

THE ARTHUR PROJECT, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022

THE ARTHUR PROJECT, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Arthur Project, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arthur Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 The Arthur Project, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arthur Project, Inc.'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.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
May 11, 2023

THE ARTHUR PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Cash	\$ 412,794
Contributions receivable	20,829
Grant receivable	143,784
Prepaid expenses	<u>12,872</u>
 TOTAL ASSETS	 <u>\$ 590,279</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable and accrued expenses	\$ 30,326
Deferred revenue	9,600
Refundable advance	<u>-</u>
 TOTAL LIABILITIES	 <u>39,926</u>
 NET ASSETS:	
Without donor restrictions	380,353
With donor restrictions	<u>170,000</u>
 TOTAL NET ASSETS	 <u>550,353</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 590,279</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 554,283	\$ 170,000	\$ 724,283
Contribution - Paycheck Protection Program	92,547	-	92,547
In-kind rent	101,400	-	101,400
Government grant	143,784	-	143,784
Net assets released from donor restrictions	75,000	(75,000)	-
Total Revenues and Other Support	967,014	95,000	1,062,014
EXPENSES:			
Program service	552,308	-	552,308
Supporting services:			
Management and general	93,405	-	93,405
Fundraising	156,558	-	156,558
Total Expenses	802,271	-	802,271
CHANGE IN NET ASSETS	164,743	95,000	259,743
NET ASSETS, BEGINNING OF YEAR	215,610	75,000	290,610
NET ASSETS, END OF YEAR	\$ 380,353	\$ 170,000	\$ 550,353

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, 2022

	Program Service	Supporting Services		Total
		Management and General	Fundraising	
Salaries and related benefits	\$ 363,295	\$ 38,917	\$ 146,877	\$ 549,089
Contracted services	16,065	-	-	16,065
In-kind rent	101,400	-	-	101,400
Office expenses	1,310	4,523	-	5,833
Insurance	-	1,223	-	1,223
Bank charges	2,196	1,084	-	3,280
Dues and subscriptions	-	-	1,107	1,107
Mentor activities	48,277	-	-	48,277
Professional fees	-	38,812	-	38,812
Rent	232	-	-	232
Computer expenses	1,505	1,930	2,064	5,499
Software development	15,123	-	-	15,123
Conferences and seminars	-	2,250	-	2,250
Telephone expense	-	4,666	-	4,666
Miscellaneous	2,905	-	6,510	9,415
Total Expenses	<u>\$ 552,308</u>	<u>\$ 93,405</u>	<u>\$ 156,558</u>	<u>\$ 802,271</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 259,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Refundable advance (forgiveness of loan)	(92,547)
(Increase) in Assets:	
Contributions receivable	(15,454)
Grant receivable	(143,784)
Prepaid expenses	(5,830)
Increase in Liabilities:	
Accounts payable and accrued expenses	<u>5,096</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,224</u>
NET CHANGE IN CASH	7,224
CASH, BEGINNING OF YEAR	<u>405,570</u>
CASH, END OF YEAR	<u><u>\$ 412,794</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING TRANSACTIONS	
Refundable advance (forgiveness of loan)	<u><u>\$ 92,547</u></u>

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

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Change in Accounting Principles

ASU No. 2020-07

Effective July 1, 2021, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets ("ASU 2020-07")*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of enhanced disclosure.

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 uncollectables 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, 2022, the Company has determined that no allowance for doubtful accounts was necessary.

THE ARTHUR PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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

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.

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.

Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue without donor restrictions.

THE ARTHUR PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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

In-Kind Rent

Contributions of nonfinancial assets are recorded at their fair values in the year received. During the years ended June 30, 2022, the Company recognized the following contribution of nonfinancial assets:

Nonfinancial Asset	Amount	Usage in Programs/Activities	Donor Restriction	Fair Value Techniques
Rent	\$ 101,400	Program service	None	Estimated based on amount that would be charged for rent of similar space

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, 2022, net assets with donor restrictions of \$150,000 is available for the Company's after-school and weekend programs and \$20,000 is available for the Company's other youth programs.

Net assets with donor restrictions of \$75,000 were released from restrictions by incurring expenses related to 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.

Note 3 - Employee Retention Credit

The Company applied for Employee Retention Credit ("ERCs"), which represent refundable tax credits under the Consolidated Appropriations Act enacted on December 27, 2020, in the amount of \$143,784, which is recorded in government grant on the statement of activities for the year ended June 30, 2022.

As of June 30, 2022, ERCs receivable reported as grant receivable in the statement of financial position was \$143,784. Subsequent to year end, the Company received payments for the ERC receivable of \$143,784.

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 4 - 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 and as a result, \$92,547 is reported in Contribution - Paycheck Protection Program on the statement of activities for the year ended June 30, 2022.

Note 5 - 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, 2022, approximately 60% of the Company’s contributions were from three donors.

Contributions receivable from one donor accounted for approximately 96% of the total contributions receivable balance at June 30, 2022.

Note 6 - 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, 2022 available for general use within one year:

Cash	\$	412,794
Contributions receivable		20,829
Grant receivable		143,784
Total financial assets		<u>577,407</u>
Less: Donor restrictions for specific purposes		<u>170,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>407,407</u></u>

Note 7 - Subsequent Events

The Company has evaluated all events or transactions that occurred after June 30, 2022 through May 11, 2023, 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 item disclosed in Note 3.