

THE ARTHUR PROJECT, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

THE ARTHUR PROJECT, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Arthur Project, Inc.
New York, New York

We have audited the accompanying financial statements of The Arthur Project, Inc., which comprise the statement of financial position at June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arthur Project, Inc. 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.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
February 9, 2022

THE ARTHUR PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Cash	\$ 405,570
Contributions receivable, due in one year	5,375
Prepaid expenses	<u>7,042</u>
 TOTAL ASSETS	 <u>\$ 417,987</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable and accrued expenses	\$ 25,230
Deferred revenue	9,600
Refundable advance	<u>92,547</u>
 TOTAL LIABILITIES	 <u>127,377</u>
 CONTINGENCIES	
NET ASSETS:	
Without donor restrictions	215,610
With donor restrictions	<u>75,000</u>
 TOTAL NET ASSETS	 <u>290,610</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 417,987</u>

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

THE ARTHUR PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 686,381	\$ 75,000	\$ 761,381
In-kind - rent	65,400	-	65,400
In-kind - legal services	11,723	-	11,723
Total Revenues and Other Support	<u>763,504</u>	<u>75,000</u>	<u>838,504</u>
EXPENSES:			
Program service	538,587	-	538,587
Supporting services:			
Management and general	113,531	-	113,531
Fundraising	122,119	-	122,119
Total Expenses	<u>774,237</u>	<u>-</u>	<u>774,237</u>
CHANGE IN NET ASSETS	(10,733)	75,000	64,267
NET ASSETS, BEGINNING OF YEAR	<u>226,343</u>	<u>-</u>	<u>226,343</u>
NET ASSETS, END OF YEAR	<u>\$ 215,610</u>	<u>\$ 75,000</u>	<u>\$ 290,610</u>

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

THE ARTHUR PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Service	Supporting Services		Total
		Management and General	Fundraising	
Salaries and related benefits	\$ 371,096	\$ 41,516	\$ 118,069	\$ 530,681
Contracted services	45,714	-	-	45,714
In-kind rent	65,400	-	-	65,400
In-kind legal services	-	11,723	-	11,723
Office expenses	1,068	6,564	-	7,632
Insurance	-	2,861	-	2,861
Bank charges	-	1,224	-	1,224
Dues and subscriptions	-	-	2,552	2,552
Mentor activities	20,114	-	-	20,114
Professional fees	-	46,758	-	46,758
Rent	9,428	-	-	9,428
Computer expenses	2,904	210	-	3,114
Software development	19,910	347	-	20,257
Telephone expense	-	2,328	-	2,328
Miscellaneous	2,953	-	1,498	4,451
Total Expenses	<u>\$ 538,587</u>	<u>\$ 113,531</u>	<u>\$ 122,119</u>	<u>\$ 774,237</u>

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

THE ARTHUR PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 64,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) in Assets:	
Contributions receivable	(375)
Prepaid expenses	(1,740)
(Decrease) in Liabilities:	
Accounts payable and accrued expenses	<u>(4,165)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>57,987</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from refundable advance	<u>46,183</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>46,183</u>
NET CHANGE IN CASH	104,170
CASH, BEGINNING OF YEAR	<u>301,400</u>
CASH, END OF YEAR	<u><u>\$ 405,570</u></u>

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

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Nature of Operations

The Arthur Project, Inc. (the “Company”) is a unique program transforming traditional mentoring by using professional mentors to work intensively with underserved youth through the duration of middle school. Through the science of relationship-based learning, the Company fosters a profound sense of mattering that expands opportunities in the lives of children. Its primary source of funding is from contributions.

The Company is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and has been granted non-private company status under Section 509(a). Contributions to the Company qualify donors for the charitable contribution deduction.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The 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”).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

The Company determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management’s assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. At June 30, 2021, the Company has determined that no allowance for doubtful accounts was necessary.

Deferred Revenue

Deferred revenue represents payments received for special events that will take place in the next fiscal year.

Refundable Advance

The Company recognizes assets received with conditions as refundable advances until the conditions have been substantially met or explicitly waived by the donor. Refundable advance at June 30, 2021 amounted to \$92,547.

THE ARTHUR PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions

Contributions are provided to the Company either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Company overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor-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 statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair values in the year received. Contributions of services are recognized if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. During the year ended June 30, 2021, the Company received in-kind rent in the amount of \$65,400 and in-kind legal services in the amount of \$11,723.

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Assets

Net assets without donor restrictions include funds having no restrictions as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been restricted by donors to a specific time period or purpose. At June 30, 2021, net assets with donor restrictions of \$75,000 is available for the Company's after-school and weekend programs.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. A significant portion of the costs is charged directly to the program or management and general expenses. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort.

Accounting for Uncertainty in Income Taxes

The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

New Accounting Pronouncement

ASU No. 2020-07

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU increases transparency and provides financial clarity with the reporting of noncash contributions, known as gifts-in-kind. The guidance in this ASU provides for new presentation and disclosure requirements regarding contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. It requires not-for-profit entities to present contributed nonfinancial assets separately in the statement of activities apart from contributions of cash or other financial assets.

The amendments of ASU No. 2020-07 are effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application is permitted for all entities. The Company has not yet determined if this ASU will have a material effect on its financial statements.

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3 - Refundable Advance

In April 2020, the Company received a \$46,364 conditional payment from a financial institution under the Paycheck Protection Program (“PPP”), established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the Small Business Administration (“SBA”) with support from the Department of the Treasury. In March 2021, the Company received an additional \$46,183 conditional payment from a financial institution under the PPP established by the CARES Act. Under the terms of the CARES Act and the PPP, the Company can apply for and be granted forgiveness for all or a portion of the proceeds issued to the extent they are used in accordance with the PPP. In September 2021, the Company received full forgiveness from the SBA for the \$46,364 and \$46,183 conditional payments under the PPP.

Note 4 - Concentration of Credit Risk

The Company maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000 per institution. From time to time, the Company’s balances may exceed this limit.

During the year ended June 30, 2021, approximately 56% of the Company’s contributions were from two donors.

Note 5 - Available Resources and Liquidity

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Company is highly liquid and has an adequate source of cash at its disposal.

The following reflects the Company’s financial assets at June 30, 2021 available for general use within one year:

Current assets, excluding nonfinancial assets	\$ 410,945
Less: Donor restrictions for specific purposes	<u>75,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 335,945</u>

Note 6 - Contingencies

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the generation of contributions and collection of receivables. Other financial impact could occur, though such potential impact is unknown at this time.

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7 - Subsequent Events

The Company has evaluated all events or transactions that occurred after June 30, 2021 through February 9, 2022, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure, other than the full forgiveness from the SBA for the \$46,364 and \$46,183 conditional payments under the PPP as described in Note 3.