria for recognition.

**Advertising**

YoungArts expenses advertising costs when they are incurred. Advertising expense was approximately \$40,000 and \$128,000 for the years ended June 30, 2021 and 2020, respectively.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

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**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 YoungArts 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 such as depreciation and amortization, insurance and taxes, and other campus operating expenses are allocated among program and supporting services based on square footage. 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 YoungArts 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 YoungArts 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. YoungArts 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. YoungArts 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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.

YoungArts 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 YoungArts files income tax returns. YoungArts is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2018.

**Recent Accounting Pronouncement**

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("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. YoungArts 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 YoungArts's consolidated 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, YoungArts's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. YoungArts 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.

**Subsequent Events**

YoungArts has evaluated subsequent events through December 17, 2021, which is the date the consolidated financial statements were available to be issued.

**2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES**

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YoungArts maintains an informal policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. YoungArts holds cash in various interest-bearing bank accounts with well-known financial institutions. Additionally, YoungArts 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.



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**2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)**

YoungArts'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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,274,129	\$ 2,585,691
Pledges receivable, net	1,325,618	1,571,215
Other receivables, net	45,507	45,559
Investments	<u>55,131,885</u>	<u>47,099,981</u>
Total financial assets available within one year	61,777,139	51,302,446
Less: amounts unavailable for general expenditures within one year due to:		
Net assets restricted by donors for specific purposes and programs	(50,629,303)	(44,088,424)
Less: amounts unavailable to management without		
Board approval		
Board designated - endowment	<u>(4,981,849)</u>	<u>(4,013,459)</u>
Total financial assets available to management	<u>\$ 6,165,987</u>	<u>\$ 3,200,563</u>

**3. PLEDGES RECEIVABLE, NET**

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

	<u>2021</u>	<u>2020</u>
Gross pledges receivable	\$ 1,366,259	\$ 1,724,170
Less: Allowance for doubtful accounts	(35,500)	(148,500)
Less: Discount on long-term pledges	<u>(5,141)</u>	<u>(4,455)</u>
Pledges receivable, net	<u>\$ 1,325,618</u>	<u>\$ 1,571,215</u>

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 0.26%) 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, 2021 are as follows:

Less than one year	\$ 845,613
One to five years	<u>520,646</u>
	<u>\$ 1,366,259</u>

The allowance for doubtful accounts at June 30, 2021 and 2020 was \$35,500 and \$148,500, respectively. Bad debt expense for the years ended June 30, 2021 and 2020, was \$3,441 and \$76,000, respectively.

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**4. INTEREST IN CHARITABLE REMAINDER UNITRUST**

A donor established an irrevocable trust naming YoungArts as a remainder beneficiary of a charitable remainder unitrust. Under terms of the trust, YoungArts 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 14 and 15 years as of June 30, 2021 and 2020, respectively, at a 5% rate, the present value of future distributions is estimated to be \$145,593 and \$127,348 at June 30, 2021 and 2020, respectively. This amount is recorded as "Interest in charitable remainder unitrust" in the Consolidated Statements of Financial Position. During the years ended June 30, 2021 and 2020, the charitable remainder unitrust appreciated by \$18,245 and \$1,079, respectively, which is included in "Other revenues and gains, net" in the Consolidated Statements of Activities.

**5. INVESTMENTS**

YoungArts has invested in the following funds at June 30:

	<u>2021</u>	<u>2020</u>
Money market	\$ 2,247,659	\$ 3,434,544
Equity securities	32,858,915	26,732,673
Fixed income	11,208,235	12,205,812
Alternative strategies	<u>8,817,076</u>	<u>4,726,952</u>
Total investments	<u>\$ 55,131,885</u>	<u>\$ 47,099,981</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 631,673	\$ 831,766
Net realized gains	4,501,752	118,730
Net unrealized gains	4,798,082	496,168
Investment fees	<u>(291,086)</u>	<u>(182,472)</u>
Total investment gains	<u>\$ 9,640,421</u>	<u>\$ 1,264,192</u>

**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).

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**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

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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 YoungArts 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, 2021 and 2020.

*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. YoungArts 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. YoungArts 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 YoungArts 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 YoungArts 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.

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**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables represent YoungArts's financial instruments measured at fair value on a recurring basis for each of the fair value hierarchy levels at June 30, 2021 and 2020:

<b>Fair Value Measurements at June 30, 2021</b>				
<b>Description</b>	<b>Fair Value</b>	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Assets:				
Money market	\$ 2,247,659	\$ 2,247,659	\$ -	\$ -
Equity securities	32,858,915	32,858,915	-	-
Fixed income	11,208,235	11,208,235	-	-
Total assets in the fair value hierarchy	46,314,809	46,314,809	-	-
Investments measured at net asset value *	8,817,076	-	-	-
<b>Total assets at fair value</b>	<b>\$ 55,131,885</b>	<b>\$ 46,314,809</b>	<b>\$ -</b>	<b>\$ -</b>

<b>Fair Value Measurements at June 30, 2020</b>				
<b>Description</b>	<b>Fair Value</b>	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
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	-	-	-
<b>Total assets at fair value</b>	<b>\$ 47,099,981</b>	<b>\$ 42,373,029</b>	<b>\$ -</b>	<b>\$ -</b>

(\*) 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.

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**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

**Net Asset Value per Share**

Alternative strategies include investments in limited partnerships where YoungArts 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.

	<b>Fair Value as of 6/30/2021</b>	<b>Unfunded Commitments as of 6/30/2021</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Hedge Funds:				
Multi-Strategy (a)	\$ 2,715,550	\$ -	Quarterly	60 Days
Multi-Strategy (b)	1,642,950	690,000	Quarterly	105 Days
Equity Long / Short (c)	1,703,065	-	Monthly and Quarterly	60 Days
Equity Long / Short (d)	2,755,511	-	Quarterly	45 Days
<b>Total</b>	<b>\$ 8,817,076</b>	<b>\$ 690,000</b>		

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

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

- (a) The fund employs an event-driven, opportunistic strategy to invest globally across the capital structure and in diversified asset classes to optimize risk-reward throughout a market cycle.
- (b) The fund's objective is to achieve above-average capital appreciation by investing in a wide variety of asset classes and strategies. The fund aims for attractive risk-adjusted non-market-correlated returns through investing in strategies such as relative value fundamental equity, quantitative strategies, fixed income and equity arbitrage.
- (c) 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.
- (d) 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.

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**7. PROPERTY AND EQUIPMENT, NET**

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

	<u>2021</u>	<u>2020</u>
Land	\$ 15,442,756	\$ 15,442,756
Building and building improvements	11,975,287	11,742,553
Furniture and equipment	1,075,813	1,070,324
Website and software	589,611	503,052
Vehicles	23,310	83,575
	<u>29,106,777</u>	<u>28,842,260</u>
Accumulated depreciation and amortization	<u>(3,701,459)</u>	<u>(3,321,872)</u>
	<b><u>\$ 25,405,318</u></b>	<b><u>\$ 25,520,388</u></b>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 totaled \$439,850 and \$506,582, respectively.

In August 2019, YoungArts received a donation of real estate consisting of land and building. The real estate is adjacent to YoungArts'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 YoungArts to expand programs.

**8. NET ASSETS WITHOUT DONOR RESTRICTIONS**

YoungArts 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 \$4,981,849 and \$4,013,459 as of June 30, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Restricted contributions with specific purpose/time restrictions	\$ 1,142,025	\$ 1,309,944
Donor-restricted endowment funds	<u>49,632,871</u>	<u>42,905,828</u>
	<b><u>\$ 50,774,896</u></b>	<b><u>\$ 44,215,772</u></b>

During the years ended June 30, 2021 and 2020 net assets released from restrictions were \$2,547,233 and \$2,190,200, respectively.

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**10. ENDOWMENTS**

YoungArts'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"). YoungArts 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, YoungArts classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by the FUPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

In accordance with FUPMIFA, YoungArts 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 YoungArts 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 YoungArts
- (7) The investment policies of YoungArts

**Summary of Endowment Net Assets at June 30, 2021:**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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	-	6,708,798	6,708,798
Term endowment	-	31,070,844	31,070,844
Board-designated endowment funds	4,981,849	-	4,981,849
Total endowment net assets	<b>\$ 4,981,849</b>	<b>\$ 49,632,871</b>	<b>\$ 54,614,720</b>

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**10. ENDOWMENTS (CONTINUED)**

**Summary of Endowment Net Assets at June 30, 2020:**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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	<b>\$ 4,013,459</b>	<b>\$ 42,905,828</b>	<b>\$ 46,919,287</b>

**Changes in Endowment Net Assets for the year ended June 30, 2021:**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, beginning	\$ 4,013,459	\$ 42,905,828	\$ 46,919,287
Net investment gains	968,390	8,690,276	9,658,666
Released from restriction and appropriated for expenditure	-	(1,963,233)	(1,963,233)
Endowment net assets, ending	<b>\$ 4,981,849</b>	<b>\$ 49,632,871</b>	<b>\$ 54,614,720</b>

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

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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	<b>\$ 4,013,459</b>	<b>\$ 42,905,828</b>	<b>\$ 46,919,287</b>

**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 YoungArts to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 or 2020. 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.



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**10. ENDOWMENTS (CONTINUED)**

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**Return Objectives and Risk Parameters**

YoungArts 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 YoungArts 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. YoungArts 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, YoungArts 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). YoungArts 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**

YoungArts'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 \$632,700 and \$612,200 for the years ended June 30, 2021 and 2020, respectively. In establishing this policy, YoungArts considered the long-term expected return on its endowment. Accordingly, over the long term, YoungArts 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 YoungArts'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**

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YoungArts 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. For the year ended June 30, 2020 YoungArts matched participants' contributions to the Plan dollar-for-dollar up to 5% of the employee's salary. YoungArts changed its policy for the year ended June 30, 2021 and matched participants' contributions to the Plan dollar-for-dollar up to 3% of the employee's salary and 50% of the next 2% of the employee's salary. The amount is fully vested when the contribution is made. Contributions for the years ended June 30, 2021 and 2020 were \$66,475 and \$153,839, respectively, and are reflected within "Salaries and benefits" in the Consolidated Statements of Functional Expenses.

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JUNE 30, 2021 AND 2020

**12. SPECIAL EVENTS**

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

	<b>2021</b>	<b>2020</b>
	<b>Gala Affair</b>	<b>Gala Affair</b>
Revenue:		
Underwriting	\$ -	\$ 1,221,000
Tickets and sales	-	303,425
Total revenue	-	1,524,425
Expenses:		
Direct benefits	-	843,399
<b>Net Special Events</b>	<b>\$ -</b>	<b>\$ 681,026</b>

Special events were cancelled during fiscal year 2021 due to the pandemic.

**13. COMMITMENTS AND CONTINGENCIES**

**Litigation**

From time to time, YoungArts is involved in legal proceedings arising in the ordinary course of business. YoungArts 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.

**14. 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 YoungArts did not incur significant disruptions during the year ended June 30, 2021 from COVID-19, YoungArts 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 YoungArts’s operations. YoungArts 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.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer side social security payments. It also appropriated funds for the Small Business Administration Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. Management determined that they did not need to rely on such funding to support YoungArts. YoungArts noted no material impact from the other tax provisions of the CARES Act. On December 27, 2020, the Consolidated Appropriations Act, 2021 (the “Act”) was passed, which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. YoungArts believes that the Act will have no impact on its operations.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021

**ASSETS**

	<b>NFAA</b>	<b>NYAF (SO)</b>	<b>Combined Total</b>
Cash and cash equivalents	\$ 3,595,057	\$ 1,679,072	\$ 5,274,129
Pledges receivable, net	1,325,618	-	1,325,618
Other receivable, net	45,507	-	45,507
Prepaid expenses and other assets	225,166	185,857	411,023
Interest in charitable reminder unitrust	145,593	-	145,593
Investments	55,131,885	-	55,131,885
Property and equipment, net	214,524	25,190,794	25,405,318
<b>TOTAL ASSETS</b>	<b>\$ 60,683,350</b>	<b>\$ 27,055,723</b>	<b>\$ 87,739,073</b>

**LIABILITIES AND NET ASSETS**

LIABILITIES:

Accounts payable, accrued expenses and other liabilities	\$ 692,641	\$ 229,101	\$ 921,742
<b>TOTAL LIABILITIES</b>	<b>692,641</b>	<b>229,101</b>	<b>921,742</b>

NET ASSETS:

Without donor restrictions			
Undesignated	4,233,964	26,826,622	31,060,586
Board- designated	4,981,849	-	4,981,849
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>9,215,813</b>	<b>26,826,622</b>	<b>36,042,435</b>
With donor restrictions	50,774,896	-	50,774,896
<b>TOTAL NET ASSETS</b>	<b>59,990,709</b>	<b>26,826,622</b>	<b>86,817,331</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 60,683,350</b>	<b>\$ 27,055,723</b>	<b>\$ 87,739,073</b>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020

**ASSETS**

	<u>NFAA</u>	<u>NYAF (SO)</u>	<u>Combined Total</u>
Cash and cash equivalents	\$ 1,505,791	\$ 1,079,900	\$ 2,585,691
Pledges receivable, net	1,571,215	-	1,571,215
Other receivable, net	45,559	-	45,559
Prepaid expenses and other assets	378,950	158,879	537,829
Interest in charitable remainder unitrust	127,348	-	127,348
Investments	47,099,981	-	47,099,981
Property and equipment, net	251,087	25,269,301	25,520,388
<b>TOTAL ASSETS</b>	<b>\$ 50,979,931</b>	<b>\$ 26,508,080</b>	<b>\$ 77,488,011</b>

**LIABILITIES AND NET ASSETS**

LIABILITIES:

Accounts payable, accrued expenses and other liabilities	\$ 788,999	\$ 398,142	\$ 1,187,141
<b>TOTAL LIABILITIES</b>	<b>788,999</b>	<b>398,142</b>	<b>1,187,141</b>

NET ASSETS:

Without donor restrictions			
Undesignated	1,961,701	26,109,938	28,071,639
Board- designated	4,013,459	-	4,013,459
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>5,975,160</b>	<b>26,109,938</b>	<b>32,085,098</b>
With donor restrictions	44,215,772	-	44,215,772
<b>TOTAL NET ASSETS</b>	<b>50,190,932</b>	<b>26,109,938</b>	<b>76,300,870</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 50,979,931</b>	<b>\$ 26,508,080</b>	<b>\$ 77,488,011</b>

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

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	NFAA			NYAF (SO)			Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
<b>SUPPORT:</b>							
Contributions	\$ 7,179,427	\$ 416,081	\$ 7,595,508	\$ 2,603,517	\$ -	\$ 2,603,517	\$ 10,199,025
Government grants	273,432	-	273,432	-	-	-	273,432
In-kind contributions	29,580	-	29,580	-	-	-	29,580
<b>TOTAL SUPPORT</b>	<b>7,482,439</b>	<b>416,081</b>	<b>7,898,520</b>	<b>2,603,517</b>	<b>-</b>	<b>2,603,517</b>	<b>10,502,037</b>
<b>SPECIAL EVENTS:</b>							
Current year underwritings and tickets and sales	-	-	-	-	-	-	-
<b>OTHER REVENUES:</b>							
Applications	96,482	-	96,482	-	-	-	96,482
Other revenues and gains, net	21,597	18,245	39,842	1	-	1	39,843
<b>TOTAL OTHER REVENUES</b>	<b>118,079</b>	<b>18,245</b>	<b>136,324</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>136,325</b>
<b>NET INVESTMENT GAINS</b>	<b>968,390</b>	<b>8,672,031</b>	<b>9,640,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,640,421</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>2,547,233</b>	<b>(2,547,233)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL SUPPORT, SPECIAL EVENTS, OTHER REVENUES AND NET INVESTMENT GAINS</b>	<b>11,116,141</b>	<b>6,559,124</b>	<b>17,675,265</b>	<b>2,603,518</b>	<b>-</b>	<b>2,603,518</b>	<b>20,278,783</b>

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

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021

	<b>NFAA</b>			<b>NYAF (SO)</b>			Total
	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	\$ 5,996,486	\$ -	\$ 5,996,486	\$ 1,429,696	\$ -	\$ 1,429,696	\$ 7,426,182
General and administrative	611,542	-	611,542	317,623	-	317,623	929,165
Development	1,267,460	-	1,267,460	139,515	-	139,515	1,406,975
<b>TOTAL EXPENSES</b>	<b>7,875,488</b>	<b>-</b>	<b>7,875,488</b>	<b>1,886,834</b>	<b>-</b>	<b>1,886,834</b>	<b>9,762,322</b>
CHANGE IN NET ASSETS	3,240,653	6,559,124	9,799,777	716,684	-	716,684	10,516,461
NET ASSETS - BEGINNING OF YEAR	5,975,160	44,215,772	50,190,932	26,109,938	-	26,109,938	76,300,870
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 9,215,813</b>	<b>\$ 50,774,896</b>	<b>\$ 59,990,709</b>	<b>\$ 26,826,622</b>	<b>\$ -</b>	<b>\$ 26,826,622</b>	<b>\$ 86,817,331</b>

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

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

	NFAA			NYAF (SO)			Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
<b>SUPPORT:</b>							
Contributions	\$ 7,845,758	\$ 973,494	\$ 8,819,252	\$ 5,390,000	\$ -	\$ 5,390,000	\$ 14,209,252
Government grants	231,345	-	231,345	-	-	-	231,345
In-kind contributions	434,510	-	434,510	7,753	-	7,753	442,263
<b>TOTAL SUPPORT</b>	<b>8,511,613</b>	<b>973,494</b>	<b>9,485,107</b>	<b>5,397,753</b>	<b>-</b>	<b>5,397,753</b>	<b>14,882,860</b>
<b>SPECIAL EVENTS:</b>							
Current year underwritings and tickets and sales	1,524,425	-	1,524,425	-	-	-	1,524,425
<b>OTHER REVENUES:</b>							
Applications	89,517	-	89,517	-	-	-	89,517
Other revenues and gains, net	145,110	1,079	146,189	1	-	1	146,190
<b>TOTAL OTHER REVENUES</b>	<b>234,627</b>	<b>1,079</b>	<b>235,706</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>235,707</b>
<b>NET INVESTMENT GAINS</b>	<b>129,648</b>	<b>1,134,544</b>	<b>1,264,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,264,192</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>2,190,200</b>	<b>(2,190,200)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL SUPPORT, SPECIAL EVENTS, OTHER REVENUES AND NET INVESTMENT GAINS</b>	<b>12,590,513</b>	<b>(81,083)</b>	<b>12,509,430</b>	<b>5,397,754</b>	<b>-</b>	<b>5,397,754</b>	<b>17,907,184</b>



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

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

	<b>NFAA</b>			<b>NYAF (SO)</b>			Total
	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	\$ 8,450,243	\$ -	\$ 8,450,243	\$ 1,701,656	\$ -	\$ 1,701,656	\$ 10,151,899
General and administrative	716,744	-	716,744	422,781	-	422,781	1,139,525
Development	2,351,440	-	2,351,440	135,198	-	135,198	2,486,638
TOTAL EXPENSES	<u>11,518,427</u>	<u>-</u>	<u>11,518,427</u>	<u>2,259,635</u>	<u>-</u>	<u>2,259,635</u>	<u>13,778,062</u>
CHANGE IN NET ASSETS	1,072,086	(81,083)	991,003	3,138,119	-	3,138,119	4,129,122
NET ASSETS - BEGINNING OF YEAR	<u>4,903,074</u>	<u>44,296,855</u>	<u>49,199,929</u>	<u>22,971,819</u>	<u>-</u>	<u>22,971,819</u>	<u>72,171,748</u>
NET ASSETS - END OF YEAR	<u>\$ 5,975,160</u>	<u>\$ 44,215,772</u>	<u>\$ 50,190,932</u>	<u>\$ 26,109,938</u>	<u>\$ -</u>	<u>\$ 26,109,938</u>	<u>\$ 76,300,870</u>