NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2023

NEW ENGLAND FOUNDATION FOR THE ARTS

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

CONTENTS

Independent Auditors' Report.......... 1-3

Financial Statements

Statement of Financial Position 4
Statement of Activities 5
Statement of Functional Expenses 6
Statement of Cash Flows 7

Notes to Financial Statements.......... 8-30

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New England Foundation for the Arts, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the New England Foundation for the Arts, Inc., which comprise the statement of financial position as of May 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the New England Foundation for the Arts, Inc. as of May 31, 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 New England Foundation for the Arts, 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 New England Foundation for the Arts, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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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 GAAS and *Government 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 GAAS and *Government 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 New England Foundation for the Arts, 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 New England Foundation for the Arts, 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.

Report on Summarized Comparative Information

We have previously audited the New England Foundation for the Arts, Inc.'s fiscal year 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024 on our consideration of the New England Foundation for the Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New England Foundation for the Arts, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New England Foundation for the Arts, Inc.'s internal control over financial reporting and compliance.

Marcum LLP

Merrimack, NH
June 25, 2024

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

STATEMENT OF FINANCIAL POSITION

MAY 31, 2023
(*with comparative totals as of May 31, 2022*)

	2023			
	Without Donor Restrictions	With Donor Restrictions	2023	2022
Assets				
Current Assets				
Cash and cash equivalents	$ 3,837,331	$ 3,792,709	$ 7,630,040	$ 11,331,466
Restricted cash - fiscal agent	47,253	--	47,253	47,248
Contributions receivable, in less than one year	--	2,172,505	2,172,505	5,456,714
Grants receivable	4,830,791	--	4,830,791	3,161,881
Other assets	252,140	--	252,140	303,632
Total Current Assets	8,967,515	5,965,214	14,932,729	20,300,941
Noncurrent Assets				
Investments	2,488,154	4,016,334	6,504,488	5,962,830
Investments - Board-designated endowment	9,440,601	--	9,440,601	9,943,350
Contributions receivable, in more than one year	--	--	--	142,800
Property and equipment, net	667,088	--	667,088	734,992
Operating right-of-use assets	1,392,376	--	1,392,376	--
Security deposit	47,231	--	47,231	47,231
Total Noncurrent Assets	14,035,450	4,016,334	18,051,784	16,831,203
Total Assets	$ 23,002,965	$ 9,981,548	$ 32,984,513	$ 37,132,144
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 203,177	$ --	$ 203,177	$ 228,990
Accrued liabilities	208,773	--	208,773	231,099
Grants payable	3,551,586	--	3,551,586	3,970,155
Current portion of operating lease liabilities	120,325		120,325	--
Other liabilities	59,809	--	59,809	59,809
Total Current Liabilities	4,143,670	--	4,143,670	4,490,053
Noncurrent Liabilities				
Grants payable, net of current portion	2,577,940	--	2,577,940	2,258,250
Operating lease liabilities, net of current portion	1,338,190	--	1,338,190	--
Total Noncurrent Liabilities	3,916,130	--	3,916,130	2,258,250
Total Liabilities	8,059,800	--	8,059,800	6,748,303
Net Assets				
Without donor restrictions:				
Undesignated	248,217	--	248,217	419,598
Board-designated	14,694,948	--	14,694,948	15,197,697
With donor restrictions:				
Time or purpose restricted	--	9,981,548	9,981,548	14,766,546
Total Net Assets	14,943,165	9,981,548	24,924,713	30,383,841
Total Liabilities and Net Assets	$ 23,002,965	$ 9,981,548	$ 32,984,513	$ 37,132,144

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

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2023

(*with summarized comparative totals for the year ended of May 31, 2022*)

	2023			
	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support, Revenue, and Other				
Support:				
Contributions	$ 99,754	$ 2,220,563	$ 2,320,317	$ 14,944,903
In-kind contributions	10,000	--	10,000	7,323
Government grants	2,653,910	--	2,653,910	3,086,838
Revenue:				
Program service fees	112,103	--	112,103	106,422
Other:				
Interest income	27,058	--	27,058	8,085
Endowment transfer to support operations	559,624	--	559,624	473,882
Net assets released from restrictions	7,015,595	(7,015,595)	--	--
Total Support, Revenue, and Other	10,478,044	(4,795,032)	5,683,012	18,627,453
Expenses				
Program Services:				
National dance project	2,801,027	--	2,801,027	3,000,941
National theater project	1,936,784	--	1,936,784	1,845,026
Center stage	1,130,854	--	1,130,854	1,047,838
New England programs	1,335,459	--	1,335,459	2,329,204
Public art	1,256,385	--	1,256,385	891,384
Total Program Services	8,460,509	--	8,460,509	9,114,393
Supporting Services:				
General and administrative	1,842,709	--	1,842,709	1,473,236
Fundraising	318,207	--	318,207	312,405
Total Supporting Services	2,160,916	--	2,160,916	1,785,641
Total Expenses	10,621,425	--	10,621,425	10,900,034
Change in Net Assets From Operations	(143,381)	(4,795,032)	(4,938,413)	7,727,419
Non-Operating Activities				
Investment return, net	28,875	10,034	38,909	(698,611)
Endowment transfer to support operations	(559,624)	--	(559,624)	(473,882)
Total Non-operating Activities	(530,749)	10,034	(520,715)	(1,172,493)
Change in Net Assets	(674,130)	(4,784,998)	(5,459,128)	6,554,926
Net Assets, Beginning of Year	15,617,295	14,766,546	30,383,841	23,828,915
Net Assets, End of Year	$ 14,943,165	$ 9,981,548	$ 24,924,713	$ 30,383,841

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

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2023

(*with summarized comparative totals for the year ended of May 31, 2022*)

	2023										
	Program Services						Supporting Services				
	National Dance Project	National Theater Project	Center Stage	New England Programs	Public Art	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2023 Total	2022 Total
Grants and other assistance	$ 2,249,525	$ 1,348,308	$ --	$ 351,070	$ 706,465	$ 4,655,368	$ --	$ --	$ --	$ 4,655,368	$ 5,558,398
Personnel expense:											
Salaries and wages	284,770	258,183	101,038	456,849	252,575	1,353,415	906,459	193,683	1,100,142	2,453,557	2,449,180
Employee benefits	60,414	56,100	24,726	92,793	60,397	294,430	152,124	38,330	190,454	484,884	562,423
Payroll taxes	24,830	23,057	10,162	38,137	24,823	121,009	67,739	15,753	83,492	204,501	194,816
Contracted services	14,720	59,888	319,290	244,325	84,024	722,247	395,771	26,352	422,123	1,144,370	710,000
Marketing and communications	666	878	32,306	14,114	431	48,395	66,937	--	66,937	115,332	37,462
Office expenses	10,912	8,964	7,082	9,543	5,286	41,787	13,109	5,663	18,772	60,559	68,812
Information technology	19,519	17,675	13,684	41,410	17,934	110,222	29,896	11,788	41,684	151,906	118,027
Occupancy	18,579	17,253	7,604	28,537	18,574	90,547	116,029	11,788	127,817	218,364	76,921
Travel	27,644	55,678	341,791	8,234	566	433,913	12,698	20	12,718	446,631	380,084
Conferences and meetings	19,581	30,714	3,114	19,966	2,685	76,060	4,239	4,188	8,427	84,487	115,435
Depreciation	13,892	12,901	5,686	21,338	13,889	67,706	38,690	8,814	47,504	115,210	59,441
Insurance	1,422	1,487	572	2,145	1,396	7,022	4,775	--	4,775	11,797	65,491
Honoraria	52,260	45,632	153,750	5,200	62,120	318,962	125	--	125	319,087	441,404
Miscellaneous	--	--	110,049	625	--	110,674	18,931	1,585	20,516	131,190	38,748
Professional development	2,293	66	--	1,173	5,220	8,752	15,187	243	15,430	24,182	23,392
Total	$ 2,801,027	$ 1,936,784	$ 1,130,854	$ 1,335,459	$ 1,256,385	$ 8,460,509	$ 1,842,709	$ 318,207	$ 2,160,916	$ 10,621,425	$ 10,900,034

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

NEW ENGLAND FOUNDATION FOR THE ARTS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2023

((with comparative totals for the year ended of May 31, 2022)

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (5,459,128)	$ 6,554,926
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	115,210	59,441
Net unrealized loss on investments	919,440	1,405,768
Net realized gain on investments	(775,477)	(588,951)
Amortization of operating lease right-of-use asset	169,645	--
Changes in operating assets and liabilities:		
Contributions receivable	3,427,009	(1,329,726)
Grants receivable	(1,668,910)	1,425,336
Other assets	51,492	(247,409)
Accounts payable	(25,813)	(25,358)
Accrued liabilities	(22,326)	41,225
Grants payable	(98,879)	885,112
Other liabilities	--	7,905
Operating lease liabilities	(103,506)	--
Net Cash (Used in) Provided by Operating Activities	(3,471,243)	8,188,269
Cash Flows from Investing Activities		
Purchase of investments	(6,846,886)	(4,333,269)
Proceeds from sales of investments	6,664,014	1,915,064
Purchases of property and equipment	(47,306)	(80,025)
Net Cash Used in Investing Activities	(230,178)	(2,498,230)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(3,701,421)	5,690,039
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	11,378,714	5,688,675
Cash, Cash Equivalents, and Restricted Cash - End of Year	$ 7,677,293	$ 11,378,714
As reported in the Statement of Financial Position, cash balance consists of:		
Cash and cash equivalents	$ 7,630,040	$ 11,331,466
Restricted cash	47,253	47,248
Total Cash, Cash Equivalents, and Restricted Cash	$ 7,677,293	$ 11,378,714

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

NOTE 1 – ORGANIZATION

The New England Foundation for the Arts, Inc. (NEFA) invests in artists and communities and fosters equitable access to the arts, enriching the cultural landscape in New England and the nation. NEFA supports artists and communities through grants, convenings, online tools, research, and network-building opportunities in the performing arts, public art, and interdisciplinary art. NEFA's values include artists and the creative process; equity, diversity, inclusion, and accessibility (EDIA); knowledge building and sharing; leadership; partnership; and public funding for the arts.

NEFA was founded in 1976 as one of six Regional Arts Organizations (RAOs) in partnership with the National Endowment for the Arts (NEA) and New England's state arts agencies to strengthen regional and national arts opportunities. Today, NEFA's programs are local, regional, national, and international in scope, and include:

- National Dance Project – Supports the creation and U.S. touring of new dance projects through grants and network building with artists and organizations that connect them to audiences and communities across U.S. states and territories. Regional initiatives convene and support artists and presenters at various stages of their careers.
- National Theater Project – supports the creation and touring of U.S. based, devised ensemble theater projects through direct funding and convening that cultivate of an informed, interactive network of ensembles, artists, and presenters throughout the field.
- Center Stage – NEFA's partnership with the U.S. Department of State produces a cultural exchange program that invites contemporary performing artists from select countries to tour the U.S., bringing international artists into direct contact with a wide range of U.S. communities, and sharing their experiences globally.
- New England Programs – Offers grants, convenings, online resources and professional development to artists and cultural organizations in NEFA's region. New England States Touring funds the presentation of regional, national and international artists by New England based organizations. New England Programs administer regionally focused national programs in collaboration with other Regional Arts Organizations. Creative Economy support includes a comprehensive online regional directory and database.
- Public Art – Invests in artists and a community of practice, contributing to the evolving field of public art and inspiring more vibrant public spaces and public life throughout the region. NEFA's Public Art grants creatively cultivate expressions or embodiments of spatial justice through public artmaking.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in preparing and presenting the accompanying financial statements.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The financial statements of NEFA have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

CHANGE IN ACCOUNTING PRINCIPLE

ASC 842, Leases

Effective June 1, 2022, NEFA adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. Under ASC 842, NEFA determines if an arrangement contains a lease at inception based on whether NEFA has the right to control the asset during the contract period and other facts and circumstances.

NEFA elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. NEFA elected the short-term lease recognition exemption for all leases that qualify. Consequently, for leases that qualify, NEFA will not recognize right-of-use assets or lease liabilities on the Statement of Financial Position.

The adoption of ASC 842 resulted the recognition of right-of-use assets of $1,562,021 and operating lease liabilities of $1,562,021 as of June 1, 2022. Results for periods beginning prior to June 1, 2022, continue to be reported in accordance with NEFA's historical accounting treatment. The adoption of ASC 842 did not have a material impact on NEFA's results of operations and cash flows.

COMPARATIVE FINANCIAL INFORMATION

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended May 31, 2022, from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for long-term purposes are excluded from this definition.

CONTRIBUTIONS RECEIVABLE

Unconditional contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the Statement of Activities. The allowance for uncollectible contributions is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions are written off when deemed uncollectable. Management has determined that no allowance is necessary.

GRANTS RECEIVABLE

Grants receivable, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts recorded as grants receivable represent cost-reimbursable contracts and grants, which the incurrence of allowable qualifying expenses and/or the performance of certain requirements have been met or performed. The allowance for uncollectible grants receivable is based on historical experience and a review of subsequent collections. Management has determined that no allowance is necessary.

INVESTMENTS

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the Statement of Financial Position. Net investment return/(loss) is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investments include equity securities of public companies which are carried at fair value based on quoted market prices.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

NEFA maintains pooled investment accounts for its donor-restricted funds and board-designated endowment. Realized and unrealized gains and losses from the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

PROPERTY AND EQUIPMENT, NET

Property and equipment additions over $2,500 are recorded at cost, if purchased, and at fair value at the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 years). When assets are sold or otherwise disposed of, the cost and related depreciation is removed, and any resulting gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Assets not in service are not depreciated.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in fiscal year 2023 or 2022.

LEASES

NEFA is a lessee in noncancellable operating leases, for office space and equipment. NEFA determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. NEFA recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. NEFA generally does not have access to the rate implicit in the lease and, therefore, NEFA utilizes a risk-free rate as the discount rate at the lease commencement date for all classes of underlying assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

NEFA has elected, for all underling classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that NEFA is reasonably certain to exercise. NEFA recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

NEFA has lease agreements with lease and non-lease components, which are generally accounted for separately. NEFA has elected, for all underlying classes of assets, to account for each separate lease component of a contract and its associated non-lease components (repairs and maintenance) as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments are recognized in operating expenses in the period in which the obligation for those payments was incurred.

NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor (or certain grantor) imposed restrictions. The Board has designated, from net assets without donor restrictions, net assets for a board-designated endowment, strategic vision, and for a strategic opportunity and risk reserve.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions

Net assets with donor restrictions are net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. NEFA recognizes revenue from contributions and grants that were initially conditional, which became unconditional with restrictions during the reporting period, and for which those restrictions were met during the reporting period, as net assets without donor restrictions.

REVENUE RECOGNITION

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of NEFA's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when NEFA has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position.

Program service fees are due at time of registration and revenue is recognized when the performance obligations of providing the services are met. The performance obligation of delivering program services is simultaneously received and consumed by individuals and organizations; therefore, the revenue is recognized when the service or program occurs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED SERVICES AND IN-KIND CONTRIBUTIONS

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets, or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated professional services are recorded at the respective fair value of the services received. Contributed goods are recorded at fair value at the date of donation and as expenses when placed in service or distributed. Donated use of facilities is reported as a contribution and as an expense at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the amount is reported as a contribution and an unconditional promise to give at the date of the gift, and the expense is reported over the term of use.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Expenses that relate solely to the functional categories are directly charged, however, there are certain expenses that are allocated. Personnel expenses, including salaries and wages, employee benefits, and payroll taxes, occupancy, information technology, insurance, certain office expenses, and depreciation are allocated based on time and effort estimates.

MEASURE OF OPERATIONS

The Statement of Activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to NEFA's ongoing programs and services. Non-operating activities are limited to resources outside of those programs and services and are comprised of investment return and NEFA's annual transfer to support operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

NEFA has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for charitable contribution deductions, and has been determined not to be a private foundation. NEFA is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, NEFA is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

NEFA accounts for uncertain tax provisions under FASB ASC 740, *Income Taxes*, which provides a framework for how entities should recognize, measure, present, and disclose uncertain tax positions in their financial statements. NEFA may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Management has reviewed NEFA's reporting and believes they have not taken tax positions that are more likely than not to be determined to be incorrect by the IRS and, therefore, no adjustments or disclosures are required. NEFA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

ESTIMATES

The preparation of financial statements in conformity with 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. Accordingly, actual results may differ from those estimates.

FINANCIAL INSTRUMENTS AND CREDIT RISK

Deposit concentration risk is managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with grants and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, individuals, and organizations supportive of NEFA's mission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS AND CREDIT RISK (CONTINUED)

Investments are made by diversified investment managers whose performance is monitored by the Investment Committee of the Board of Directors. Although the fair value of investments are subject to fluctuation on a year-to-year basis, the Investment Committee believes that its investment policies and guidelines are prudent for the long-term welfare of NEFA.

FAIR VALUE MEASUREMENTS AND DISCLOSURES

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety at the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset or liability within the hierarchy is based upon the pricing transparency of the asset or liability and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset or liability.

NEW ACCOUNTING STANDARDS TO BE ADOPTED IN THE FUTURE

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the Statement of Activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This ASU will be effective for NEFA for the year ending May 31, 2024. NEFA is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position, were comprised of the following at May 31, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 7,630,040	$ 11,331,466
Restricted cash - fiscal agent	47,253	47,248
Contributions receivable	2,172,505	5,599,514
Grants receivable	4,830,791	3,161,881
Investments	6,504,488	5,962,830
Investments - endowment	9,440,601	9,943,350
Total financial assets	30,625,678	36,046,289
Less amounts not available to be used within one year:		
Restricted cash - fiscal agent	(47,253)	(47,248)
Contributions receivable to be collected in more than one year	--	(142,800)
Board designated net assets - endowment	(9,440,601)	(9,943,350)
Board designated net assets - strategic vision	(4,900,000)	(4,900,000)
Board designated net assets - strategic opportunity and risk reserve	(354,347)	(354,347)
Net assets with donor restrictions not expected to be met in less than one year	(5,946,796)	(7,726,631)
Total financial assets available within one year	9,936,681	12,931,913
Additional liquidity resources:		
Bank line of credit	1,000,000	1,000,000
Total financial assets and liquidity resources available within one year	$ 10,936,681	$ 13,931,913

The Board-designated endowment is subject to an annual spending rate as determined by the Board of Directors. Although there is no intention to spend from the Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 3 - LIQUIDITY AND AVAILABILITY (CONTINUED)

NEFA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next year, NEFA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 4 - RESTRICTED CASH – FISCAL AGENT

NEFA is the fiscal agent for the Massachusetts and New Hampshire state art agencies. NEFA receives and disburses funds on behalf of these agencies. Each of these agencies also funds NEFA. As of May 31, 2023 and 2022, restricted cash totaled $47,253 and $47,248, respectively. Since NEFA is a fiscal agent, these activities are appropriately not included in the accompanying Statement of Activities and change in net assets.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable were estimated to be collected as follows at May 31, 2023 and 2022:

	2023	2022
Receivable in less than one year	$ 2,172,505	$ 5,456,714
Receivable in one to five years	--	142,800
	$ 2,172,505	$ 5,599,514

No discount was applied to contributions receivable at May 31, 2023 and 2022 since it was determined to be immaterial.

NOTE 6 - INVESTMENTS

INVESTMENT COMPOSITION

Investments, measured at fair value on a recurring basis, consisted of the following at May 31, 2023 and 2022:

	2023			
Investment Type	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,091,705	$ --	$ --	$ 1,091,705
U.S. Treasuries	664,486	--	--	664,486
U.S. Government bonds	--	1,114,519	--	1,114,519
Corporate debt securities	--	1,579,215	--	1,579,215
Mutual funds	1,874,493	--	--	1,874,493
Common stock	9,386,876	--	--	9,386,876
Real estate investment trust funds	233,795	--	--	233,795
	$ 13,251,355	$ 2,693,734	$ --	$ 15,945,089

	2022			
Investment Type	Level 1	Level 2	Level 3	Total
Money market funds	$ 895,970	$ --	$ --	$ 895,970
U.S. Treasuries	549,958	--	--	549,958
U.S. Government bonds	--	588,726	--	588,726
Corporate debt securities	--	1,972,413	--	1,972,413
Mutual funds	2,022,798	--	--	2,022,798
Common stock	9,340,531	--	--	9,340,531
Exchange traded funds	398,869	--	--	398,869
Real estate investment trust funds	136,915	--	--	136,915
	$ 13,345,041	$ 2,561,139	$ --	$ 15,906,180

Unrealized losses on equity securities recognized during fiscal years 2023 and 2022 totaled $(893,938) and $(1,405,768), respectively.

NOTE 6 - INVESTMENTS (CONTINUED)

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair value of NEFA's investments to interest rate fluctuations as of May 31, 2023 was as follows:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	N/A
Money market funds	$ 1,091,705	$ --	$ --	$ --	$ --	$ 1,091,705
U.S. Treasuries	664,486	49,651	442,093	172,742	--	--
U.S. Government bonds	1,114,519	74,696	1,037,475	2,348	--	--
Corporate debt securities	1,579,215	90,535	820,291	668,389	--	--
Mutual funds	1,874,493	--	--	--	--	1,874,493
Common stock	9,386,876	--	--	--	--	9,386,876
Real estate investment trust funds	233,795	--	--	--	--	233,795
	$ 15,945,089	$ 214,882	$ 2,299,859	$ 843,479	$ --	$ 12,586,869

Information about the sensitivity of the fair values of NEFA's investments to interest rate fluctuations as of May 31, 2022 was as follows:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	N/A
Money market funds	$ 895,970	$ --	$ --	$ --	$ --	$ 895,970
U.S. Treasuries	549,958	100,512	55,728	393,718	--	--
U.S. Government bonds	588,726	49,998	535,943	--	2,785	--
Corporate debt securities	1,972,413	290,576	1,100,917	580,920	--	--
Mutual funds	2,022,798	--	--	--	--	2,022,798
Common stock	9,340,531	--	--	--	--	9,340,531
Exchange traded funds	398,869	--	--	--	--	398,869
Real estate investment trust funds	136,915	--	--	--	--	136,915
	$ 15,906,180	$ 441,086	$ 1,692,588	$ 974,638	$ 2,785	$ 12,795,083

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net was comprised of the following at May 31, 2023 and 2022:

	2023	2022
Leasehold improvements	$ 324,759	$ 324,759
Furniture and equipment	198,001	150,695
Construction in progress	356,025	356,025
	878,785	831,479
Less accumulated depreciation	(211,697)	(96,487)
	$ 667,088	$ 734,992

Depreciation expense totaled $115,210 and $59,441 for the years ended May 31, 2023 and May 31, 2022, respectively.

NOTE 8 - GRANTS PAYABLE

Grants payable were estimated to be paid as follows at May 31, 2023 and 2022:

	2023	2022
Payable in less than one year	$ 3,551,586	$ 3,970,155
Payable in one to five years	2,577,940	2,258,250
	$ 6,129,526	$ 6,228,405

Discount to net present value has not been recorded, as it has been determined to be immaterial.

NOTE 9 - LINE OF CREDIT

NEFA has a $1,000,000 line of credit available, secured by all business assets and pledge of certain investment accounts. This line is payable upon demand and requires monthly interest payments on the outstanding balance at the Wall Street Journal prime rate plus 0.5%. There is a requirement that the line must be a zero balance for one 30 consecutive day period annually. At May 31, 2023 and 2022, NEFA had no outstanding balance on the line of credit and did not draw on the line during fiscal years 2023 and 2022.

NOTE 10 - LEASES

NEFA rents property and equipment under non-cancelable operating lease agreements with monthly payments ranging from $148 to $20,899. The leases expire at various dates through August 2030.

While all agreements provide minimum lease payments, some include payments adjusted for maintenance charges. Variable payments are not determinable at the lease commencement and are not included in the measurement of lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The components of operating lease expense that are included in the Statement of Activities for the year ended May 31, 2023 were as follows:

Fixed lease cost	$ 147,771
Variable lease cost	70,593
Total lease cost	$ 218,364

During the year ended May 31, 2023, NEFA had the following cash and non-cash activities related to operating leases:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 147,771

Weighted average lease term and discount rate at May 31, 2023, were as follows:

Weighted average remaining lease term (years)	7.33
Weighted average discount rate	2.94%

NOTE 10 - LEASES (CONTINUED)

Future payments due under operating leases as of May 31, 2023, were as follows for the years ending May 31:

2024	$ 162,189
2025	220,307
2026	225,815
2027	231,459
2028	237,246
Thereafter	555,132
Total lease payments	1,632,148
Less imputed interest	173,633
Present value of lease liabilities	1,458,515
Less current portion of lease liabilities	120,325
Lease liabilities, net of current portion	$1,338,190

Rental expense, as previously defined under FASB ASC 840, for all operating leases was $70,533 for the year ended May 31, 2022.

NOTE 11 - ENDOWMENT

TYPES OF FUNDS

NEFA's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing NEFA to appropriate for expenditure or accumulate so much of an endowment fund as NEFA determines is prudent for the uses, benefit, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, NEFA classifies as perpetual (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTE 11 - ENDOWMENT (CONTINUED)

BOARD-DESIGNATED ENDOWMENT

As of May 31, 2023 and 2022, the Board of Directors had designated $9,440,601 and $9,943,350, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of NEFA. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS, AND STRATEGIES

NEFA's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 5%, while growing the funds if possible.

To satisfy its long-term rate-of-return objectives, NEFA 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). The Investment Committee is responsible for selecting the investment managers of NEFA's portfolio. NEFA's Investment Committee believes broad diversification and a moderate to moderate-high level of risk approach to portfolio management is necessary to reduce volatility and prudently maximize total return. The portfolio objectives include the following:

- Obtain the highest level of return for the Investment Committee's desired level of risk;
- Limit risk exposure through prudent diversification;
- Maintain purchasing power of the portfolio by maintaining the level of services in relation to average cost increases;
- Withdrawals and annual spending policy based on needs of NEFA as voted by the Investment Committee; and
- Control the costs of administering and managing the portfolio.

NOTE 11 - ENDOWMENT (CONTINUED)

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS, AND STRATEGIES (CONTINUED)

NEFA uses the total return method for allocating the investment return to investment balances, which include the Board-designated endowment and investments with and without donor restrictions. The investment objective includes a multi-asset investment portfolio designed for monies with long-term investment horizons. The asset allocation of the underlying funds in the portfolio is diversified in approximately 59% stocks and 41% fixed income at May 31, 2023, and 58% stocks and 42% fixed income at May 31, 2022.

SPENDING POLICY

NEFA's Board of Directors has approved a spending policy of appropriating for distribution each year 3-5% of a three-year average of the board-designated endowment fund. The exact percentage will be determined by vote of the Board of Directors each year. In establishing this policy, NEFA considered the long-term expected return on its endowment, which is consistent with NEFA's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return. During fiscal years 2023 and 2022, the Board voted to appropriate for distribution $309,624 and $223,882, respectively, which is 5% of the three-year average of the Board-designated endowment fund.

Changes in Board-designated endowment net assets for the years ended May 31, 2023 and 2022 were as follows:

	2023	2022
Board-designated endowment net assets, beginning of year	$ 9,943,350	$ 5,928,342
Contributions	28,000	5,028,000
Investment return, net	28,875	(539,110)
Annual appropriation for operations	(309,624)	(223,882)
Additional appropriation for operations	(250,000)	(250,000)
Board-designated endowment net assets, end of year	$ 9,440,601	$ 9,943,350

NOTE 12 - NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS

Board-designated net assets are net assets without donor restrictions which the Board of Directors has placed self-imposed limits on, and were comprised of the following at May 31, 2023 and 2022:

Purpose	2023	2022
Endowment	$ 9,440,601	$ 9,943,350
Strategic vision	4,900,000	4,900,000
Strategic opportunity and risk reserve	354,347	354,347
	$ 14,694,948	$ 15,197,697

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were comprised of the following at May 31, 2023 and 2022:

	2023	2022
Subject to expenditure for specified purpose:		
National dance project	$ 3,444,981	$ 6,668,667
National theater project	2,250	2,012,879
New England programs	181,318	324,667
Public art	20,359	1,467,727
Fund for the arts	4,016,334	4,006,300
Other	2,286,306	286,306
	$ 9,981,548	$ 14,766,546

NOTE 12 - NET ASSETS (CONTINUED)

NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of the passage of time as follows for the years ended May 31, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions:		
National dance project	$ 3,223,686	$ 3,442,399
National theater project	2,010,629	2,080,704
Center stage	37,000	--
New England programs	296,912	299,089
Public art	1,447,368	1,058,822
Fund for the arts	--	210,697
Other	--	173,833
	$ 7,015,595	$ 7,265,544

NOTE 13 - GRANTS

NEFA has been awarded cost-reimbursable grants of $3,836,109 and $3,596,419 that have not been recognized at May 31, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's Uniform Guidance, and review by grantor agencies. This review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, NEFA's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of NEFA.

NOTE 14 - CONTRIBUTED NONFINANCIAL ASSETS

NEFA received contributed nonfinancial assets in the amount of $10,000 and $7,323 for the years ended May 31, 2023 and 2022, respectively. These contributed nonfinancial assets related to software licensing utilized for general and administrative purposes valued at U.S. retail prices for identical products using pricing data under a “like kind” methodology and contributed services utilized in various program activities and general and administrative activities valued at estimated fair value based on rates for similar services. There were no associated donor restrictions.

NOTE 15 - RETIREMENT PLANS

NEFA maintains an IRC Section 403(b) defined contribution retirement plan and tax-deferred annuity plan. The defined contribution retirement plan covers all eligible employees as defined in the plan. NEFA matches participant contributions up to 5% of an employee’s annual compensation up to $80 per month. The tax-deferred annuity plan covers all eligible employees as defined in the plan and is funded by employee elective contributions. NEFA contributed $48,102 and $25,700 for the years ended May 31, 2023 and May 31, 2022, respectively.

NEFA’S 403(b) defined contribution retirement plan includes a discretionary employer contribution component (DEC). This enables NEFA to contribute a specified amount to the retirement account for each staff member without requiring their participation and adding to the amount an employee can currently elect to contribute each year and have matched by NEFA in the existing plan. NEFA did not contribute to this plan in fiscal year 2023 or 2022.

NEFA maintains a 457(b) deferred compensation plan. Eligible employees are limited to the officers of NEFA. Eligible employees may make contributions to the plan up to the maximum amount permitted by law and are immediately fully vested in the plan. NEFA matches contributions on a discretionary basis as determined by the Board of Directors. NEFA may also decide to make non-elective contributions to the plan at the discretion of the Board of Directors. NEFA’s contributions to the plan for the years ended May 31, 2023 and 2022 totaled $-0- and $22,648, respectively.

NOTE 16 - RELATED PARTY TRANSACTIONS

Senior leaders of the state art agencies of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont serve on NEFA's Board of Directors. For the years ended May 31, 2023 and 2022, NEFA received $140,277 and $97,500, respectively, in grants and support from these agencies.

During fiscal years 2023 and 2022, NEFA paid $14,480 and $19,846, respectively, for various grants and miscellaneous event expenses to an organization in which a NEFA Board member is a director.

NOTE 17 - CONCENTRATIONS OF RISK

A material part of NEFA's revenue is dependent upon government sources, the loss of which would have a materially adverse effect on NEFA. During the years ended May 31, 2023 and 2022, funding from the National Endowment for the Arts accounted for 25% and 9%, respectively, of total operating revenues and 35% and 52%, respectively, of total grants receivable. NEFA relies on the funding from the National Endowment for the Arts to cover a significant portion of its administrative expenses. During the years ended May 31, 2023 and 2022, funding from the U.S. Department of State accounted for 27% and 5%, respectively, of total operating revenues and 65% and 48%, respectively, of total grants receivable. During the years ended May 31, 2023 and 2022, funding from two foundations and one private donor accounted for 39% and 81%, respectively, of total operating revenues and 96% and 98%, respectively, of total contributions receivable.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 25, 2024, the date the financial statements were available to be issued.