



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.

Amerson Laurie Streitfeld May, or Co., PC
Cranston, Rhode Island
October 26, 2016



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

	2016	2015
Assets		
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	\$ 1,386,785	\$ 919,676
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 109,342	\$ 5,350
Accrued payroll, vacation pay and payroll taxes	25,802	19,299
Line of credit (Note 13)	-	-
Total liabilities	135,144	24,649
Contingency, risks and uncertainties, and subsequent events (Notes 2, 3 and 12)		
Net assets:		
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	1,251,641	895,027
Total liabilities and net assets	\$ 1,386,785	\$ 919,676

See accompanying notes to the financial statements.



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
Changes in net assets from:					
Revenue and contributed support:					
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
Expenses:					
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
Change in net assets	127,644	228,970		356,614	17,333
Net assets, beginning of year	816,031	53,296	\$ 25,700	895,027	877,694
Net assets, end of year	\$ 943,675	\$ 282,266	\$ 25,700	\$ 1,251,641	\$ 895,027

See accompanying notes to the financial statements.



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>
Net cash flow from (for) operating activities:		
Change in net assets	\$ 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>
Net cash flow from investing activities:		
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>
Change in cash	94,976	15,763
Cash balance, beginning of year	<u>107,338</u>	<u>91,575</u>
Cash balance, end of year	<u>\$ 202,314</u>	<u>\$ 107,338</u>
Supplementary information:		
Interest paid	<u>\$ 175</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	<u>\$282,266</u>	<u>\$53,296</u>

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:

<u>Category</u>	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
	<u>\$708,704</u>	<u>\$4,391</u>	<u>\$-0-</u>	<u>\$713,095</u>
Less accumulated depreciation and amortization	(95,431)	(19,357)	-0-	(114,788)
Net property and equipment	<u>\$613,273</u>	<u>\$(14,966)</u>	<u>\$-0-</u>	<u>\$598,307</u>

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

<u>Category</u>	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
	<u>\$699,897</u>	<u>\$8,807</u>	<u>\$-0-</u>	<u>\$708,704</u>
Less accumulated depreciation and amortization	(72,605)	(22,826)	-0-	(95,431)
Net property and equipment	<u>\$627,292</u>	<u>\$(14,019)</u>	<u>\$-0-</u>	<u>\$613,273</u>

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:

<u>Event:</u>	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:

<u>Event:</u>	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.

