



**NEW URBAN ARTS**

**AUDITED  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE  
YEAR ENDED JUNE 30, 2015**

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

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

*Certified Public Accountants*

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**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**  
**(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, 2015, 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, 2015 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Ararson Anvoie Struffel Ding & Co., PC*

Cranston, Rhode Island  
November 4, 2015

**NEW URBAN ARTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AT JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 107,338	\$ 91,575
Grants, accounts and pledges receivable (Note 8)	13,989	4,473
Prepaid expenses	15,193	9,151
Property and equipment, net of accumulated depreciation and amortization (Note 7)	613,273	627,292
Investments held for long-term purposes (Note 1)	169,883	165,868
Total assets	<u>\$ 919,676</u>	<u>\$ 898,359</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 5,350	\$ 5,109
Accrued payroll, vacation pay and payroll taxes	19,299	15,556
Line of credit (Note 13)	-	-
Total liabilities	<u>24,649</u>	<u>20,665</u>
<b>Contingency, risks and uncertainties, and subsequent events (Notes 2, 3 and 12)</b>		
<b>Net assets:</b>		
Unrestricted net assets (Note 9)	816,031	804,870
Temporarily restricted net assets (Note 6)	53,296	51,135
Permanently restricted net assets (Note 6)	25,700	21,689
Total net assets	<u>895,027</u>	<u>877,694</u>
Total liabilities and net assets	<u>\$ 919,676</u>	<u>\$ 898,359</u>

See accompanying notes to the financial statements.

**NEW URBAN ARTS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(with summarized financial information for the preceding year)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	2015 Total	2014 Total
<b>Changes in net assets from:</b>					
<b>Revenue and contributed support:</b>					
Government grants	\$ 118,970			\$ 118,970	\$ 112,517
Foundation and other grants	213,000	\$ 50,115		263,115	287,500
Capital campaign contributions				-	667
Donations	92,273			92,273	101,489
Fundraising event income, net of fundraising expenses of \$2,437 and \$2,081 at June 30, 2015 and 2014, respectively (Note 11)	18,616			18,616	11,849
Program income	6,694			6,694	1,483
Change in market value of investments	(8,086)			(8,086)	15,611
Interest and dividends	13,968			13,968	5,868
Net assets released from restrictions:					
Satisfaction of program restrictions	47,954	(47,954)			
Total revenue and contributed support	503,389	2,161		505,550	536,984
<b>Expenses:</b>					
Program services	357,104			357,104	330,227
Management and general	73,740			73,740	78,622
Development	57,373			57,373	59,636
Total expenses	488,217			488,217	468,485
<b>Change in net assets</b>	15,172	2,161		17,333	68,499
Net assets, beginning of year	804,870	51,135	\$ 21,689	877,694	809,195
Transfer of net assets to restore endowment to original contributed amount (Note 6)	(4,011)		4,011		
<b>Net assets, end of year</b>	<u>\$ 816,031</u>	<u>\$ 53,296</u>	<u>\$ 25,700</u>	<u>\$ 895,027</u>	<u>\$ 877,694</u>

See accompanying notes to the financial statements.

**NEW URBAN ARTS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(with summarized financial information for the preceding year)

	Program services	Management and general	Development	2015 Total	2014 Total
Salaries	\$ 179,153	\$ 47,085	\$ 29,519	\$ 255,757	\$ 249,363
Payroll taxes	15,890	4,176	2,617	22,683	23,543
Health insurance	11,627	3,056	1,921	16,604	24,862
Pension (Note 5)	6,055	1,591	989	8,635	5,233
Stipends and consultants	46,849		14,531	61,380	38,724
Program supplies and expenses	28,548			28,548	32,648
Office expenses	1,563	481	361	2,405	1,748
Printing	3,960	1,218	914	6,092	6,009
Postage and delivery	1,981	609	457	3,047	4,073
Telephone and internet	2,703	832	623	4,158	3,879
Space costs	15,440	858	858	17,156	19,291
Accounting		8,880		8,880	9,382
Payroll fees		2,638		2,638	1,601
Staff development	2,294	127	128	2,549	120
Insurance	11,017	612	612	12,241	9,755
Fundraising expenses			706	706	
Conferences and meetings	445			445	1,139
Travel and transportation	7,846	436	436	8,718	7,581
Uncollectible pledges and bad debts (Note 8)					3,050
Subgrants	1,190			1,190	2,365
Bank and credit card fees			1,559	1,559	2,766
Interest					375
Depreciation and amortization	20,543	1,141	1,142	22,826	20,978
Total	<u>\$ 357,104</u>	<u>\$ 73,740</u>	<u>\$ 57,373</u>	<u>\$ 488,217</u>	<u>\$ 468,485</u>

See accompanying notes to the financial statements.

**NEW URBAN ARTS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Change in net assets</b>	\$ 17,333	\$ 68,499
<b>Net cash flow from (for) operating activities:</b>		
Add (deduct) items not using (providing) cash:		
Depreciation and amortization	22,826	20,978
Unrealized (gain) loss in market value of securities	8,086	(15,611)
Change in operating asset and liability accounts:		
(Increase) decrease in:		
Grants, accounts and pledges receivable, net	(9,516)	21,866
Prepaid expenses	(6,042)	7,689
Increase (decrease) in:		
Accounts payable and accrued expenses	241	(10,224)
Accrued payroll, vacation pay and payroll taxes	3,743	1,711
Net cash provided by operating activities	<u>36,671</u>	<u>94,908</u>
<b>Net cash flow from investing activities:</b>		
Increase (decrease) investments held for long-term purposes	(12,101)	(121,593)
Purchase equipment	(5,276)	(15,126)
Building construction and improvements	(3,531)	(16,907)
Net cash used by new building investing activities	<u>(20,908)</u>	<u>(153,626)</u>
<b>Net cash flow from financing activities:</b>		
Decrease line of credit balance		(9,936)
Net cash used by financing activities	<u>-</u>	<u>(9,936)</u>
<b>Change in cash</b>	15,763	(68,654)
Cash balance, beginning of year	<u>91,575</u>	<u>160,229</u>
<b>Cash balance, end of year</b>	<u>\$ 107,338</u>	<u>\$ 91,575</u>
<b>Supplementary information:</b>		
Interest paid	<u>\$ -</u>	<u>\$ 375</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, 2015**  
(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 \$1,331 at June 30, 2015 and \$4,473 at June 30, 2014. 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, 2015 and 2014.

- 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 the NUA.

- **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, 2015 or 2014. NUA is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

- **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, 2015 and 2014 is as follows:

	2015	2014
Balance, start of year	\$165,868	\$28,664
Dividends, net of fees	12,037	3,593
Unrealized gain (loss) in market value of investments	(8,086)	15,611
Transfers from checking	2,559	118,000
Transfers to checking	(2,495)	
Balance, end of year	<u>\$169,883</u>	<u>\$165,868</u>



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, 2015 and 2014.

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, 2015:

<u>Source</u>	<u>Total</u>	<u>% 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>

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

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

4. **Summarized financial information presented as of and for the year ended June 30, 2014**

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, 2014 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, 2015 and 2014 totaled \$8,635 and \$5,233, respectively.

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

a) Temporarily restricted net assets at June 30, 2015 and 2014 consist of:

	2015	2014
Net pledges receivable, annual and capital campaign	\$1,331	\$4,473
Providence Youth Arts Collaborative funds	7,941	9,131
Champlin Foundation grant	1,024	3,531
Providence Shelter for Colored Children grant	2,500	2,500
Textron grants	7,500	4,000
Stranahan Foundation grant	30,000	27,500
Rhode Island Foundation grant	3,000	
Total temporarily restricted net assets	<u>\$53,296</u>	<u>\$51,135</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.

As of June 30, 2015, the permanently restricted endowment has been restored to its original contributed amount of \$25,700.

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, 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>

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

Changes in property and equipment for the year ended June 30, 2014 are as follows:

Category	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
	\$667,864	\$32,033	\$-0-	\$699,897
Less accumulated depreciation and amortization	(51,627)	(20,978)	-0-	(72,605)
Net property and equipment	\$616,237	\$11,055	\$-0-	\$627,292

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

The balance in receivables at June 30, 2015 and 2014 consists of:

	2015	2014
Grants receivable	\$12,658	
Annual campaign pledge donations	1,331	\$990
Capital campaign pledge donations		6,283
Gross total	\$13,989	\$7,273
Less allowance for uncollected pledges		(2,800)
Less present value discount on pledge receivable in more than one year	-0-	-0-
Net receivables	\$13,989	\$4,473

NUA uses the allowance method in estimating for uncollectable accounts. All receivables were considered collectible at June 30, 2015 and 2014. However, NUA has recorded an allowance for uncollectible pledges in the amount of \$2,800 at June 30, 2014.

**9. Unrestricted net assets**

Unrestricted net assets at June 30, 2015 and 2014 consist of:

	2015	2014
Invested in property and equipment, net of depreciation	\$613,273	\$627,292
Board designated endowment funds	4,913	8,187
Available for general activities	197,845	169,391
Total	\$816,031	\$804,870

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

NUA had a number of financial instruments at June 30, 2015 and 2014, 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, 2015 and 2014 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, 2015:

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

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

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

**12. Subsequent events**

In preparing these financial statements, NUA has evaluated events and transactions for potential recognition or disclosure through November 4, 2015, the date the financial statements were available to be issued. Through November 4, 2015, 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 is payable on demand. There was no outstanding balance on the line at June 30, 2015 and 2014.