THE ARTHUR PROJECT, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

THE ARTHUR PROJECT, INC.

CONTENTS

	Page
Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position at June 30, 2020	3
Statement of Activities for the Six Months Ended June 30, 2020	4
Statement of Functional Expenses for the Six Months Ended June 30, 2020	5
Statement of Cash Flows for the Six Months Ended June 30, 2020	6
Notes to Financial Statements	7-10

GRASSI
ADVISORS & ACCOUNTANTS

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 as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the six months 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.

488 MADISON AVENUE, 21ST FLOOR, NEW YORK, NY 10022
P: 212.661.6166 • F: 212.755.6748 • GRASSICPAS.COM
JERICHO, NY | PARK RIDGE, NJ | RONKONKOMA, NY | WHITE PLAINS, NY

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, 2020, and the changes in its net assets and its cash flows for the six months 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, 2021

THE ARTHUR PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Cash	$	301,400
Contributions receivable, due in one year		5,000
Prepaid expenses		5,302
TOTAL ASSETS	$	311,702

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	$	29,395
Deferred revenue		9,600
Refundable advance		46,364
TOTAL LIABILITIES		85,359
NET ASSETS:		
Without donor restrictions		226,343
TOTAL LIABILITIES AND NET ASSETS	$	311,702

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

THE ARTHUR PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2020

REVENUES AND OTHER SUPPORT:		
Contributions	$	299,253
In-kind - rent		32,700
In-kind - legal services		15,184
Total Revenues and Other Support		347,137
EXPENSES:		
Program service		272,284
Supporting services:		
Management and general		49,791
Fundraising		56,052
Total Expenses		378,127
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(30,990)
NET ASSETS, BEGINNING OF PERIOD		257,333
NET ASSETS, END OF PERIOD	$	226,343

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

THE ARTHUR PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2020

		Supporting Services		
	Program Service	Management and General	Fundraising	Total
Contracted services	$ 32,357	$ -	$ -	$ 32,357
Salaries and related benefits	177,574	-	49,488	227,062
In-kind - rent	32,700	-	-	32,700
In-kind - legal services	-	15,184	-	15,184
Office supplies	2,237	1,268	-	3,505
Bank charges	-	299	-	299
Dues and subscriptions	-	-	175	175
Mentor activities	13,065	-	-	13,065
Professional fees	900	16,119	4,054	21,073
Computer expense	6,846	995	-	7,841
Software development	6,048	7,875	1,366	15,289
Telephone	-	5,701	-	5,701
Travel, meals and entertainment	316	2,287	314	2,917
Miscellaneous	241	63	655	959
Total Expenses	$ 272,284	$ 49,791	$ 56,052	$ 378,127

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

THE ARTHUR PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (30,990)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets (increase):	
Prepaid expenses	(5,302)
Changes in liabilities increase:	
Accounts payable and accrued expenses	2,166
Deferred revenue	9,600
Refundable advance	46,364
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,838
NET CHANGE IN CASH	21,838
CASH, BEGINNING OF PERIOD	279,562
CASH, END OF PERIOD	$ 301,400

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

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.

In October 2020, the Board of Directors voted and approved a change to the Company's fiscal year end from December 31 to June 30.

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, 2020, 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 advances at June 30, 2020 amounted to $46,364.

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:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restrictions	
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
Unconditional gifts, with or without restrictions	
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.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair values in the period 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 six months ended June 30, 2020, the Company received in-kind rent in the amount of $32,700 and in-kind legal services in the amount of $15,184.

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

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors.

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 applies the provisions pertaining to uncertain tax provisions under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740 and 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.

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 with support from the Department of the Treasury. 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. At this time, the Company believes that its use of the proceeds will meet the conditions for forgiveness under the PPP and expects the funds to be recorded as income when it is probable that forgiveness conditions have been met.

Note 4 - Concentration of Credit Risk

The Company maintains cash balances in several financial institutions, which balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000. From time to time, the Company's balances may exceed this limit.

During the six months ended June 30, 2020, approximately 66% 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 as of June 30, 2020 available for general use within one year:

Current assets, excluding nonfinancial assets	$	306,400
Less: Donor restrictions for specific purposes		-
Financial assets available to meet cash needs for general expenditures within one year	$	306,400

Note 6 - Subsequent Events

The Company has evaluated all events or transactions that occurred after June 30, 2020 through February 9, 2021, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.