

THE ARTHUR PROJECT, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024

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, 2024, 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, 2024, 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' Responsibilities 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
December 2, 2024

THE ARTHUR PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Cash	\$ 354,185
Contributions receivable, net	310,255
Prepaid expenses	<u>15,565</u>
 TOTAL ASSETS	 <u><u>\$ 680,005</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$ 27,039
Loan payable	<u>120,000</u>

Total Liabilities	<u>147,039</u>
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CONTINGENCIES

NET ASSETS:

Without donor restrictions	137,966
With donor restrictions	<u>395,000</u>

Total Net Assets	<u>532,966</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 680,005</u></u>
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The accompanying notes are an integral part of these financial statements.

THE ARTHUR PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 990,530	\$ 300,000	\$ 1,290,530
Special events	55,664	-	55,664
Direct costs of special events	(3,950)	-	(3,950)
In-kind rent	101,400	-	101,400
Net assets released from donor restrictions	150,000	(150,000)	-
Total Revenues and Other Support	1,293,644	150,000	1,443,644
EXPENSES:			
Program service	946,433	-	946,433
Supporting services:			
Management and general	198,868	-	198,868
Fundraising	145,746	-	145,746
Total Expenses	1,291,047	-	1,291,047
CHANGE IN NET ASSETS	2,597	150,000	152,597
NET ASSETS, BEGINNING OF YEAR	135,369	245,000	380,369
NET ASSETS, END OF YEAR	\$ 137,966	\$ 395,000	\$ 532,966

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, 2024

		Supporting Services			
	Program Service	Management and General	Fundraising	Direct Costs of Special Events	Total
Salaries and related benefits	\$ 665,611	\$ 51,515	\$ 143,569	\$ -	\$ 860,695
Contracted services	32,472	32,616	-	-	65,088
In-kind rent	101,400	-	-	-	101,400
Office expenses	2,649	-	-	-	2,649
Insurance	-	1,217	-	-	1,217
Bank charges	5,140	10,375	-	-	15,515
Mentor activities	52,668	-	-	-	52,668
Professional fees	-	69,359	-	-	69,359
Rent	3,024	-	-	-	3,024
Computer expenses	-	-	338	-	338
Software development	13,413	33,555	1,839	-	48,807
Telephone expense	-	231	-	-	231
Program expense	67,232	-	-	-	67,232
Miscellaneous	2,824	-	-	3,950	6,774
Total Expenses	946,433	198,868	145,746	3,950	1,294,997
Less: Direct costs of special events	-	-	-	(3,950)	(3,950)
TOTAL EXPENSES REPORTED BY FUNCTION ON THE STATEMENT OF ACTIVITIES	<u>\$ 946,433</u>	<u>\$ 198,868</u>	<u>\$ 145,746</u>	<u>\$ -</u>	<u>\$ 1,291,047</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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 152,597
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in assets:	
Contributions receivable	(292,755)
Prepaid expenses	3,277
Changes in liabilities:	
Accounts payable and accrued expenses	<u>3,361</u>
Net Cash Used In Operating Activities	<u>(133,520)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from loans payable	<u>120,000</u>
Net Cash Provided By Financing Activities	<u>120,000</u>

NET CHANGE IN CASH (13,520)

CASH, BEGINNING OF YEAR 367,705

CASH, END OF YEAR \$ 354,185

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

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 uncollectable accounts should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions, 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, 2024, 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.

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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
<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, 2024

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 year ended June 30, 2024, 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, 2024, net assets with donor restrictions of \$395,000 are available for the Company's after-school and weekend programs.

Net assets with donor restrictions of \$150,000 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 activities and other activities have been summarized on a functional basis in the statement of activities. 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.

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 3 - 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, 2024, approximately 39% of the Company's contributions were from three donors.

Contributions receivable from three donors accounted for approximately 75% of the total contributions receivable balance at June 30, 2024.

Note 4 - Contributions Receivable

Contributions receivable, net at June 30, 2024, consist of the following:

Less than one year	\$ 238,498
One to five years	75,000
	313,498
Less: Discount of 4.25% to present value	3,243
	\$ 310,255

Note 5 - Loan Payable

In March 2024, the Company entered into a noninterest bearing loan with Fund for City of New York for \$120,000. The loan was repaid in full in October 2024.

Note 6 - Contingencies

Employee Retention Credit

The Internal Revenue Service ("IRS") may undertake a review of the Employee Retention Credit ("ERC") for a period of three years from the date the amended return was filed. The Company filed for refunds of \$143,784 in March 2022 for the fourth quarter of calendar year 2020 and the first, second and third quarters of calendar year 2021.

THE ARTHUR PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 7 - 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, 2024 available for general use within one year:

Cash	\$ 354,185
Contributions receivable	<u>310,255</u>
Total financial assets	664,440
Less: Donor restrictions for specific purposes	<u>395,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 269,440</u>

Note 8 - Subsequent Events

The Company has evaluated all events or transactions that occurred after June 30, 2024 through December 2, 2024, 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 that disclosed in Note 5.