

**New Urban Arts**  
Rhode Island 21<sup>st</sup> Century Community Learning Centers – RFP 2017  
Appendix D

Documentation of Capacity to Manage Effective Fiscal Accounting

As mentioned in the narrative, New Urban Arts has strong Fiscal management practices, overseen by our Board of Directors' highly engaged finance committee.

This appendix consists of 2 parts:

Page 2 – New Urban Arts' Accounting and Internal Fiscal Controls Policy

Page 5 – New Urban Arts' Audited Financial Statements as of and for the Year Ended June 30, 2016

*(New Urban Arts has undergone seven years of audits. Our auditor continues to report no material modifications, and the board promptly addresses all recommendations in our management letter.)*

# NEW URBAN ARTS

## Accounting and Internal Controls

New Urban Arts has the following accounts:

- Freedom National Bank one checking and two savings
- The Washington Trust Company non-profit checking and saving (switching to Freedom. Account to be closed)
- Paypal
- Citizens Bank MasterCard
- Vanguard for endowment and building fund
- Merchant Services Visa/Mastercard/Amex Merchant Account

All bank accounts are reconciled monthly by Finance & Operations Manager. Opening any bank account requires board approval.

### Writing Checks:

- Upon receipt, all bills are placed in a folder named "Bills to Pay." Once a week, checks are written in sequence. All payments must be supported by source documents (invoices).
- A person other than Executive Director writes the payee, date, and amount on each check in QuickBooks. The corresponding account number from the Chart of Accounts is also written in the memo section. The checks are given to the Executive Director to sign. See Staff Signatory Responsibility Form.
- The check stub is stapled to the invoice or bill and placed in folder titled, "Check Register-Month/Year.
- Checks that are written but that cannot be cashed (e.g. incorrect) are cancelled by marking the check void and are photocopied and placed in the check register folder.
- All folders are located in the grey filing cabinet. This cabinet remains locked when not in use.
- Lost checks have a stop payment that is issued to the bank and reasonable efforts are made to recover and void lost checks. Typically, once a stop payment has been issued, a replacement check is issued.
- Any checks over \$5,000 must also be signed by the Board Chair or Treasurer, excluding payroll, taxes, rent, and health insurance payments. (changed from \$1000 to \$5000 on November 12, 2013 and is reflected in board minutes)
- Post-dated checks, the signing of blank checks, and the use of checks made payable to "bearer" are prohibited.

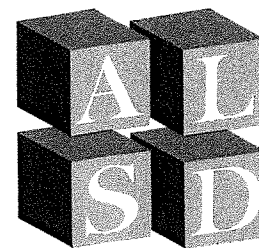
### Depositing cash receipts:

- Upon receipt, checks are stamped and endorsed "for deposit only" upon receipt.
- Checks are placed in a folder titled "Checks to Deposit." Checks are deposited weekly.
- All cash receipts are deposited in tact, without reductions or withdrawals for other expenditure needs.
- A pre-numbered deposit ticket is used to log cash receipts and requires initialing by whomever processes the deposit. Checks are photocopied and corresponding account numbers are written on the photocopy. The photocopy, attached deposit ticket, and bank cash receipt are stapled together and then placed in a red folder titled "Cash Receipts – Month/Year."
- Cash receipts over \$10,000 are reported to the IRS on Form 8300.

## Payroll, Payroll Taxes/Withholding & Benefits

- **Employee Files:** Employee files contain relevant employment documents such as application, resume, Form W-4, disciplinary or commendation letters, notices of salary or wage changes, and reviews.
- All employees are expected to complete and submit a **Form I-9** (Immigration and Naturalization Service Employment Eligibility Verification Form.) These forms are stored in Employee files.
- **Background checks:** Perform a background check of each prospective employee before hiring (verify educational certificates, diplomas, previous employment, and professional references) and document the outcomes of the background check in writing.
- **Payroll:** New Urban Arts uses datapay, for all payroll and taxes. Datapay also electronically transfers funds from our checking account to employee's accounts on the 1st and 15<sup>th</sup> of every month. Paychex also transfers federal taxes, state taxes, and reports electronically. Prepare payroll only from properly documented time sheets, attendance records, or other approved time reporting records. Time sheets must be approved and signed by the employee and appropriate supervisor. Time sheets and attendance records properly reflect the use of vacation, sick or other leave. Promptly remove terminated employees from the payroll and computer system.
- **Payroll Taxes and Withholding:** Ensure that all deductions from employee wages are properly authorized by the employee and refer to Form W-4. Ensure that all deposits of withheld taxes and employer contributions are made in a timely manner. Properly complete and file Form 941, W-2, and 1099's in a timely manner.
- **Retirement:** New Urban Arts has a retirement account with Mutual of America ([www.mutualofamerica.com](http://www.mutualofamerica.com)). Using their "Hotline Plus" web interface, funds can be transferred electronically after each pay cycle to pay for staff's 403b (TDA) contributions and New Urban Arts' SEP contributions.
- The following timeline is followed for payroll, taxes and retirement benefits:
  - 1<sup>st</sup> of every month: Paychecks and retirement contributions must be approved for electronic transfer.
  - 15<sup>th</sup> of every month: Paychecks, federal taxes, retirement contributions must be approved for electronic transfer. State taxes are manually written.
  - Quarterly: State unemployment taxes and federal employment reports.
  - Annually: W2s and 1099s must be filed through Intuit's service. 1099's are processed for any contractor who received over \$600 each year. All individuals who receive checks from New Urban Arts must complete a W9 annually, which is kept on file, to expedite W2 1099 processing.
  - All pay stubs and tax receipts are printed and placed in the front of monthly check register folders. Quarterly reports are printed and saved in a folder with other Federal and State documents. All located in locked filing cabinet.
- **Paypal:** Whenever email notification is received that a Paypal donation has been made, the Operations Manager or Development Director must log into Paypal immediately to have funds automatically wired into the Citizens Bank Checking Account. Receipt of the transaction should be printed and placed in the Cash Receipts Folder.
- **Online Banking:** Online banking at Washington Trust is used to transfer funds between Savings and Checking Accounts. Whenever possible, a checking account balance of \$10,000 is maintained. A paper copy of transfer is filed in bank transfer folder for that month.
- **Online Websites, UserID's, and Passwords:** All websites are bookmarked on the Operations & Finance Manager's computer under Banking, and all user id's and passwords are maintained in the database.

- **Merchant Account:** All credit card transactions are processed through Merchant Services. New Urban Arts has a non-profit account with them, which offers a lower transactional fee. All receipts are placed in the Cash Receipts folder. The funds automatically are wired into the checking account in 3-4 days.
- **Match:** Donation vouchers record the donating individual or agency, the fair market value of the donation, the date(s) of donation, and signatures of the donating party and a staff member of New Urban Arts.
- **Line of Credit:** New Urban Arts has a \$30,000 line of credit with The Washington Trust Company. When funds are needed, a form must be faxed within 24 hours to advance funds. The Executive Director must seek permission from the Treasurer to borrow money from the line of credit at all times. A copy of the form should be placed in the front of the Check register folder for the corresponding month. When cash is available, payments to the line of credit should be made. Presently, the Finance +Operations Manager, Executive Director, and Board Chair has signing authority. See Line of Credit Advance/Paydown Form.
- **Petty cash:** New Urban Arts does not maintain a system for petty cash.
- **Cash Advance:** In the event that a staff person needs a cash advance, the staff person must fill out a cash advance form and present it to the Finance + Operations Manager. Receipts and remaining cash must add up to the initial cash advance amount. See Advance Authorization for Cash Advance Form.
- **Reimbursements.** Staff members are reimbursed weekly for New Urban Arts' expenses. An invoice must be presented. See the Reimbursement Form.
- **Credit cards.** The Executive Director, Youth Programs Manager, Development Director, Finance & Operations Manager and Director of Programs hold cards, and bills are maintained for each card. The Development Director, Program Director, Youth Programs Manager and Finance & Operations Manager have \$5,000 monthly spending limits. The Executive Director's spending limit is open ended. Bills are verified with receipts serving as source documents. All credit card receipts must be located in a folder named "Credit Card Receipts – Month/Year, and include purchase detail form." Cardholders must turn in credit cards and all receipts for expenses incurred to the Executive Director when notice to terminate employment with New Urban Arts is given.
- **Marketable Securities.** See Endowment Policy.
- **Chart of Accounts:** Chart of Accounts allocates receipts and expenditures when needed for specific grants. This is done using Jobs in Quickbooks.
- **Financial Reporting:** When the bank financial statement is received, the following information is given to our internal Operations Manager:
  - Monthly Checking Account Statement, Savings Account Statement, Merchant Services Account, Brokerage Account Statement
  - Monthly Check Register Folder
  - Monthly Cash Receipts Folder
  - Monthly Credit Card Receipts Folder
  - The Finance +Operations Manager reconciles the bank statement and prepares a monthly income statement (accrual basis). All of these reports are saved in an Excel file, located in the Finance folder in My Documents.
  - On an annual basis (fiscal year is July 1 – June 30), Finance +Operations Manager creates a financial report.
  - At end of fiscal year, Finance +Operations Manager meets with Michael DeAngelis to prepare for our audit and Michael Aronson, New Urban Arts Accountant to prepare start the audit and 990 process.



**NEW URBAN ARTS**

**AUDITED  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE  
YEAR ENDED JUNE 30, 2016**

**(with summarized financial information  
or the preceding year)**

**Aaronson  
Lavoie  
Streitfeld  
Diaz & CO., PC**  
*Certified Public Accountants*

**NEW URBAN ARTS**  
**AUDITED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**  
**(with summarized financial information for the preceding year)**

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**Denise M. Lavoie**  
*Managing Partner*

**Michael D. Aaronson**  
**Rich Streitfeld**  
**Adam C. Diaz**

## **Report of Independent Auditors**

To the Board of Directors  
New Urban Arts  
705 Westminster Street  
Providence, Rhode Island 02903

We have audited the accompanying financial statements of New Urban Arts (NUA, a non-profit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, of functional expenses and of cash flows for the year then ended.

### **Management's Responsibility 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. 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the organization'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 NUA'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.

To the Board of Directors  
New Urban Arts

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Urban Arts as of June 30, 2016 and the changes in its net assets and of its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited New Urban Arts' June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carrollson Laurie Streiffeld May, Jr. Co., PC*  
Cranston, Rhode Island  
October 26, 2016





**NEW URBAN ARTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AT JUNE 30, 2016 AND 2015**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 202,314	\$ 107,338
Grants, accounts and pledges receivable, net (Note 8)	249,061	13,989
Prepaid expenses	9,746	15,193
Property and equipment, net of accumulated depreciation and amortization (Note 7)	598,307	613,273
Construction in progress (Note 14)	120,300	
Investments held for long-term purposes (Note 1)	207,057	169,883
Total assets	<u>\$ 1,386,785</u>	<u>\$ 919,676</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 109,342	\$ 5,350
Accrued payroll, vacation pay and payroll taxes	25,802	19,299
Line of credit (Note 13)	-	-
Total liabilities	<u>135,144</u>	<u>24,649</u>
<b>Contingency, risks and uncertainties, and subsequent events (Notes 2, 3 and 12)</b>		
<b>Net assets:</b>		
Unrestricted net assets (Note 9)	943,675	816,031
Temporarily restricted net assets (Note 6)	282,266	53,296
Permanently restricted net assets (Note 6)	25,700	25,700
Total net assets	<u>1,251,641</u>	<u>895,027</u>
Total liabilities and net assets	<u>\$ 1,386,785</u>	<u>\$ 919,676</u>

NEW URBAN ARTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
(with summarized financial information for the preceding year)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	2016 Total	2015 Total
<b>Changes in net assets from:</b>					
<b>Revenue and contributed support:</b>					
Government grants	\$ 97,834			\$ 97,834	\$ 118,970
Foundation and other grants	177,200	\$ 120,260		297,460	263,115
Capital campaign contributions		353,290		353,290	
Donations	110,981			110,981	92,273
Fundraising event income, net of fundraising expenses of \$1,059 and \$2,437 at June 30, 2016 and 2015, respectively (Note 11)	22,832			22,832	18,616
Program income	4,948			4,948	6,694
Change in market value of investments	(10,289)			(10,289)	(8,086)
Interest and dividends	10,659			10,659	13,968
Other income	3,301			3,301	
Net assets released from restrictions:					
Satisfaction of program restrictions	244,580	(244,580)			
Total revenue and contributed support	662,046	228,970		891,016	505,550
<b>Expenses:</b>					
Program services	355,017			355,017	357,104
Management and general	83,828			83,828	73,740
Development	95,557			95,557	57,373
Total expenses	534,402			534,402	488,217
<b>Change in net assets</b>	127,644	228,970		356,614	17,333
<b>Net assets, beginning of year</b>	816,031	53,296	\$ 25,700	895,027	877,694
<b>Net assets, end of year</b>	\$ 943,675	\$ 282,266	\$ 25,700	\$ 1,251,641	\$ 895,027



NEW URBAN ARTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016  
(with summarized financial information for the preceding year)

	Program services	Management and general	Development	2016 Total	2015 Total
Salaries	\$ 160,274	\$ 53,135	\$ 62,451	\$ 275,860	\$ 255,757
Payroll taxes	16,075	5,329	6,270	27,674	22,683
Health insurance	11,158	4,083	5,917	21,158	16,604
Pension (Note 5)	7,563	2,512	2,943	13,018	8,635
Stipends and consultants	67,486		6,860	74,346	61,380
Program supplies and expenses	26,352			26,352	28,548
Office expenses		1,379	1,085	2,464	2,405
Printing	6,071	1,868	1,401	9,340	6,092
Postage and delivery	2,348	722	542	3,612	3,047
Telephone and internet	2,688	827	621	4,136	4,158
Space costs	14,105	784	783	15,672	17,156
Accounting		9,650		9,650	8,880
Payroll fees		1,602		1,602	2,638
Staff development	1,526	85	84	1,695	2,549
Insurance	12,763	709	709	14,181	12,241
Fundraising expenses			3,008	3,008	706
Conferences and meetings	648			648	445
Travel and transportation	6,994			6,994	8,718
Subgrants	1,545			1,545	1,190
Bank and credit card fees			1,915	1,915	1,559
Interest		175		175	
Depreciation and amortization	17,421	968	968	19,357	22,826
Total	<u>\$ 355,017</u>	<u>\$ 83,828</u>	<u>\$ 95,557</u>	<u>\$ 534,402</u>	<u>\$ 488,217</u>



**NEW URBAN ARTS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Net cash flow from (for) operating activities:</b>		
<b>Change in net assets</b>	\$ 356,614	\$ 17,333
Add (deduct) items not using (providing) cash:		
Depreciation and amortization	19,357	22,826
Unrealized loss in market value of securities	10,289	8,086
Change in operating asset and liability accounts:		
(Increase) decrease in:		
Grants, accounts and pledges receivable, net	(235,072)	(9,516)
Prepaid expenses	5,447	(6,042)
Increase (decrease) in:		
Accounts payable and accrued expenses	103,992	241
Accrued payroll, vacation pay and payroll taxes	6,503	3,743
Net cash provided by operating activities	<u>267,130</u>	<u>36,671</u>
<b>Net cash flow from investing activities:</b>		
Increase investments held for long-term purposes	(47,463)	(12,101)
Purchase equipment		(5,276)
Building construction and improvements	(124,691)	(3,531)
Net cash used by new building investing activities	<u>(172,154)</u>	<u>(20,908)</u>
<b>Change in cash</b>	94,976	15,763
Cash balance, beginning of year	<u>107,338</u>	<u>91,575</u>
<b>Cash balance, end of year</b>	<u><u>\$ 202,314</u></u>	<u><u>\$ 107,338</u></u>
<b>Supplementary information:</b>		
Interest paid	<u><u>\$ 175</u></u>	<u><u>\$ -</u></u>



**NEW URBAN ARTS**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**  
(with summarized financial information for the preceding year)

**1. Description of organization and summary of significant account policies**

**a) Description of organization:**

New Urban Arts (NUA) is a Rhode Island nonprofit corporation exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. The purpose of the organization is to support the development of Providence, Rhode Island teenagers through art and education programs, including workshops, unjudged art shows, and mentoring programs.

**b) Summary of significant accounting policies:**

**- Basis of accounting**

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

**- Promises to give**

Contributions are recognized when the donor makes a promise to give to NUA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NUA uses the allowance method to determine uncollectible, unconditional promises receivable. Net promises receivable totaled \$236,242 at June 30, 2016 and \$1,331 at June 30, 2015. See also Note 8.

**- Contributed goods and services**

NUA recorded donated goods and services received in accordance with accounting principles generally accepted in the United States of America. There were no donated goods and services recorded for the year ended June 30, 2016 and 2015.

**- Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



1. **Description of organization and summary of significant account policies (continued)**

- **Property and equipment**

It is the NUA's policy to capitalize property and equipment costing over \$500. Lesser amounts are expensed. Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful life of the assets. See also Note 7.

- **Financial statement presentation**

NUA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, NUA is required to present a statement of cash flows.

The net assets category definitions are as follows:

**Unrestricted net assets** - Net assets not subject to donor-imposed restrictions.

**Temporarily restricted net assets** - Net assets subject to donor-imposed restrictions that may or will be met by either by actions of NUA and/or the passage of time.

**Permanently restricted net assets** - Net assets subject to donor-imposed restrictions that must be maintained permanently by NUA.

- **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

- **Income taxes**

NUA is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, NUA 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 taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for years ending June 30, 2016 or 2015.

NUA is required to file Form 990 (Return of Organization Exempt From Income Tax) which is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of the tax return. NUA is generally no longer subject to examination by the Internal Revenue Service for years before FY13.

- **Cash and cash equivalents**

For the purposes of the statements of cash flows, NUA considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

1. **Description of organization and summary of significant account policies (continued)**

- **Fair value measurements and investments held for long-term purposes:**

Authoritative guidance relating to fair value establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs for valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair market measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

**Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that NUA has the ability to access.

**Level 2** inputs (other than quoted prices included in Level 1) are observable for the asset or liability, either directly or indirectly.

**Level 3** inputs are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include NUA's own data.

NUA reports investments at fair value on a recurring basis. These investments are classified as Level 1 within the fair value hierarchy.

Level 1 investments owned and listed on a national securities exchange are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

NUA's investment assets are held in mutual funds and a money market fund and are considered Level 1 investments valued at market value. Investment performance for the year ended June 30, 2016 and 2015 is as follows:

	2016	2015
Balance, start of year	\$169,883	\$165,868
Dividends, net of fees	10,463	12,037
Unrealized gain (loss) in market value of investments	(10,289)	(8,086)
Transfers from checking	51,559	2,559
Transfers to checking	(14,559)	(2,495)
Balance, end of year	<u>\$207,057</u>	<u>\$169,883</u>

- **Functional allocation of expenses**

Expenses are charged directly to program, management or development cost centers based on specific identification where possible. Indirect expenses have been allocated based on management's judgment consistent with the previous year's allocations unless change is warranted.

1. **Description of organization and summary of significant account policies (continued)**

- **Contract and grant revenue recognition**

Contract and grant revenue is recognized when earned as NUA fulfills the terms accompanying award of such funds. Revenue received but not earned is classified as a liability or as temporarily restricted net assets on the financial statements.

2. **Contingency**

NUA operates under several funding contracts that obligate the organization to keep contract records available for audit or review for three to five years after the final report is submitted. These audits and reviews take place at the discretion of the funding source. No audits or reviews were conducted during the fiscal years ended June 30, 2016 and 2015.

3. **Risk and uncertainties: Concentration of funding**

NUA received ten percent or more of its revenue from the following sources for the year ended June 30, 2016:

<u>Source</u>	<u>Total</u>	<u>Percent of total agency income</u>
United Way	\$90,000	10.10%
Rhode Island Department of Education	75,633	8.49%
Rhode Island State Council on the Arts – capital campaign grant	250,000	28.06%
Total	<u>\$415,633</u>	<u>46.65%</u>

NUA received ten percent or more of its revenue from the following sources for the year ended June 30, 2015:

<u>Source</u>	<u>Total</u>	<u>Percent of total agency income</u>
United Way	\$90,000	17.80%
Rhode Island Department of Education	75,633	14.96%
Total	<u>\$165,633</u>	<u>32.76%</u>

4. **Summarized financial information presented as of and for the year ended June 30, 2015**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

5. **Pension**

NUA has a voluntary 403(b) payroll deduction plan and an employer funded SEP-IRA plan. SEP-IRA contributions can vary and contribution rates are set each year by the NUA board of directors. Pension expense for the year ended June 30, 2016 and 2015 totaled \$13,018 and \$8,635, respectively.





6. **Temporarily restricted and permanently restricted net assets**

- a) Temporarily restricted net assets at June 30, 2016 and 2015 consist of:

	2016	2015
Capital campaign funds	\$232,971	
Net pledges receivable, annual and campaign	700	\$1,331
Providence Youth Arts Collaborative funds	7,895	7,941
Champlin Foundation grant		1,024
Providence Shelter for Colored Children grant		2,500
Textron grants	7,500	7,500
Stranahan Foundation grant	30,000	30,000
Rhode Island Foundation grant	3,200	3,000
Total temporarily restricted net assets	\$282,266	\$53,296

- b) Permanently restricted net assets consist of donations to set up an endowment fund. Income from the fund is used to pay for RISD work-study students to mentor after-school program participants. The endowment fund consists of mutual funds. See also Note 1.

In 2009, the State of Rhode Island adopted the national State Prudent Management of Institutional Funds Act (UPFIMA). The 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 maintaining the purchasing power of those endowment assets over the long-term.

7. **Property and equipment**

Changes in property and equipment for the year ended June 30, 2016 are as follows:

Category	Balance, start of year	Additions	Deletions	Balance, end of year
Land	\$128,994			\$128,994
Building	516,374	\$4,391		520,765
Website	10,050			10,050
Furniture and equipment	53,286			53,286
	\$708,704	\$4,391	\$-0-	\$713,095
Less accumulated depreciation and amortization	(95,431)	(19,357)	-0-	(114,788)
Net property and equipment	\$613,273	\$(14,966)	\$-0-	\$598,307

Changes in property and equipment for the year ended June 30, 2015 are as follows:

Category	Balance, start of year	Additions	Deletions	Balance, end of year
Land	\$128,994			\$128,994
Building	512,843	\$3,531		516,374
Website	10,050			10,050
Furniture and equipment	48,010	5,276		53,286
	\$699,897	\$8,807	\$-0-	\$708,704
Less accumulated depreciation and amortization	(72,605)	(22,826)	-0-	(95,431)
Net property and equipment	\$627,292	\$(14,019)	\$-0-	\$613,273

8. **Grants, accounts and pledges receivable, net**

The balance in receivables at June 30, 2016 and 2015 consists of:

	2016	2015
Grants receivable	\$13,181	\$12,658
Annual campaign pledge donations	700	1,331
Capital campaign pledge donations	235,542	
Gross total	\$249,423	\$13,989
Less allowance for uncollected pledges	-0-	-0-
Less present value discount on pledge receivable in more than one year	(362)	-0-
Net receivables	\$249,061	\$13,989

NUA uses the allowance method in estimating for uncollectable accounts. All receivables were considered collectible at June 30, 2016 and 2015.

9. **Unrestricted net assets**

Unrestricted net assets at June 30, 2016 and 2015 consist of:

	2016	2015
Invested in property and equipment, net of depreciation and related debt	\$718,607	\$613,273
Board designated endowment funds	4,392	4,913
Available for general activities	220,676	197,845
Total	\$943,675	\$816,031

10. **Fair market value of financial instruments**

NUA had a number of financial instruments at June 30, 2016 and 2015, none of which were held for trading purposes except for its investment in mutual funds. NUA estimates that the fair market value of all financial instruments at June 30, 2016 and 2015 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

11. **Fundraising event income**

Fundraising event income consists of the following for the year ended June 30, 2016:

Event:	Income	Expenses	Net
Annual event	\$20,526	\$(815)	\$19,711
Holiday sale	2,079	(244)	1,835
Music event	1,286		1,286
Net proceeds	\$23,891	\$(1,059)	\$22,832

Fundraising event income consists of the following for the year ended June 30, 2015:

Event:	Income	Expenses	Net
Annual event	\$19,209	\$(2,312)	\$16,897
Holiday sale	1,844	(125)	1,719
Net proceeds	\$21,053	\$(2,437)	\$18,616

**12. Subsequent events**

In preparing these financial statements, NUA has evaluated events and transactions for potential recognition or disclosure through October 26, 2016, the date the financial statements were available to be issued. Through October 26, 2016, there were no subsequent events requiring disclosure.

**13. Line of credit**

NUA has a \$75,000 revolving line of credit with a local bank with an interest rate at prime plus 0.5% but not less than 4% and the balance is payable on demand. There was no outstanding balance on the line at June 30, 2016.

There was no balance due on a \$30,000 line of credit payable on demand at June 30, 2015.

**14. Construction loan agreement and construction in progress**

NUA had a \$250,000 construction loan agreement with a local bank which was closed on July, 2016 to cover financing for improvements to the facility which were completed in October 2016. There was \$106,807 payable to the construction company at June 30, 2016 for construction in progress as of that date. The construction contract costs were \$356,331 through September 30, 2016 (which should be the final price). The improvements are being financed by a capital campaign.

