

NEW URBAN ARTS

**AUDITED
FINANCIAL STATEMENTS**

**AS OF AND FOR THE
YEAR ENDED JUNE 30, 2017**

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

**Aaronson
Lavoie
Streitfeld
Diaz** & CO., PC

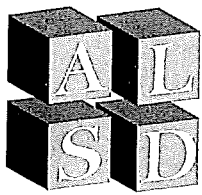
Certified Public Accountants

NEW URBAN ARTS
AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017
(with summarized financial information for the preceding year)

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**Aaronson
Lavoie
Streitfeld
Diaz & CO., PC**

Certified Public Accountants

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, 2017, and the related statements of activities, of functional expenses and of cash flows for the year then ended, and the related notes to the financial statements.

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, 2017 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carson Lavie Steinfeld King & Co., PC

Cranston, Rhode Island
October 17, 2017



NEW URBAN ARTS
STATEMENTS OF FINANCIAL POSITION
AT JUNE 30, 2017 AND 2016

	2017	2016
Assets		
Cash and cash equivalents (Note 1)	\$ 141,550	\$ 202,314
Grants, accounts and pledges receivable, net (Note 8)	12,988	249,061
Prepaid expenses	9,086	9,746
Property and equipment, net of accumulated depreciation and amortization (Note 7)	993,242	598,307
Construction in progress (Note 14)	5,848	120,300
Investments held for long-term purposes (Note 1)	162,247	207,057
Beneficial interest in assets held at the Rhode Island Foundation (Note 15)	54,253	
Total assets	\$ 1,379,214	\$ 1,386,785
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,277	\$ 109,342
Accrued payroll, vacation pay and payroll taxes	13,677	25,802
Total liabilities	24,954	135,144
Contingency, risks and uncertainties, and subsequent events (Notes 2, 3 and 12)		
Net assets:		
Unrestricted net assets (Note 9)	1,186,446	943,675
Temporarily restricted net assets (Note 6)	87,861	282,266
Permanently restricted net assets (Note 15)	79,953	25,700
Total net assets	1,354,260	1,251,641
Total liabilities and net assets	\$ 1,379,214	\$ 1,386,785



NEW URBAN ARTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(with summarized financial information for the preceding year)

	2017			2016 Total
	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	
Changes in net assets from:				
Revenue and contributed support:				
Government grants	\$ 91,334	\$ 9,000		\$ 97,834
Foundation and other grants	255,210	97,665		297,460
Capital campaign contributions		126,020		353,290
Donations	126,798	1,198		110,981
Fundraising event income, net of fundraising expenses of \$1,294 and \$1,059 at June 30, 2017 and 2016, respectively (Note 11)	17,607			22,832
Program income	9,098			4,948
Change in market value of investments	10,404			(10,289)
Interest and dividends	12,414			10,659
Other income	2,099			3,301
Net assets released from restrictions:				
Satisfaction of program restrictions	428,288	(428,288)		
Total revenue and contributed support	953,252	(194,405)		891,016
Expenses:				
Program services	478,223			355,017
Management and general	89,392			83,828
Development	88,613			95,557
Total expenses	656,228			534,402
Change in net assets	297,024	(194,405)		356,614
Net assets, beginning of year	943,675	282,266	\$ 25,700	1,251,641
Transfer of assets to the Rhode Island Foundation (Note 15)	(54,253)		54,253	
Net assets, end of year	<u>\$ 1,186,446</u>	<u>\$ 87,861</u>	<u>\$ 79,953</u>	<u>\$ 1,354,260</u>
				<u>\$ 1,251,641</u>



NEW URBAN ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(with summarized financial information for the preceding year)

	2017				2016 Total
	Program services	Management and general	Development	Total	
Salaries	\$ 243,814	\$ 57,309	\$ 60,616	\$ 361,739	\$ 275,860
Payroll taxes	21,920	5,138	5,464	32,522	27,674
Health insurance	17,051	3,997	4,250	25,298	21,158
Pension (Note 5)	9,733	2,282	2,426	14,441	13,018
Stipends and consultants	56,617		5,407	62,024	74,346
Program supplies and expenses	32,106			32,106	26,352
Office expenses		1,619	1,686	3,305	2,464
Printing	6,443	1,982	1,487	9,912	9,340
Postage and delivery	2,252	693	520	3,465	3,612
Telephone and internet	2,373	730	547	3,650	4,136
Space costs	19,625	1,090	1,091	21,806	15,672
Accounting		10,870		10,870	9,650
Payroll fees		1,106		1,106	1,602
Staff development	5,208	289	290	5,787	1,695
Insurance	15,364	854	853	17,071	14,181
Fundraising expenses			460	460	3,008
Conferences and meetings					648
Travel and transportation	6,400			6,400	6,994
Subgrants	13,528			13,528	1,545
Bank and credit card fees			2,083	2,083	1,915
Interest					175
Depreciation and amortization	25,789	1,433	1,433	28,655	19,357
Total	<u>\$ 478,223</u>	<u>\$ 89,392</u>	<u>\$ 88,613</u>	<u>\$ 656,228</u>	<u>\$ 534,402</u>



NEW URBAN ARTS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Net cash flow from (for) operating activities:		
Change in net assets:	\$ 102,619	\$ 356,614
Add (deduct) items not using (providing) cash:		
Depreciation and amortization	28,655	19,357
Unrealized (gain) loss in market value of securities	(10,404)	10,289
Change in operating asset and liability accounts:		
(Increase) decrease in:		
Grants, accounts and pledges receivable, net	236,073	(235,072)
Prepaid expenses	660	5,447
Increase (decrease) in:		
Accounts payable and accrued expenses	(98,065)	103,992
Accrued payroll, vacation pay and payroll taxes	(12,125)	6,503
Net cash provided by operating activities	247,413	267,130
Net cash flow from (for) investing activities:		
(Increase) decrease in investments held for long-term purposes	55,214	(47,463)
Increase beneficial interest in assets held at the Rhode Island Foundation	(54,253)	
Purchase equipment	(18,941)	
Building construction and improvements	(277,697)	(124,691)
New website	(12,500)	
Net cash used by new building investing activities	(308,177)	(172,154)
Change in cash	(60,764)	94,976
Cash balance, beginning of year	202,314	107,338
Cash balance, end of year	\$ 141,550	\$ 202,314
Supplementary information:		
Interest paid	\$ 4,235	\$ 175
Interest capitalized	\$ 4,235	\$ -

See accompanying notes to the financial statements.



NEW URBAN ARTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017
(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 \$11,988 at June 30, 2017 and \$235,880 at June 30, 2016. 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 years ended June 30, 2017 and 2016.

- 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.

- Property and equipment

It is 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.

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

- **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 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, 2017 or 2016.

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 2014.

- **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 years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Balance, start of year	\$207,057	\$169,883
Dividends, net of fees	10,876	10,463
Unrealized gain (loss) in market value of investments	10,404	(10,289)
Transfers from checking	19,902	51,559
Transfers to checking	* (85,992)	(14,559)
Balance, end of year	<u>\$162,247</u>	<u>\$207,057</u>

*\$50,000 of this amount was sent to an account at the Rhode Island Foundation (see Note 15).

Investments at June 30, 2017 and 2016 consist of:

	2017	2016
Money market funds	\$33,859	\$49,294
Mutual funds	128,388	157,763
Total	<u>\$162,247</u>	<u>\$207,057</u>

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

- **Fair value measurements and investments held for long-term purposes (continued)**

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.

- **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.

- **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, 2017 and 2016.

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, 2017:

<u>Source</u>	<u>Total</u>	<u>Percent of total agency income</u>
United Way	\$100,000	13.18%
Champlin Foundation	120,535	15.88%
Total	\$220,535	29.06%

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 State Council on the Arts – capital campaign grant	250,000	28.06%
Total	\$340,000	38.16%

New Urban Arts

Notes to the financial statements

4. Summarized financial information presented as of and for the year ended June 30, 2016

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 NUA's financial statements for the year ended June 30, 2016 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 years ended June 30, 2017 and 2016 totaled \$14,441 and \$13,018, respectively.

6. Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2017 and 2016 consists of:

	2017	2016
Capital campaign funds	\$39,431	\$232,971
Net pledges receivable, annual and campaign	1,198	700
Providence Youth Arts Collaborative funds	7,895	7,895
Textron grants	7,500	7,500
Stranahan Foundation grant		30,000
Rhode Island Foundation grant	5,000	3,200
Pushed Learning and Media funds	15,037	
RI Council for the Humanities grant	9,000	
Ocean State Charities grant	2,800	
Total temporarily restricted net assets	<u>\$87,861</u>	<u>\$282,266</u>

7. Property and equipment

Changes in property and equipment for the year ended June 30, 2017 are as follows:

<u>Category</u>	Balance, start of year	Additions	Deletions	Balance, end of year
Land	\$128,994			\$128,994
Building and improvements	520,765	\$392,149		912,914
Website	10,050	12,500	\$(10,050)	12,500
Furniture and equipment	53,286	18,941		72,227
	<u>\$713,095</u>	<u>\$423,590</u>	<u>\$(10,050)</u>	<u>\$1,126,635</u>
Less accumulated depreciation and amortization	(114,788)	(28,655)	10,050	(133,393)
Net property and equipment	<u>\$598,307</u>	<u>\$394,935</u>	<u>\$-0-</u>	<u>\$993,242</u>

7. **Property and equipment (continued)**

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

<u>Category</u>	<u>Balance, start of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, end of year</u>
Land	\$128,994			\$128,994
Building and improvements	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

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

The balance in receivables at June 30, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Grants receivable	\$1,000	\$13,181
Annual campaign pledge donations	98	700
Capital campaign pledge donations	11,890	235,542
Gross total	\$12,988	\$249,423
Less allowance for uncollected pledges	-0-	-0-
Less present value discount on pledges receivable in more than one year	-0-	(362)
Net receivables	\$12,988	\$249,061

NUA uses the allowance method in estimating for uncollectable accounts. All receivables were considered collectible at June 30, 2017 and 2016.

9. **Unrestricted net assets**

Unrestricted net assets at June 30, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Invested in property and equipment, net of depreciation and related debt	\$999,090	\$718,607
Board designated endowment funds	6,825	4,392
Available for general activities	180,531	220,676
Total	\$1,186,446	\$943,675

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

NUA had a number of financial instruments at June 30, 2017 and 2016, 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, 2017 and 2016 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, 2017:

<u>Event:</u>	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Annual event	\$17,000	\$(1,294)	\$15,706
Holiday sale	1,901	-0-	1,901
Net proceeds	<u>\$18,901</u>	<u>\$(1,294)</u>	<u>\$17,607</u>

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

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

12. **Subsequent events**

In preparing these financial statements, NUA has evaluated events and transactions for potential recognition or disclosure through October 17, 2017, the date the financial statements were available to be issued. Through October 17, 2017, 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, 2017 or 2016.

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

NUA had a \$250,000 construction loan agreement with a local bank which was closed in 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 was the final price). The improvements are being financed by a capital campaign.

During the year ending June 30, 2017, NUA signed an additional construction contract for the installation of a wheelchair lift for \$45,939. This project will be completed during the year ending June 30, 2018. There was \$5,848 in construction costs on this project during the year ending June 30, 2017. The cost of the elevator is being financed by a City of Providence grant.

15. **Permanently restricted net assets and beneficial interest in assets held at the Rhode Island Foundation**

Permanently restricted net assets consists of the following at June 30, 2017 and 2016:

<u>Category</u>	<u>2017</u>	<u>2016</u>
The Bergman Fund	\$25,770	\$25,770
Beneficial interest in assets held at the Rhode Island Foundation	54,253	
Total	<u>\$79,953</u>	<u>\$25,700</u>

The Bergman Fund consists of donations to set up an endowment fund. Income from the fund is used to pay for RISD work-study students to serve as stipend-paid volunteers in the after school program. The endowment fund consists of funds held by an investment company. See also Note 1.

The beneficial interest in assets consists of two (2) endowment funds that are part of the Rhode Island Foundation overall endowment. NUA transferred \$50,000 during the year ending June 30, 2017 to set up one of the endowments. The value of this fund was \$50,259 at June 30, 2017. The other endowment fund is the Risica fund. The value of this fund was \$26,143 at June 30, 2017 of which NUA had contributed \$3,994. NUA's beneficial interest in these accounts was \$54,253 at June 30, 2017.

These funds are the property of the Rhode Island Foundation. NUA receives periodic grants from the Rhode Island Foundation from these two (2) funds.