



**NEW URBAN ARTS**

**AUDITED  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE  
YEAR ENDED JUNE 30, 2014**

**(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, 2014**  
(with summarized financial information for the preceding year)

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## **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, 2014 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 the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Urban Arts as of June 30, 2014 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' FY13 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Armonson Savoir Strickland Diaz & Co., PC*

Cranston, Rhode Island  
October 27, 2014

**NEW URBAN ARTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AT JUNE 30, 2014 AND 2013**

	2014	2013
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 91,575	\$ 160,229
Grants, accounts and pledges receivable (Note 8)	4,473	26,339
Prepaid expenses	9,151	16,840
Property and equipment, net of accumulated depreciation (Note 7)	627,292	616,237
Investments held for long-term purposes (Note 1)	165,868	28,664
Total assets	<u>\$ 898,359</u>	<u>\$ 848,309</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable	\$ 5,109	\$ 15,333
Accrued payroll, vacation pay and payroll taxes	15,556	13,845
Line of Credit (Note 13)		9,936
Total liabilities	<u>20,665</u>	<u>39,114</u>
<b>Contingency, risks and uncertainties, and subsequent events (Notes 2, 3 and 12)</b>		
Net assets:		
Unrestricted net assets (Note 9)	804,870	729,671
Temporarily restricted net assets (Note 6)	51,135	57,835
Permanently restricted net assets ( Note 6)	21,689	21,689
Total net assets	<u>877,694</u>	<u>809,195</u>
Total liabilities and net assets	<u>\$ 898,359</u>	<u>\$ 848,309</u>

**NEW URBAN ARTS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(with summarized financial information for the preceding year)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	2014 Total	2013 Total
<b>Changes in net assets from:</b>					
<b>Revenue and contributed support:</b>					
Government grants	\$ 112,517			\$ 112,517	\$ 103,211
Foundation and other grants	11,000	\$ 276,500		287,500	192,736
Capital campaign contributions		667		667	18,310
Donations	101,489			101,489	110,150
In-kind contributions (Note 1)					5,000
Fundraising event income, net of fundraising expenses of \$2,081 in FY14 and \$2,981 in FY13 (Note 11)	11,849			11,849	8,817
Program income	1,483			1,483	10,278
Change in market value of investments	15,611			15,611	2,698
Interest and dividends	5,868			5,868	1,982
Net assets released from restrictions:					
Satisfaction of program restrictions	283,867	(283,867)			
Total revenue and contributed support	543,684	(6,700)		536,984	453,182
<b>Expenses:</b>					
Program services	330,227			330,227	305,374
Management and general	78,622			78,622	64,682
Development	59,636			59,636	72,972
Total expenses	468,485			468,485	443,028
<b>Increase (decrease) in net assets</b>	75,199	(6,700)		68,499	10,154
Net assets, beginning of year	729,671	57,835	\$ 21,689	809,195	799,041
<b>Net assets, end of year</b>	<u>\$ 804,870</u>	<u>\$ 51,135</u>	<u>\$ 21,689</u>	<u>\$ 877,694</u>	<u>\$ 809,195</u>

NEW URBAN ARTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014  
(with summarized financial information for the preceding year)

	2014				2013
	Management				
	Program services	and general	Development	Total	Total
Salaries	\$ 158,996	\$ 50,391	\$ 39,976	\$ 249,363	\$ 202,393
Payroll taxes	15,021	4,752	3,770	23,543	19,089
Health insurance	15,825	5,039	3,998	24,862	15,551
Pension (Note 5)	3,336	1,058	839	5,233	11,365
Stipends and consultants	38,724			38,724	28,235
Program supplies and expenses	32,648			32,648	48,913
Office expenses	1,136	350	262	1,748	2,115
Printing	3,906	1,202	901	6,009	10,705
Postage	2,647	815	611	4,073	2,447
Telephone/internet	2,521	776	582	3,879	3,243
Space costs	17,361	965	965	19,291	17,635
Accounting		9,382		9,382	8,085
Payroll fees		1,601		1,601	857
Staff development	120			120	
Insurance	8,779	488	488	9,755	9,498
Fundraising expenses					1,060
Conference and meetings	1,139			1,139	705
Travel and transportation	6,823	379	379	7,581	5,812
Uncollectible pledges and bad debts (Note 8)			3,050	3,050	24,231
Subgrants	2,365			2,365	320
Bank and credit card fees			2,766	2,766	4,158
Interest		375		375	9,532
Depreciation and amortization	18,880	1,049	1,049	20,978	17,079
Total	<u>\$ 330,227</u>	<u>\$ 78,622</u>	<u>\$ 59,636</u>	<u>\$ 468,485</u>	<u>\$ 443,028</u>

**NEW URBAN ARTS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Increase in net assets</b>	\$ 68,499	\$ 10,154
<b><u>Net cash flow from (for) operating activities:</u></b>		
<b>Add (deduct) items not using (providing) cash:</b>		
Depreciation and amortization	20,978	17,079
Unrealized gain in market value of securities	(15,611)	(2,698)
Loss on disposal of equipment		
In-kind donation of website design		(5,000)
 (Increase) decrease in:		
Grants, accounts and pledges receivable, net	21,866	133,585
Prepaid expenses	7,689	(14,088)
Rent and utility deposits		1,810
 Increase (decrease) in:		
Accounts payable and accrued expenses	(10,224)	(9,281)
Accrued payroll, vacation pay and payroll taxes	1,711	(4,998)
Net cash provided by operating activities	<u>94,908</u>	<u>126,563</u>
<b><u>Net cash flow from investing activities:</u></b>		
Increase investments held in long-term purposes	(121,593)	
Purchase equipment	(15,126)	(700)
Design website		(5,050)
Building construction/improvements	(16,907)	(6,848)
Net cash provided (used) by new building investing activities	<u>(153,626)</u>	<u>(12,598)</u>
<b><u>Net cash flow from financing activities:</u></b>		
Pay off promissory note		(383,835)
Increase (decrease) line-of-credit	(9,936)	(20,064)
Net cash (used) by financing activities	<u>(9,936)</u>	<u>(403,899)</u>
 <b>Net increase (decrease) in cash</b>	 (68,654)	 (289,934)
 Cash balance, beginning of year	 <u>160,229</u>	 <u>450,163</u>
 <b>Cash balance, end of year</b>	 <u><u>\$ 91,575</u></u>	 <u><u>\$ 160,229</u></u>
 <b><u>Supplementary information:</u></b>		
Interest paid	\$ 375	\$ 9,532
 Capitalized interest paid	 <u><u>\$ -0-</u></u>	 <u><u>\$ -0-</u></u>

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, 2014**  
(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 U.S. generally accepted accounting principles.

- 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 \$4,473 at June 30, 2014 and \$22,339 at June 30, 2013. 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. \$5,000 in donated website development fees were recorded for the year ended June 30, 2013. There were no donated goods and services recorded for the year ended June 30, 2014.

- Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 organization's policy to capitalize property and equipment costing over \$500. Lesser amounts are expensed. Purchased property and equipment are 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 asset. See also Note 7.

- **Financial Statement Presentation**

Under Financial Accounting Standards Board (FASB) standards, 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 the organization and/or the passage of time.

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

- **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending 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, 2014 or 2013. NUA is generally no longer subject to examination by the Internal Revenue Service for years before FY2011.

- **Cash and cash equivalents**

For the purposes of the statement 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 quotes 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 are considered Level 1 investments valued at market value. Investment performance for the year ended June 30, 2014 and 2013 as follows:

	2014	2013
Balance, start of year	\$28,664	\$25,966
Dividends	3,593	1,831
Unrealized gain in market value of investments	15,611	2,698
Transfers from checking	118,000	
Transfers to checking		(1,831)
Balance, at end of year	\$165,868	\$28,664

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

- **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, 2014 and 2013.

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

NUA received ten percent or more of its revenue from the following source for the year ended June 30, 2014:

Rhode Island Department of Education	\$75,663	14.09%
United Way	90,000	16.76%
Total	<u>\$165,633</u>	<u>30.85%</u>

NUA received ten percent or more of its revenue from the following sources for the year ended June 30, 2013:

Rhode Island Foundation	\$64,000	14.12%
Rhode Island Department of Education	75,633	16.69%
Total	<u>\$139,633</u>	<u>30.81%</u>

4. **Summarized financial information presented as of and for the year ended June 30, 2013**

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, 2013 and 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, 2014 and 2013 totaled \$5,233 and \$11,365, respectively.

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

a) Temporarily restricted net assets at June 30, 2014 and 2013 consist of:

	2014	2013
Net pledges receivable, annual and capital campaign	\$4,473	\$22,339
Providence Youth Arts Collaborative funds	9,131	11,496
Champlin Foundation grant	3,531	
Providence Shelter for Colored Children grant	2,500	
Textron grants	4,000	4,000
Stranahan Foundation grant	27,500	20,000
Total temporarily restricted net assets	<u>\$51,135</u>	<u>\$57,835</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, 2014 are as follows:

	Balance, start of year	Additions	Deletions	Balance, end of year
Land	\$128,994			\$128,994
Building	495,936	\$16,907		512,843
Website	10,050			10,050
Furniture and equipment	32,884	15,126		48,010
	<u>\$667,864</u>	<u>\$32,033</u>	<u>\$-0-</u>	<u>\$699,897</u>
Less accumulated depreciation and amortization	(51,627)	(20,978)	-0-	(72,605)
Totals	<u>\$616,237</u>	<u>\$11,055</u>	<u>\$-0-</u>	<u>\$627,292</u>

Changes in property and equipment for the year ended June 30, 2013 are as follows:

	Balance, start of year	Additions	Deletions	Balance, end of year
Land	\$128,994			\$128,994
Building	489,088	\$6,848		495,936
Website		10,050		10,050
Furniture and equipment	32,184	700		32,884
	<u>\$650,266</u>	<u>\$17,598</u>	<u>\$-0-</u>	<u>\$667,864</u>
Less accumulated depreciation and amortization	(34,548)	(17,079)	-0-	(51,627)
Totals	<u>\$615,718</u>	<u>\$519</u>	<u>\$-0-</u>	<u>\$616,237</u>

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

The balance in receivables at June 30, 2014 and 2013 consists of:

	2014	2013
Grants receivable		\$4,000
Annual campaign pledge donations	\$990	262
Capital campaign pledge donations	6,283	25,077
Gross total	\$7,273	\$29,339
Less allowance for uncollected pledges	(2,800)	(3,000)
Less present value discount on pledge receivable in more than one year	-0-	-0-
Net receivables	\$4,473	\$26,339

NUA uses the allowance method in estimating for uncollectable accounts. All receivables were considered collectable at June 30, 2013 and 2012. However, NUA has made allowance for uncollectable pledges for \$2,800 at June 30, 2014 and \$3,000 at June 30, 2013. \$24,231 in uncollectable pledges were written off at June 30, 2013.

9. **Unrestricted net assets**

Unrestricted net assets at June 30, 2014 and 2013 consist of:

	2014	2013
Invested in property and equipment, net of depreciation	\$627,292	\$616,237
Board designated endowment funds	8,187	6,975
Available for general activities	169,391	106,459
Total	\$804,870	\$729,671

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

NUA had a number of financial instruments at June 30, 2014 and 2013 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, 2014 and 2013 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

11. **Fundraising event income**

Fundraising event income consists of the following for the year ended June 30, 2014:

Event:	Income	Expenses	Net
Annual event	\$12,562	\$(1,820)	\$10,742
Holiday sale	1,368	(261)	1,107
Net proceeds	\$13,930	\$(2,081)	\$11,849

Fundraising event income consists of the following for the year ended June 30, 2013:

Event:	Income	Expenses	Net
Annual event	\$8,415	\$(2,981)	\$5,434
Holiday sale	3,383		3,383
Net proceeds	\$11,798	\$(2,981)	\$8,817

12. **Subsequent events**

In preparing these financial statements, NUA has evaluated events and transactions for potential recognition or disclosure through October 27, 2014, the date the financial statements were available to be issued. Through October 27, 2014, there were no subsequent events requiring disclosure.

13. **Line of Credit**

NUA has a \$30,000 revolving line of credit with a local bank with an interest rate at 3.75% and the balance payable on demand. The balance at June 30, 2014 and 2013 was \$-0- and \$9,986, respectively.