

**EISNERAMPER**

**COLLEGE ART ASSOCIATION  
OF AMERICA, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 and 2019**



# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Contents

	<b><u>Page</u></b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of financial position as of June 30, 2020 and 2019	2
Statements of activities for the years ended June 30, 2020 and 2019	3
Statement of functional expenses for the year ended June 30, 2020 (with summarized information for June 30, 2019)	4
Statement of functional expenses for the year ended June 30, 2019	5
Statements of cash flows for the years ended June 30, 2020 and 2019	6
Notes to financial statements	7

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
College Art Association of America, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of College Art Association of America, Inc. (the "Association"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Art Association of America, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP  
New York, New York  
October 25, 2020



# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash, cash equivalents, and restricted cash	\$ 689,381	\$ 640,766
Grants receivable, net	571,884	141,376
Accounts and other receivables	20,803	90,834
Investments	9,825,458	9,609,991
Prepaid expenses and other current assets	60,711	147,647
Property and equipment, net	12,567	13,886
Security deposits	4,000	4,000
	<u>\$ 11,184,804</u>	<u>\$ 10,648,500</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 159,202	\$ 224,007
Loans payable	382,968	-
Deferred revenue	843,764	853,361
Deferred rent obligation	209,099	211,447
	<u>1,595,033</u>	<u>1,288,815</u>
Total liabilities		
Commitments and other uncertainty (See Notes K and M)		
Net Assets:		
Without donor restrictions:		
Undesignated (See Note A[10](i))	3,690,404	(2,926,875)
Board-designated funds, functioning as endowment (See Note A[10](i))	-	6,909,707
	<u>3,690,404</u>	<u>3,982,832</u>
Total net assets without donor restrictions		
With donor restrictions:		
Purpose restricted	4,783,317	4,260,803
Perpetual in nature	1,116,050	1,116,050
	<u>5,899,367</u>	<u>5,376,853</u>
Total net assets with donor restrictions		
	<u>9,589,771</u>	<u>9,359,685</u>
Total net assets		
	<u>\$ 11,184,804</u>	<u>\$ 10,648,500</u>

See notes to financial statements.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Statements of Activities**

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating activities:</b>						
Public support and revenue:						
Contributions (including in-kind legal services of \$124,837 and \$166,805 for 2020 and 2019, respectively)	\$ 294,890	\$ 803,241	\$ 1,098,131	\$ 344,619	\$ 162,228	\$ 506,847
Membership fees	857,818	-	857,818	957,977	-	957,977
Annual conference	650,575	-	650,575	777,675	-	777,675
Career development activities	373,057	-	373,057	433,246	-	433,246
Advertising: Art Journal, The Art Bulletin and C.A.A. News	117,727	-	117,727	111,931	-	111,931
Publications	588,120	-	588,120	562,234	-	562,234
Net investment income, spending policy	514,411	-	514,411	508,997	-	508,997
Miscellaneous income	-	-	-	677	-	677
	<u>3,396,598</u>	<u>803,241</u>	<u>4,199,839</u>	<u>3,697,356</u>	<u>162,228</u>	<u>3,859,584</u>
Total public support and revenue before net assets released from restrictions						
Net assets released from restrictions	<u>413,316</u>	<u>(413,316)</u>	<u>-</u>	<u>363,581</u>	<u>(363,581)</u>	<u>-</u>
Total public support and revenue	<u>3,809,914</u>	<u>389,925</u>	<u>4,199,839</u>	<u>4,060,937</u>	<u>(201,353)</u>	<u>3,859,584</u>
<b>Expenses:</b>						
Program services	2,912,805	-	2,912,805	3,206,298	-	3,206,298
General and administration	584,594	-	584,594	591,586	-	591,586
Board and committees	153,561	-	153,561	182,513	-	182,513
Fund-raising	133,693	-	133,693	178,167	-	178,167
Total expenses	<u>3,784,653</u>	<u>-</u>	<u>3,784,653</u>	<u>4,158,564</u>	<u>-</u>	<u>4,158,564</u>
Change in net assets before non-operating activities	25,261	389,925	415,186	(97,627)	(201,353)	(298,980)
<b>Non-operating activities:</b>						
Net (losses) earnings in excess of spending policy	<u>(317,689)</u>	<u>132,589</u>	<u>(185,100)</u>	<u>175,880</u>	<u>490,857</u>	<u>666,737</u>
<b>Change in net assets</b>	<u>(292,428)</u>	<u>522,514</u>	<u>230,086</u>	<u>78,253</u>	<u>289,504</u>	<u>367,757</u>
Net assets, beginning of year	<u>3,982,832</u>	<u>5,376,853</u>	<u>9,359,685</u>	<u>3,904,579</u>	<u>5,087,349</u>	<u>8,991,928</u>
<b>Net assets, end of year</b>	<u>\$ 3,690,404</u>	<u>\$ 5,899,367</u>	<u>\$ 9,589,771</u>	<u>\$ 3,982,832</u>	<u>\$ 5,376,853</u>	<u>\$ 9,359,685</u>

See notes to financial statements.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2020**

(with summarized financial information from 2019)

	Program Services			Total Program Services	Supporting Services			Total Supporting Services	Total	
	Annual Conference	Publications	Other Programs		General and Administration	Board and Committees	Fund- Raising		2020	2019
Salary, payroll taxes and employee benefits	\$ 270,806	\$ 442,064	\$ 763,616	\$ 1,476,486	\$ 223,409	\$ 125,831	\$ 118,230	\$ 467,470	\$ 1,943,956	\$ 2,285,522
Temporary help	6,774	-	-	6,774	4,795	-	-	4,795	11,569	18,417
Printing	8,256	-	5,639	13,895	-	-	2,893	2,893	16,788	41,009
Postage, messenger and shipping	3,778	897	11,217	15,892	544	-	2,094	2,638	18,530	16,653
Mailing services	-	206	-	206	-	-	-	-	206	235
Editorial	-	113,059	-	113,059	-	-	-	-	113,059	110,351
Design	-	46,708	-	46,708	-	-	-	-	46,708	44,527
Storage and moving	-	-	-	-	4,337	-	-	4,337	4,337	6,262
Travel, catering and meetings	26,396	392	11,752	38,540	980	18,226	588	19,794	58,334	103,389
Publication grants	-	-	124,205	124,205	-	-	-	-	124,205	93,350
Fellowship stipends	-	-	22,000	22,000	-	-	-	-	22,000	21,551
Training and recruiting	-	-	-	-	-	-	-	-	-	6,356
Hospitality	1,738	-	580	2,318	3,694	-	-	3,694	6,012	12,675
Bad debts expense	-	-	-	-	31,566	-	-	31,566	31,566	-
Rent and utilities	33,568	64,738	109,495	207,801	108,696	3,197	-	111,893	319,694	315,237
Insurance	2,941	6,347	10,296	19,584	10,992	387	-	11,379	30,963	26,936
Telephone	1,563	2,786	3,653	8,002	4,824	764	-	5,588	13,590	14,757
Website and internet	3,290	1,974	14,585	19,849	493	494	1,097	2,084	21,933	26,440
Equipment maintenance and rental	4,077	7,268	10,080	21,425	12,436	2,346	2,205	16,987	38,412	34,755
Office expense	1,892	3,908	4,794	10,594	5,759	103	-	5,862	16,456	28,496
Dues, subscriptions, and seminars	-	248	873	1,121	13,443	-	33	13,476	14,597	20,544
Accounting and legal	3,910	14,490	15,640	34,040	8,280	1,840	1,840	11,960	46,000	212,850
Advertising	-	-	16,189	16,189	-	-	4,363	4,363	20,552	17,470
Professional fees	17,600	-	301,134	318,734	94,280	-	-	94,280	413,014	152,981
Bank and credit card fees	18,148	-	54,442	72,590	-	-	-	72,590	72,590	73,682
Direct conference expenses	318,545	-	-	318,545	-	-	-	-	318,545	371,749
Taxes	-	-	-	-	55,404	-	-	55,404	55,404	91,739
Total expenses before depreciation and amortization	723,282	705,085	1,480,190	2,908,557	583,932	153,188	133,343	870,463	3,779,020	4,147,933
Depreciation and amortization	676	1,310	2,262	4,248	662	373	350	1,385	5,633	10,631
	<u>\$ 723,958</u>	<u>\$ 706,395</u>	<u>\$ 1,482,452</u>	<u>\$ 2,912,805</u>	<u>\$ 584,594</u>	<u>\$ 153,561</u>	<u>\$ 133,693</u>	<u>\$ 871,848</u>	<u>\$ 3,784,653</u>	<u>\$ 4,158,564</u>

See notes to financial statements.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Statement of Functional Expenses  
Year Ended June 30, 2019**

	Program Services				Supporting Services				Total
	Annual Conference	Publications	Other Programs	Total Program Services	General and Administration	Board and Committees	Fund-Raising	Total Supporting Services	
Salary, payroll taxes and employee benefits	\$ 273,115	\$ 529,160	\$ 923,675	\$ 1,725,950	\$ 267,425	\$ 150,623	\$ 141,524	\$ 559,572	\$ 2,285,522
Temporary help	18,417	-	-	18,417	-	-	-	-	18,417
Printing	26,196	-	11,412	37,608	-	-	3,401	3,401	41,009
Postage, messenger and shipping	2,001	2,332	7,278	11,611	1,608	24	3,410	5,042	16,653
Mailing services	13	222	-	235	-	-	-	-	235
Editorial	-	110,351	-	110,351	-	-	-	-	110,351
Design	10,446	34,081	-	44,527	-	-	-	-	44,527
Storage and moving	-	-	-	-	6,262	-	-	6,262	6,262
Travel, catering and meetings	41,172	14,987	20,410	76,569	6,478	15,212	5,130	26,820	103,389
Publication grants	-	-	93,350	93,350	-	-	-	-	93,350
Fellowship stipends	-	-	21,551	21,551	-	-	-	-	21,551
Training and recruiting	-	-	-	-	6,356	-	-	6,356	6,356
Hospitality	2,530	-	234	2,764	9,911	-	-	9,911	12,675
Rent and utilities	33,100	63,835	107,969	204,904	107,181	3,152	-	110,333	315,237
Insurance	2,559	5,522	8,956	17,037	9,562	337	-	9,899	26,936
Telephone	1,697	3,025	3,967	8,689	5,239	829	-	6,068	14,757
Website and internet	3,966	2,380	17,582	23,928	595	595	1,322	2,512	26,440
Equipment maintenance and rental	4,077	7,268	10,057	21,402	8,802	2,346	2,205	13,353	34,755
Office expense	3,277	6,769	8,300	18,346	9,973	177	-	10,150	28,496
Dues, subscriptions, and seminars	-	953	-	953	13,605	-	5,986	19,591	20,544
Accounting and legal	18,092	67,048	72,369	157,509	38,313	8,514	8,514	55,341	212,850
Advertising	-	-	11,455	11,455	-	-	6,015	6,015	17,470
Professional fees	16,852	-	128,841	145,693	7,288	-	-	7,288	152,981
Bank and credit card fees	18,420	-	55,262	73,682	-	-	-	-	73,682
Direct conference expenses	371,749	-	-	371,749	-	-	-	-	371,749
Taxes	-	-	-	-	91,739	-	-	91,739	91,739
Total expenses before depreciation and amortization	847,679	847,933	1,502,668	3,198,280	590,337	181,809	177,507	949,653	4,147,933
Depreciation and amortization	1,276	2,472	4,270	8,018	1,249	704	660	2,613	10,631
	<u>\$ 848,955</u>	<u>\$ 850,405</u>	<u>\$ 1,506,938</u>	<u>\$ 3,206,298</u>	<u>\$ 591,586</u>	<u>\$ 182,513</u>	<u>\$ 178,167</u>	<u>\$ 952,266</u>	<u>\$ 4,158,564</u>

See notes to financial statements.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Statements of Cash Flows**

	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 230,086	\$ 367,757
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	5,633	10,631
Net realized and unrealized gains on investments	(186,488)	(1,040,273)
Amortization of deferred rent obligation	(2,348)	4,084
Bad debts expense	31,566	-
Changes in:		
Grants receivable, net	(430,508)	148,731
Accounts and other receivables	38,465	(9,539)
Prepaid expenses and other current assets	86,936	(68,472)
Accounts payable and accrued expenses	(64,805)	(82,009)
Deferred revenue	(9,597)	(70,200)
Net cash used in operating activities	<u>(301,060)</u>	<u>(739,290)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	6,491,538	3,889,307
Purchases of investments	(6,520,517)	(2,944,711)
Purchases of property and equipment	(4,314)	(11,681)
Net cash (used in) provided by investing activities	<u>(33,293)</u>	<u>932,915</u>
<b>Cash flows from financing activities:</b>		
Proceeds from loans	<u>382,968</u>	-
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>48,615</b>	<b>193,625</b>
Cash, cash equivalents and restricted cash, beginning of year	<u>640,766</u>	<u>447,141</u>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b><u>\$ 689,381</u></b>	<b><u>\$ 640,766</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Unrelated business income taxes paid	<u>\$ 49,904</u>	<u>\$ 118,739</u>
Donated services	<u>\$ 124,837</u>	<u>\$ 166,805</u>

See notes to financial statements.



# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

The College Art Association of America, Inc. (the "Association"), incorporated in New York in 1911, is a not-for-profit organization founded to promote excellence in scholarship and teaching, in the history and criticism of the visual arts, and in creativity and technical skills and practices of art through:

- facilitating the exchange of ideas and information among those interested in art and the history of art;
- advocating comprehensive and inclusive education in the visual arts;
- speaking for the Association's membership on issues affecting the visual arts and humanities;
- providing opportunities for publication of scholarship, criticism, and artists' writings;
- fostering career development and professional advancement in the visual arts and humanities;
- identifying and developing sources of funding for the practice of art and for scholarship in the arts and humanities;
- honoring accomplishments of artists, art historians, and critics; and
- articulating and affirming the highest ethical standards in the conduct of the profession.

The Association includes among its members, those who by vocation or avocation, are concerned about and/or are committed to the practice of art, teaching, and research of and about the visual arts and humanities. Over 7,000 artists, art historians, scholars, curators, collectors, educators, art publishers, and other visual-arts professionals are individual members. Another 3,000 university art and art-history departments, museums, libraries, and professional and commercial organizations hold institutional memberships or subscriptions.

The Association is exempt from federal income tax pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws, except for certain types of income subject to unrelated business income tax.

#### [2] Basis of accounting:

The financial statements of the Association have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

#### [3] 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, liabilities, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### [4] Cash equivalents and restricted cash:

For financial-reporting purposes, the Association considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Restricted cash of \$61,942 and \$61,938 as of June 30, 2020 and 2019, respectively, represent those amounts pledged to secure a letter of credit in lieu of a security deposit for the Association's leased premises (see Note K[1]). Cash equivalents considered to be part of the Association's investment portfolio are reported as investments in the statements of financial position.

# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [5] Investments:

The Association's investments in equity securities, mutual funds, and fixed income securities are reported at their fair values in the statements of financial position based on quoted market prices. Cash equivalents held as part of the Association's investment portfolio are also included in the balances reported as investments.

The Associations' investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. The earnings from dividends and interest are recognized when earned. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year.

Donated securities are recorded at their estimated fair values on the dates of donation or by their net asset values as determined by the Association's management. The Association's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Association's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment transactions.

The Association has a spending-rate policy to manage the earnings from its portfolio.

#### [6] Property and equipment:

Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their fair values at the dates of donation, less accumulated depreciation. The Association capitalizes items of property and equipment that have a cost of \$500 or more and useful lives greater than one year. Minor costs of repairs and maintenance are expensed as incurred. Depreciation of furniture and fixtures, and database equipment is provided using the straight-line method over seven years. Likewise, equipment is depreciated using the straight-line method ranging from three to seven years. Leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, respectively, and, in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

#### [7] Accrued vacation:

Accrued vacation represents the Association's obligation for the cost of unused employee vacation time payable in the event of employee terminations. At June 30, 2020 and 2019, the accrued vacation obligation was approximately \$56,000 and \$42,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying statements of financial position.

# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [8] Grant and fellowship awards:

Awards for research grants and fellowships are recorded as an expense and liability subsequent to annual reviews and approval by the Board of Directors (the "Board"). Grants and fellowship awards generally cover a period of one year, subject to renewal for an additional year after certain conditions have been met.

#### [9] Loans payable:

(i) *Paycheck Protection Program loan payable:*

The Association has elected to account for the Paycheck Protection Program ("PPP") loan as a loan payable under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 *Debt*. The loan agreement includes provisions for loan forgiveness based on satisfying certain conditions related to staffing and salary levels and qualifying expenditures. Loan forgiveness will be recognized when the conditions for loan forgiveness are met and the forgiveness amount is approved by the bank and the U.S. Small Business Administration ("SBA") (see Note E[1]).

(ii) *Economic Injury Disaster Loan payable:*

The Association also applied for an Economic Injury Disaster Loan ("EIDL") administered by the SBA, subject to repayment (see Note E[2]).

#### [10] Net assets:

The net assets of the Association and changes therein are classified and reported as follows:

(i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources used to account for the general activities of the Association. During fiscal-year 2020, by action of the Board, the Association undesignated its Board-designated funds which immediately became available for general operations. For fiscal-year 2019, as a result of the Board's designating a portion of its net assets without donor restrictions to serve as endowment, the Association's undesignated net assets without donor restrictions had a deficit.

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or a specific period of time. Also included in net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions."

# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [11] Revenue recognition:

(i) *Contributions and grants:*

Contributions to the Association are recognized as revenue upon the receipt of either cash or other assets, or of unconditional pledges. Contributions are recorded as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are not recorded as revenue until the donors' specified conditions have been met by requisite actions of the Association; if assets for conditional contributions are received prior to the satisfaction of those conditions, they would be recognized in the statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted to present value, at an interest rate commensurate with the risk involved.

Management assesses the collectability of outstanding receivable balances and may reserve a portion of those receivables based on donor history and specific identification of those balances deemed uncollectible.

(ii) *Other revenues:*

The Association offers various services and benefits, and the amounts received in return are recorded as revenue or deferred revenue in the financial statements as follows:

- Membership fees are recorded when payment is received in the applicable membership period; the portion applicable to the subsequent year is reported as deferred revenue.
- Annual conference fees are recorded as revenue in the applicable period when the conference takes place.
- Position listings fees are recorded when the services have been rendered.
- Subscription revenue is recognized over the term of the subscription; the portion applicable to a subsequent period is reported as deferred revenue.
- Advertising revenue is recognized when the particular periodical is ready for distribution.

#### [12] Measure of operations:

The Association includes in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities including an authorized investment allocation. Investment income, including net realized and unrealized gains and losses earned in excess or deficit of the Association's authorized spending limit, is recognized as a part of non-operating activities.

#### [13] Donated services:

Donated services are recognized in the financial statements if the services: (i) create or enhance non-financial assets or require specialized skills; (ii) are provided by individuals possessing these skills; and (iii) would typically need to be acquired if not provided by donation. Accordingly, donated services are recorded as support at their estimated fair value at the dates of donation and are reported as both contributions and offsetting expenses in the statements of activities.

# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [14] Functional allocation of expenses:

The costs of providing the Association's various program and support services have been summarized on a natural and functional basis in the statements of functional expenses. Accordingly, certain costs that are directly attributable to a specific functional area of the Association are reported as an expense to the appropriate program or supporting service. Natural expenses attributable to more than one functional expense category have been allocated among the programs and supporting services based on head count and resources utilized. Management considers "board and committee" expenses to be included in the "management and general" functional classification. The expenses that are allocated include salaries and benefits, rent and utilities, insurance, telephone, website and internet, equipment maintenance and rental, office expense, and accounting and legal.

#### [15] Income taxes:

The Association is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. The Association pays unrelated business income tax from advertisements and online employment postings, because the Association has always recognized the liability related to this unrelated business income tax and because of the Association's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on the Association's financial statements.

Unrelated business income tax ("UBIT") expense reported in the accompanying statements of activities was \$55,404 and \$91,739 during fiscal-years 2020 and 2019, respectively.

#### [16] Adoption of accounting principles:

(i) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made:*

In June 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU No. 2018-08 clarifies and improves guidance concerning: 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution; and 2) determining whether a contribution received is conditional. ASU No. 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients, and periods beginning after December 15, 2019 for entities that are resource providers. ASU No. 2018-08 should be applied on a modified prospective basis. The Association adopted the resource recipient portion and early-adopted the resource provider portion of the standard for its year ended June 30, 2020, and this accounting guidance did not have a material effect on the Association's financial statements.

(ii) *Disclosure Requirements for Fair Value Measurement:*

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in the Association's financial statements. The Association early-adopted this pronouncement as of June 30, 2020, which under U.S. GAAP is a change in accounting principle requiring retroactive application in the financial statements for all periods presented.

# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [17] Upcoming accounting pronouncements:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers—Deferral of the Effective Date*, which delayed the effective date by one year. Entities may use either a full retrospective or modified retrospective approach to adopt this ASU. As a result of recent deferrals due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly management plans to adopt the new standard using the modified retrospective approach and is in the process of assessing the impact of this ASU on the financial statements.

(ii) *Leases:*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. The ASU will be effective for the Association commencing July 1, 2022. The Association is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

(iii) *Accounting Updates to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets:*

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in *Topic 820, Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021.

# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [18] Subsequent events:

The Association evaluated subsequent events through October 25, 2020, the date on which the financial statements were available to be issued.

### NOTE B - RECEIVABLES

#### [1] Grants receivable:

At each fiscal year-end, grants receivable were estimated to be due as follows:

	June 30,	
	2020	2019
One year	\$ 350,529	\$ 141,376
One to five years	<u>234,836</u>	<u>-</u>
	<b>585,365</b>	141,376
Reduction of pledges due in excess of one year to present value, at a rate of 3%	<u>(13,481)</u>	<u>-</u>
	<u><b>\$ 571,884</b></u>	<u>\$ 141,376</u>

Management believes that all grants are fully collectible, and, accordingly, no allowance for doubtful accounts has been recorded.

#### [2] Accounts and other receivables:

At each fiscal year-end, accounts and other receivables consisted of amounts due to the Association from unrelated parties for exchange-type transactions. All amounts are due within one year. Management evaluates annually whether an allowance for doubtful accounts is necessary. Accordingly, management had recorded an allowance for doubtful accounts in the amount of \$32,000 for the fiscal-year ended June 30, 2020. For fiscal-year 2019, management believed that all accounts and other receivables were expected to be collected in the subsequent year, and, accordingly, no allowance for doubtful accounts had been recorded.

### NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	Year Ended June 30,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
U.S. government securities	\$ 1,302,990	\$ 1,299,612	\$ 494,370	\$ 487,647
Government agency bonds	2,028,812	1,817,544	1,715,042	1,666,253
Corporate debt	283,579	257,371	471,473	478,915
Equity securities	6,120,450	3,442,290	6,763,691	2,585,200
Equity mutual funds	74,280	57,829	144,990	129,405
Accrued interest receivable	<u>15,347</u>	<u>15,347</u>	<u>20,425</u>	<u>20,425</u>
	<u><b>\$ 9,825,458</b></u>	<u><b>\$ 6,889,993</b></u>	<u><b>\$ 9,609,991</b></u>	<u><b>\$ 5,367,845</b></u>

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE C - INVESTMENTS (CONTINUED)**

During each fiscal year, investment income consisted of the following:

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 112,375	\$ 72,412	\$ 184,787
Net realized gains on sales of investments	870,151	623,018	1,493,169
Net unrealized losses on investments	(761,355)	(545,326)	(1,306,681)
Investment fees	<u>(24,449)</u>	<u>(17,515)</u>	<u>(41,964)</u>
	196,722	132,589	329,311
Less: investment income recognized under spending policy	<u>(514,411)</u>	-	<u>(514,411)</u>
(Losses) earnings in excess of spending policy	<u>\$ (317,689)</u>	<u>\$ 132,589</u>	<u>\$ (185,100)</u>

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 112,051	\$ 79,171	\$ 191,222
Net realized gains on sales of investments	412,894	290,122	703,016
Net unrealized gains on investments	192,778	144,479	337,257
Investment fees	<u>(32,846)</u>	<u>(22,915)</u>	<u>(55,761)</u>
	684,877	490,857	1,175,734
Less: investment income recognized under spending policy	<u>(508,997)</u>	-	<u>(508,997)</u>
Earnings in excess of spending policy	<u>\$ 175,880</u>	<u>\$ 490,857</u>	<u>\$ 666,737</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on: (i) quoted prices for similar investments in active markets; or (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.



# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE C - INVESTMENTS (CONTINUED)

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following table summarizes the fair values of the Association's assets at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	June 30,					
	2020			2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. government securities	\$ 1,302,990	\$ -	\$ 1,302,990	\$ 494,370	\$ -	\$ 494,370
Government agency bonds	-	2,028,812	2,028,812	-	1,715,042	1,715,042
Corporate debt	-	283,579	283,579	-	471,473	471,473
Equity securities	6,120,450	-	6,120,450	6,763,691	-	6,763,691
Equity mutual funds	74,280	-	74,280	144,990	-	144,990
	<u>\$ 7,497,720</u>	<u>\$ 2,312,391</u>	<u>9,810,111</u>	<u>\$ 7,403,051</u>	<u>\$ 2,186,515</u>	<u>9,589,566</u>
Accrued interest receivable			<u>15,347</u>			<u>20,425</u>
			<u>\$ 9,825,458</u>			<u>\$ 9,609,991</u>

### NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30,	
	2020	2019
Furniture and fixtures	\$ 157,006	\$ 157,006
Equipment	554,418	550,104
Database equipment	553,100	553,100
Leasehold improvements	<u>46,299</u>	<u>46,299</u>
	<u>1,310,823</u>	1,306,509
Less: accumulated depreciation and amortization	<u>(1,298,256)</u>	<u>(1,292,623)</u>
	<u>\$ 12,567</u>	<u>\$ 13,886</u>

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE E - PAYCHECK PROTECTION PROGRAM AND ECONOMIC INJURY DISASTER LOANS PAYABLE**

**[1] PPP loan payable:**

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security Act (“CARES Act”). The PPP established by the CARES Act, implemented by the SBA, provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus (“COVID-19”) outbreak, further disclosed in Note M. On April 9, 2020, the Association entered into PPP loan agreement with a bank to receive \$372,968 in funds from the PPP and is reported as a Paycheck Protection Program loan payable in the statement of financial position at June 30, 2020. Neither principle nor interest is due for a six-month deferral period through October 2020. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principle of the loan that is not forgiven under the PPP Loan program at the end of the six-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest over the next eighteen months, beginning in November 2020. The loan matures on April 9, 2022. The Association will apply for forgiveness when a forgiveness application has been made available to them.

Until determination of forgiveness, the scheduled future principle maturities as of June 30, 2020 are as follows:

<u>Fiscal-Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 165,764
2022	<u>207,204</u>
	<u>\$ 372,968</u>

**[2] EIDL loan payable:**

The Association applied for an EIDL totaling \$10,000, administered by the SBA. As the Association also received the PPP loan, \$10,000 of the combined funds administered by the SBA is subject to repayment. The loan is collateralized by all tangible and intangible personal property of the Association.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE F - NET ASSETS WITH DONOR RESTRICTIONS**

At each fiscal year-end, net assets with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Meiss publications	\$ 392,052	\$ 312,371
Artists' fellowships	182,071	149,190
Art history fellowships	211,608	184,489
Online initiative	27,371	54,757
Publication grants	231,293	273,174
Other programs/fellowships	<u>1,382,254</u>	<u>851,981</u>
	<u>2,426,649</u>	<u>1,825,962</u>
Subject to appropriation:		
Accumulated endowment earnings reserved for appropriation	<u>2,356,668</u>	<u>2,434,841</u>
Perpetual in nature:		
Art Bulletin	15,000	15,000
Meiss publications	500,000	500,000
Artists' fellowships	340,930	340,930
Art history fellowships	210,120	210,120
Travel fellowships	<u>50,000</u>	<u>50,000</u>
	<u>1,116,050</u>	<u>1,116,050</u>
	<u>\$ 5,899,367</u>	<u>\$ 5,376,853</u>

During each fiscal year, net assets released from restrictions were for the following programs:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Meiss publications*	\$ 31,693	\$ 43,601
Artists' fellowships*	10,000	10,086
Art history fellowships*	10,021	10,405
Online initiative	27,389	53,378
Publication grants	72,022	64,376
Other programs/fellowships*	<u>262,191</u>	<u>181,735</u>
	<u>\$ 413,316</u>	<u>\$ 363,581</u>

\*Included within these categories is the appropriation from accumulated endowment earnings related to donor endowments of \$193,392 and \$188,091 respectively.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS**

**[1] The endowments:**

The Association's endowment consists of four funds of both donor-restricted endowment funds and funds designated by the Board to function as endowments.

**[2] Interpretation of relevant law:**

NYPMIFA is applicable to all of the Association's institutional funds, including its donor-restricted and Board-designated endowment funds. The Board adheres to NYPMIFA's requirements.

**[3] Endowment net-asset composition, by type of fund, at each fiscal year-end:**

	<b>June 30, 2020</b>			
	<b>With Donor Restrictions</b>			
	<b>Without Donor Restrictions</b>	<b>Earnings Awaiting Appropriation</b>	<b>Amounts Held in Perpetuity</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 2,356,668	\$ 1,116,050	\$ 3,472,717
Board-designated funds	-	-	-	-
<b>Total funds</b>	<b><u>\$ -</u></b>	<b><u>\$ 2,356,668</u></b>	<b><u>\$ 1,116,050</u></b>	<b><u>\$ 3,472,717</u></b>

  

	<b>June 30, 2019</b>			
	<b>With Donor Restrictions</b>			
	<b>Without Donor Restrictions</b>	<b>Earnings Awaiting Appropriation</b>	<b>Amounts Held in Perpetuity</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 2,434,841	\$ 1,116,050	\$ 3,550,891
Board-designated funds	<u>6,909,707</u>	-	-	<u>6,909,707</u>
<b>Total funds</b>	<b><u>\$ 6,909,707</u></b>	<b><u>\$ 2,434,841</u></b>	<b><u>\$ 1,116,050</u></b>	<b><u>\$10,460,598</u></b>

Amounts subject to appropriation represent the portion of allocated investment income derived from endowment assets that are perpetual in nature and have not been appropriated by the Board of Directors for expenditure.

**[4] Funds with deficiencies:**

Due to unfavorable market fluctuations, from time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, the Board has no responsibility to restore such decreases in value. There were no underwater endowment funds as of June 30 2020 or 2019.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)**

**[5] Changes in endowment net assets, by type of fund, during each fiscal year:**

	Year Ended June 30, 2020			
	With Donor Restrictions			Total
	Without Donor Restrictions	Earnings Awaiting Appropriations	Amounts Held in Perpetuity	
Net assets, beginning of year	\$ 6,909,707	\$ 2,434,841	\$ 1,116,050	\$ 10,460,598
Investment income, net	190,804	115,219	-	306,023
Appropriation of endowment assets for expenditure	(321,019)	(193,392)	-	(514,411)
Released from Board designation	(6,779,492)	-	-	(6,779,492)
Net assets, end of year	<u>\$ -</u>	<u>\$ 2,356,668</u>	<u>\$ 1,116,050</u>	<u>\$ 3,472,718</u>

	Year Ended June 30, 2019			
	With Donor Restrictions			Total
	Without Donor Restrictions	Earnings Awaiting Appropriations	Amounts Held in Perpetuity	
Net assets, beginning of year	\$ 6,555,040	\$ 2,213,776	\$ 1,116,050	\$ 9,884,866
Investment income, net	685,877	409,156	-	1,095,033
Appropriation of endowment assets for expenditure	(331,210)	(188,091)	-	(519,301)
Net assets, end of year	<u>\$ 6,909,707</u>	<u>\$ 2,434,841</u>	<u>\$ 1,116,050</u>	<u>\$ 10,460,598</u>

**[6] Return objectives and risk parameters:**

The Board's overall financial objective for the endowment assets is to provide the operations of the Association with a relatively stable stream of spendable revenue that increases over time. If this is to be achieved over the long term, the real (inflation-adjusted) value of the endowment assets must be preserved net of an annual distribution to programs. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity, as well as Board-designated funds. The detailed guidelines monitored closely by the Investment Committee include:

- There is asset diversification sufficient to provide reasonable assurance that no single security or class of security will have a disproportionate impact on the total endowment assets.
- Endowment assets are divided into a "fixed-income fund" and an "equity fund" to ensure that the overall allocation between these two asset classes remains under the regular review of the Investment Committee:

## COLLEGE ART ASSOCIATION OF AMERICA, INC.

### Notes to Financial Statements June 30, 2020 and 2019

#### NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

##### [6] Return objectives and risk parameters: (continued)

- i. The "fixed-income fund" should, on average, represent approximately 35% of the total endowment assets at market value, to provide a hedge against severe deflation, reduce the overall volatility of the endowment assets' market value, and produce current income.
  - ii. The "equity fund" should, on average, represent approximately 65% of the total endowment assets at market value and is to provide an average annual total return.
- The Investment Committee will define the Association's "acceptable risk" profile in cooperation with the fund manager.

The long-term investment objective for the endowment assets is to attain a total return (net of investment management fees) of at least 6.5% per year in excess of inflation, as measured by the Consumer Price Index. This objective assumes that withdrawals from the endowment assets will average, long term, no more than 5.5% of the endowment assets value over time. Actual returns in any given year may vary from this amount.

##### [7] Strategies employed for achieving objectives:

The Association maintains an investment pool for long-term investments. This pool had a fair value of \$9,825,458 and \$9,609,991 on June 30, 2020 and 2019, respectively, of which includes amounts representing endowment of \$3,298,228 and \$3,550,891 (net of board-designated funds) on June 30, 2020 and 2019, respectively. The Board has established an investment objective of achieving an average real return (i.e., after inflation and net of management fees) of at least 6.5% per year, measured over rolling five-year periods. In pursuing this objective, the Association selects investment managers who are rigorous in the discipline they utilize to produce returns at acceptable levels of risk.

##### [8] Spending policy and how the investment objectives relate to the spending policy:

The Association's annual operating budgets include support from the investment pool. Accordingly, the Association's Board has established a policy of permitting annual spending in an amount up to 5.5% from fiscal-year 2012 through fiscal-year 2020, of the average market value of the investment portfolio at the five preceding year-ends, with the potential for additional amounts being approved to support operations or to meet other unanticipated requirements. The appropriation totaled \$514,411 and \$519,301 in fiscal-years 2020 and 2019, respectively, representing an appropriation of 5.5% for each fiscal-year, respectively.

During fiscal-year 2020, by action of the Board, the Association undesignated approximately \$6,900,000 of Board-designated funds which immediately became available for general operations.

During fiscal-year 2019, the Board approved an additional release of net assets with donor restrictions of \$10,304, in excess of the approved spending policy for travel grants.

#### NOTE H - PUBLISHING AGREEMENT

In November 2018, the Association extended its agreement with an independent publisher, Taylor and Francis (the "Publisher"), to continue to jointly publish the Association's *Art Journal*, *Art Bulletin*, and *Caa Reviews* beginning January 2019. The Association retains full responsibility for the acquisition of content and editorial quality. The agreement remains in effect through December 31, 2023.

**COLLEGE ART ASSOCIATION OF AMERICA, INC.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE H - PUBLISHING AGREEMENT (CONTINUED)**

Under the agreement, the Association is entitled to an annual advance royalty of \$495,000 for journal subscriptions. In addition, the publisher will pay the Association \$50,000 annually to defray the Association’s expenses in copy-editing and proofreading. The Publisher will also pay the Association \$5,000 annually for the costs of image permissions for the *Art Journal* and *Art Bulletin*. The Association and the Publisher have also agreed on separate royalty fees regarding specific volumes of the *Art Journal* and *Art Bulletin*.

**NOTE I - EMPLOYEE-BENEFIT PLAN**

The Association sponsors a defined-contribution retirement plan, established under Section 403(b) of the Code. All employees who have completed two years of service are eligible to participate, and the Association’s contributions are 5% of each employee’s salary for both fiscal-years 2020 and 2019, respectively. Plan expense for fiscal-years 2020 and 2019 was approximately \$48,000 and \$61,000, respectively.

**NOTE J - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, from time-to-time, may exceed federal insurance limits. However, management believes that the Association does not face a significant risk of loss on these accounts due to the failure of these institutions.

**NOTE K - COMMITMENTS**

**[1] Lease agreements:**

During fiscal-year 2011, the Association entered into an operating lease for office space. The Association is obligated for its office space and certain equipment under operating leases that expire through June 2027. The office lease is subject to escalation clauses based on real estate taxes. For financial-reporting purposes, the aggregate minimum lease payments are being amortized using the straight-line method over the term of the lease. The cumulative difference between rent expense and amounts paid amounted to \$209,099 and \$211,447 for fiscal-years 2020 and 2019, respectively, and has been reported as a deferred rent obligation in the accompanying statements of financial position.

Minimum annual future rental commitments under the lease agreements, excluding escalation charges, for years subsequent to fiscal-year 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 311,912
2022	317,549
2023	312,462
2024	319,492
2025	326,681
Thereafter	<u>675,578</u>
	<u>\$ 2,263,674</u>

# COLLEGE ART ASSOCIATION OF AMERICA, INC.

## Notes to Financial Statements June 30, 2020 and 2019

### NOTE K - COMMITMENTS (CONTINUED)

#### [1] Lease agreements: (continued)

The Association entered into a letter-of-credit agreement in lieu of a security deposit. The agreement is collateralized by cash equivalents of \$61,942 and \$61,938, respectively, held by a bank for both fiscal years 2020 and 2019.

#### [2] Career center agreement:

The Association has agreed to pay a monthly fee of \$4,000 to an unrelated party to provide Internet services for operating and supporting its on-line career site. This contract is annually renewable.

#### [3] Conditional grants and fellowships:

As of June 30, 2020 and 2019, the Association was conditionally committed to provide publishing grants and fellowship awards of \$624,508 and \$335,188, respectively. The underlying funds are to be disbursed when, and if, grantees meet certain conditions, as outlined in the grant awards. Accordingly, these grants have not been reported as liabilities in the accompanying financial statements.

#### [4] Other contracts:

In the normal course of its business, the Association enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

### NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association's financial assets as of each year-end, reduced by amounts not available for general use within one year of fiscal year-end due to contractual, donor-imposed restrictions or internal designations.

	Year Ended June 30	
	2020	2019
Cash and cash equivalents (net of restricted cash)	\$ 627,439	\$ 578,828
Grants receivable, net	571,884	141,376
Accounts and other receivables	20,803	90,834
Investments	<u>9,825,458</u>	<u>9,609,991</u>
Total financial assets available within one year	<u>11,045,584</u>	<u>10,421,029</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restriction by donors for:		
Purpose	(4,783,317)	(4,260,803)
Perpetual in nature	<u>(1,116,050)</u>	<u>(1,116,050)</u>
Total amounts unavailable for general expenditure within one year	<u>(5,899,367)</u>	<u>(5,376,853)</u>
Amounts unavailable to management without Board's approval:		
Board-designated funds, functioning as endowments	-	<u>(6,909,707)</u>
Total financial assets (deficit) available to meet cash needs for general expenditures within one year	<u>\$ 5,146,217</u>	<u>\$ (1,865,531)</u>



## **COLLEGE ART ASSOCIATION OF AMERICA, INC.**

### **Notes to Financial Statements June 30, 2020 and 2019**

#### **NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

##### **Liquidity policy:**

The Association maintains a sufficient level of operating cash and investments to be available as its general expenditures, liabilities, and other obligations come due, as part of the Association's liquidity management. During fiscal-year 2020, by action of the Board, the Association undesignated its board-designated funds which immediately became available for general operations.

#### **NOTE M - UNCERTAINTY**

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Association will depend on the continued future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, and the impact of COVID-19 on the overall availability of contributions towards the Association's programs and services, all of which are highly uncertain and cannot be predicted. If demand for the Association's services, as well as receipt of contributions and grants, are impacted for an extended period, results of operations may be materially adversely affected.