

NEW URBAN ARTS

**AUDITED
FINANCIAL STATEMENTS**

**AS OF AND FOR THE
YEAR ENDED JUNE 30, 2018**

(with summarized financial information
or the preceding year)

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

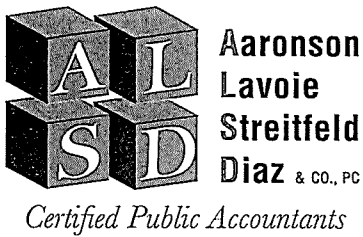
Certified Public Accountants

NEW URBAN ARTS
AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018
(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, 2018, 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, 2018 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Caronson Lavin Streitfeld Kling & Co., PC

Cranston, Rhode Island
October 23, 2018



NEW URBAN ARTS
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2018
(with summarized financial information for the preceding year)

	2018	2017
Assets		
Cash and cash equivalents (Note 1)	\$ 225,554	\$ 141,550
Grants, accounts and pledges receivable, net (Note 8)	21,810	12,988
Prepaid expenses	11,481	9,086
Property and equipment, net of accumulated depreciation and amortization (Note 7)	1,017,010	993,242
Construction in progress		5,848
Deposit	1,283	
Investments held for long-term purposes (Note 1)	172,128	162,247
Beneficial interest in assets held at the Rhode Island Foundation (Note 14)	57,152	54,253
Total assets	\$ 1,506,418	\$ 1,379,214
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 14,249	\$ 11,277
Accrued payroll, vacation pay and payroll taxes	17,124	13,677
Total liabilities	31,373	24,954
Contingency, risks and uncertainties, and subsequent events (Notes 2, 3 and 12)		
Net assets:		
Unrestricted net assets (Note 9)	1,283,514	1,186,446
Temporarily restricted net assets (Note 6)	108,679	87,861
Permanently restricted net assets (Note 14)	82,852	79,953
Total net assets	1,475,045	1,354,260
Total liabilities and net assets	\$ 1,506,418	\$ 1,379,214



NEW URBAN ARTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized financial information for the preceding year)

	2018			2017 Total
	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	
Changes in net assets from:				
Revenue and contributed support:				
Government grants	\$ 265,473	\$ 10,800		\$ 276,273
Foundation and other grants	294,074	119,244		413,318
Capital campaign contributions		25,588		25,588
Donations	185,922			185,922
Fundraising event income, net of fundraising expenses of \$1,977 and \$1,294 at June 30, 2018 and 2017, respectively (Note 11)	16,587			16,587
Program income	31,424			31,424
Change in market value of investments	(1,881)			(1,881)
Interest and dividends	15,008			15,008
Other income	4,954			4,954
Net assets released from restrictions:				
Satisfaction of program restrictions	134,814	(134,814)		
Total revenue and contributed support	946,375	20,818		967,193
Expenses:				
Program services	652,342			652,342
Management and general	90,431			90,431
Development	103,635			103,635
Total expenses	846,408			846,408
Change in net assets	99,967	20,818		120,785
Net assets, beginning of year	1,186,446	87,861	\$ 79,953	1,354,260
Transfer of assets to the Rhode Island Foundation (Note 14)	(2,899)		2,899	
Net assets, end of year	\$ 1,283,514	\$ 108,679	\$ 82,852	\$ 1,475,045
				\$ 1,354,260



NEW URBAN ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized financial information for the preceding year)

	2018				2017 Total
	Program services	Management and general	Development	Total	
Salaries	\$ 315,509	\$ 56,313	\$ 71,914	\$ 443,736	\$ 361,739
Payroll taxes	34,528	6,194	7,910	48,632	32,522
Health insurance	18,024	3,210	4,099	25,333	25,298
Pension (Note 5)	14,252	2,534	3,236	20,022	14,441
Stipends and consultants	26,335		2,605	28,940	62,024
Central expansion site expenses (Note 15)	66,858			66,858	
Program supplies and expenses	28,942			28,942	32,106
Office expenses		2,179	2,267	4,446	3,305
Printing	7,679	2,363	1,772	11,814	9,912
Postage and delivery	2,358	726	544	3,628	3,465
Telephone and internet	2,750	846	635	4,231	3,650
Space costs	19,401	1,078	1,078	21,557	21,806
Accounting		10,497		10,497	10,870
Payroll fees		1,127		1,127	1,106
Staff development	10,586	588	588	11,762	5,787
Insurance	16,364	909	909	18,182	17,071
Fundraising expenses				-	460
Travel and transportation	6,465			6,465	6,400
Subrecipients	48,687			48,687	13,528
Bank and credit card fees			3,961	3,961	2,083
Bad debt (Note 8)			250	250	
Depreciation and amortization	33,604	1,867	1,867	37,338	28,655
Total	<u>\$ 652,342</u>	<u>\$ 90,431</u>	<u>\$ 103,635</u>	<u>\$ 846,408</u>	<u>\$ 656,228</u>



NEW URBAN ARTS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Net cash flow from (for) operating activities:		
Change in net assets:	\$ 120,785	\$ 102,619
Add (deduct) items not using (providing) cash:		
Depreciation and amortization	37,338	28,655
Unrealized (gain) loss in market value of securities	1,881	(10,404)
Changes in operating asset and liability accounts:		
(Increase) decrease in:		
Deposit	(1,283)	
Grants, accounts and pledges receivable, net	(8,822)	236,073
Prepaid expenses	(2,395)	660
Construction in progress	5,848	
Increase (decrease) in:		
Accounts payable and accrued expenses	2,972	(98,065)
Accrued payroll, vacation pay and payroll taxes	3,447	(12,125)
Net cash provided by operating activities	159,771	247,413
Net cash flow from (for) investing activities:		
(Increase) decrease in investments held for long-term purposes	(11,762)	55,214
Increase beneficial interest in assets held at the Rhode Island Foundation	(2,899)	(54,253)
Purchase equipment	(8,895)	(18,941)
Make building improvements	(52,211)	(277,697)
New website		(12,500)
Net cash used by new building investing activities	(75,767)	(308,177)
Change in cash	84,004	(60,764)
Cash balance, beginning of year	141,550	202,314
Cash balance, end of year	\$ 225,554	\$ 141,550
Supplementary information:		
Interest paid	\$ -	\$ 4,235
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, 2018
(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 \$1,647 at June 30, 2018 and \$11,988 at June 30, 2017. See also Note 8.

- Contributed goods and services

NUA records 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, 2018 and 2017.

- 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, 2018 or 2017.

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 IRS for years before 2015.

- 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, 2018 and 2017 is as follows:

	2018	2017
Balance, start of year	\$162,247	\$207,057
Dividends, net of fees	7,778	10,876
Unrealized gain (loss) in market value of investments	(1,537)	10,404
Transfers from checking	11,073	19,902
Transfers to checking	(7,433)	*(85,992)
Balance, end of year	<u>\$172,128</u>	<u>\$162,247</u>

*\$50,000 of this amount was sent to an account at the Rhode Island Foundation (see Note 14).

Investments at June 30, 2018 and 2017 consist of:

	2018	2017
Money market funds	\$36,950	\$33,859
Mutual funds	135,178	128,388
Total	<u>\$172,128</u>	<u>\$162,247</u>



New Urban Arts

Notes to the financial statements

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 Uniform 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, 2018 and 2017.

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, 2018:

<u>Source</u>	<u>Total</u>	<u>Percent of total agency income</u>
United Way	\$103,238	10.67%
Rhode Island Department of Education	230,662	23.85%
Total	\$333,900	34.52%

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%



4. **Summarized financial information presented as of and for the year ended June 30, 2017**

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, 2017 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, 2018 and 2017 totaled \$20,022 and \$14,441, respectively.

6. **Temporarily restricted net assets**

Temporarily restricted net assets at June 30, 2018 and 2017 consists of:

	2018	2017
The Bank of America Charitable Foundation	\$5,000	
Capital campaign funds	1,572	\$39,431
Net pledges receivable, annual and campaign	575	1,198
Textron grants	7,500	7,500
Rhode Island Foundation grant	65,000	5,000
RI Council for the Humanities grant	10,800	9,000
Ocean State Charities grant		2,800
Providence Youth Arts Collaborative funds	4,398	7,895
Pushed Learning and Media funds	8,864	15,037
Tikkun Olam funds	4,970	
Total temporarily restricted net assets	\$108,679	\$87,861

7. **Property and equipment**

Changes in property and equipment for the year ended June 30, 2018 are as follows:

<u>Category</u>	Balance, start of year	Additions	Deletions	Balance, end of year
Land	\$128,994			\$128,994
Building and improvements	912,914	\$52,211		965,125
Website	12,500			12,500
Furniture and equipment	72,227	8,895	\$(10,884)	70,238
Total	\$1,126,635	\$61,106	\$(10,884)	\$1,176,857
Less accumulated depreciation and amortization	(133,393)	(37,338)	10,884	(159,847)
Net property and equipment	\$993,242	\$23,768	\$-0-	\$1,017,010



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

Changes in property and equipment for the year ended June 30, 2017 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	520,765	\$392,149		912,914
Website	10,050	12,500	\$(10,050)	12,500
Furniture and equipment	53,286	18,941		72,227
Total	\$713,095	\$423,590	\$(10,050)	\$1,126,635
Less accumulated depreciation and amortization	(114,788)	(28,655)	10,050	(133,393)
Net property and equipment	\$598,307	\$394,935	\$-0-	\$993,242

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

The balance in receivables at June 30, 2018 and 2017 consists of:

	<u>2018</u>	<u>2017</u>
Grants receivable	\$19,913	\$1,000
Annual campaign pledge donations	325	98
Capital campaign pledge donations	1,572	11,890
Gross total	\$21,810	\$12,988
Less allowance for uncollected pledges	-0-	-0-
Less present value discount on pledges receivable in more than one year	-0-	-0-
Net receivables	\$21,810	\$12,988

NUA uses the allowance method in estimating for uncollectable accounts. Annual campaign pledges of \$250 were written off as uncollectible at June 30, 2018. All receivables were considered collectible at June 30, 2017.

9. **Unrestricted net assets**

Unrestricted net assets at June 30, 2018 and 2017 consists of:

	<u>2018</u>	<u>2017</u>
Invested in property and equipment, net of depreciation	\$1,017,010	\$999,090
Board designated endowment funds	7,076	6,825
Available for general activities	259,428	180,531
Total	\$1,283,514	\$1,186,446

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

NUA had a number of financial instruments at June 30, 2018 and 2017, 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, 2018 and 2017 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, 2018:

<u>Event:</u>	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Annual event	\$17,328	\$(1,977)	\$15,351
Holiday sale	1,236	-0-	1,236
Net proceeds	<u>\$18,564</u>	<u>\$(1,977)</u>	<u>\$16,587</u>

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>

12. **Subsequent events**

In preparing these financial statements, NUA has evaluated events and transactions for potential recognition or disclosure through October 23, 2018, the date the financial statements were available to be issued. Through October 23, 2018, 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, 2018 or 2017.

14. **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, 2018 and 2017:

<u>Category</u>	<u>2018</u>	<u>2017</u>
The Bergman Fund	\$25,700	\$25,700
Beneficial interest in assets held at the Rhode Island Foundation	57,152	54,253
Total	<u>\$82,852</u>	<u>\$79,953</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 \$53,487 at June 30, 2018. The other endowment fund is the Risica fund. The value of this fund was \$28,320 at June 30, 2018 of which NUA had contributed \$3,665. NUA's beneficial interest in these accounts was \$57,152 at June 30, 2018 and \$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.



15. Central expansion site expenses

During the year ended June 30, 2018, NUA started a separate after school program at Central High School specifically for Central High School students. This program includes other after school activities in addition to art programs.

Central expansion site expenses consist of the following for the year ended June 30, 2018:

	<u>2018</u>
Program salaries	\$43,578
Payroll taxes	9,867
Operating expenses	<u>66,858</u>
Total	<u>\$120,303</u>

