

New Urban Arts
Financial Statements
and
Independent Auditor's Report
June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Urban Arts
Providence, Rhode Island

Opinion

We have audited the accompanying financial statements of New Urban Arts (a non-profit organization) (NUA), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Urban Arts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about of New Urban Arts' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
New Urban Arts
Providence, Rhode Island
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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New Urban Arts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Urban Arts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Lisa Aldrich, CPA PC
Dartmouth, MA

January 8, 2023

**NEW URBAN ARTS
STATEMENT OF FINANCIAL POSITION
As of June 30, 2021**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 288,000	
Restricted cash	173,953	
Total cash, cash equivalents, and restricted cash	461,953	
Grants receivable with restrictions, net	1,485	
Grants receivable without restrictions, net	50,814	
Prepaid expenses	12,616	
Agency funds	3,898	
TOTAL CURRENT ASSETS	530,766	

PROPERTY AND EQUIPMENT

Land	128,994	
Building and improvements	1,188,341	
Furniture and equipment	82,726	
Total Property and Equipment	1,400,061	
Less accumulated depreciation	(252,686)	
NET PROPERTY AND EQUIPMENT	1,147,375	

OTHER ASSETS

Website, net of accumulated amortization of \$12,500	-	
Investments held for long-term purposes	106,420	
Beneficial interest in assets held by community foundation	110,846	
Endowment	203,581	
TOTAL OTHER ASSETS	420,847	
TOTAL ASSETS	\$ 2,098,988	

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 9,437	
Accrued expenses	22,673	
Accrued payroll liabilities	55,971	
Contract liability	2,536	
Agency fund liability	3,898	
TOTAL CURRENT LIABILITIES	94,515	
TOTAL LIABILITIES	94,515	

NET ASSETS

Without donor restrictions		
Undesignated	282,274	
Designated by the Board for building reserve	106,420	
Designated by the Board for endowment	157,905	
Invested in property and equipment	1,147,375	
	1,693,974	
With donor restrictions		
Purpose restrictions	103,468	
Time-restricted for future periods	70,485	
Perpetual in nature	136,546	
	310,499	
TOTAL NET ASSETS	2,004,473	
TOTAL LIABILITIES AND NET ASSETS	\$ 2,098,988	

See independent auditor's report and accompanying notes.

NEW URBAN ARTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Foundation grants	\$ 220,950	\$ 70,666	\$ 291,616
Government grants	505,251	-	505,251
Contributions	339,604	13,925	353,529
Donated goods and services	6,512	9,688	16,200
Fiscal sponsor contributions	2,402	79,646	82,048
Total Support	1,074,719	173,925	1,248,644
Fiscal sponsor revenue	2,715	-	2,715
Other income	87	-	87
Net investment income	54,734	-	54,734
Distribution from and change in value of beneficial interests in assets held by others	-	27,626	27,626
Special events - non-reciprocal donations	140	-	140
Special events - reciprocal receipts	-	-	-
Less cost of direct benefits to donors	(2,296)	-	(2,296)
TOTAL SUPPORT AND REVENUE	1,130,099	201,551	1,331,650
AMOUNTS RELEASED FROM RESTRICTIONS	130,675	(130,675)	-
TOTAL SUPPORT AND REVENUE AFTER RELEASE	1,260,774	70,876	1,331,650
EXPENSES			
Program services	542,125	-	542,125
Management and general	161,116	-	161,116
Fundraising	178,425	-	178,425
TOTAL EXPENSES	881,666	-	881,666
CHANGE IN NET ASSETS	379,108	70,876	449,984
NET ASSETS, beginning of year	1,314,866	239,623	1,554,489
NET ASSETS, end of year	\$ 1,693,974	\$ 310,499	\$2,004,473

See independent auditor's report and accompanying notes.

NEW URBAN ARTS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	COSTS OF DIRECT BENEFIT TO DONORS	TOTAL EXPENSES
Salaries	\$ 307,445	\$ 97,102	\$ 131,781	\$ -	\$ 536,328
Contract Labor	38,092	1,728	1,729	-	41,549
Payroll taxes	26,660	8,420	11,428	-	46,508
Retirement plan	11,376	3,593	4,875	-	19,844
Employee Benefits	29,139	6,089	8,263	-	43,491
Subtotal Personnel	412,712	116,932	158,076	-	687,720
Accounting	-	19,377	-		19,377
Advertising and marketing	3,121	434	462	1,457	5,474
Bank and merchant fees	-	2,513	-		2,513
Conferences and meetings	2,683	951	526		4,160
Computer expense	-			839	839
Depreciation and amortization	24,677	5,443	6,169		36,289
Insurance	14,409	3,508	3,809		21,726
Licenses, fees and dues	2,188	503	-		2,691
Occupancy	10,936	2,412	2,735		16,083
Payroll processing fees	745	235	319		1,299
Postage	1,154	-	2,287		3,441
Professional development	601	344	52		997
Printing & reproduction	3,747	307	327		4,381
Repairs and maintenance	9,880	2,179	2,471		14,530
Student transportation	1,585	-	-		1,585
Subrecipient	4,912	-	-		4,912
Supplies	34,480	4,993	-		39,473
Teen enrichment	10,655	182	282		11,119
Telephone and internet	3,640	803	910		5,353
Total Other Expenses	129,413	44,184	20,349	2,296	196,242
Total expenses by function	542,125	161,116	178,425	2,296	883,962
Less expenses included with revenues on the statement of activities and changes in net assets					
Cost of direct benefits to donors	-	-	-	(2,296)	(2,296)
Total expenses included in the expense section on the statement of activities and changes in net assets	\$ 542,125	\$ 161,116	\$ 178,425	\$ -	\$ 881,666

See independent auditor's report and accompanying notes

**NEW URBAN ARTS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021**

	<u>6/30/2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 449,984
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	36,289
Realized and unrealized (gain) loss on investments	(43,062)
Change in beneficial interests in assets held by others	(27,626)
PPP conditional grant	(126,400)
Changes in assets and liabilities:	
Grants receivable with restrictions	(322)
Grants receivable without restrictions	32,829
Prepaid expenses	(1,420)
Accounts payable	8,317
Accrued expenses	11,250
Accrued payroll liabilities	2,689
Refundable advance	2,536
	<hr/>
Total adjustments	(104,920)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	345,064
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(118,261)
Proceeds from sales of investments	16,200
Building improvements purchases	(79,529)
Purchases of equipment	(8,974)
	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(190,564)
	<hr/>
NET INCREASE IN CASH	154,500
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning	307,453
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CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, ending	\$ 461,953
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See independent auditor's report and accompanying note

**NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

New Urban Arts (NUA) is a welcoming community of high school students and adult mentors in Providence sharing space, skills, and resources to inspire creative expression.

NUA's student-led approach to learning enables young people to discover their power and develop agency. NUA is a haven from the many pressures and systemic inequities young people navigate daily. Founded by artists in 1997, we are located in Providence on occupied Pokanoket, Wampanoag, and Narragansett land.

At New Urban Arts, our long-term goal is that young people and artists mentors work together - as collaborators and peers - to develop creative practices which allow them to become more imaginative, and active, community members.

Our programs encourage students to:

- develop positive relationships with non-parental adult mentors and peers
- acquire standards-based skills & knowledge in the arts
- begin to develop their unique artistic voice
- graduate high school on a path towards post-secondary success

We support students' wider, holistic development through partnerships with organizations including The Providence Public Schools, the Rhode Island College School of Social Work, and the College Planning Center of Rhode Island. All our youth programs are offered free of charge and provide after-school snacks, free bus passes, tutoring, and homework help.

Basis of Presentation

The accompanying financial statements have been prepared using accrual basis and in accordance with reporting principles of not-for-profit accounting as defined by Professional Accounting Standards. Under the accrual basis of accounting, revenue is recognized when amounts are earned and when the amount and timing of the revenue can be reasonably estimated. Expenses are recognized when they are incurred.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

We consider all cash and highly liquid financial investments with original maturities of three months or less, which are neither held for, nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Cash whose use is limited due to donor-imposed restrictions that expire with certain use of those donated funds is shown as restricted cash.

Receivables and Credit Policies

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Our grantors have notified us of their intent to give and are generally supportive of our mission. Accordingly, we consider the grants receivable fully collectible. No allowance for uncollectible grants receivable is recorded as of June 30, 2021.

Property and Equipment

We record property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years:

Building and building improvements	40 years
Furniture and equipment and website	3-7 years

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of impairment during the year ended June 30, 2021.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Assets Held by Community Foundation

On May 23, 2017, we established and on April 20, 2011, a benefactor separately established endowment funds that are perpetual in nature (the fund) under a community foundation's (RIF) Organizational Endowment Program and named NUA as beneficiary. We granted variance power to RIF, which allows RIF to modify any condition or restriction on its distributions should circumstances have so changed since the execution of the endowment instrument as to render unnecessary, undesirable, impractical or impossible a literal compliance with the terms of the instrument. The fund is held and invested by RIF for our benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Display of Net Assets by Class

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a building reserve and board-designated endowment. Our Board maintains the authority to reallocate these funds to other projects or to general operating expenses as needed.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support Recognition

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Support is recognized at a point in time.

Government and private grants and contracts are recognized as exchange transactions when commensurate value is directly received by the donor. These contracts are recorded as revenue over the time, over the performance of the service obligation. Otherwise, these contracts are recorded as conditional contributions, recorded as refundable advance or revenue, dependent on whether the condition has been met. Contributions are recorded as either donations with or without restrictions at a point in time based on whether the donor has stipulated the funds are used for a specific purpose or time period.

We recognize revenue from sales of fiscal sponsor services when the performance obligations of providing the services are met. As fiscal sponsor contributions designated for a sponsoree are received, we retain our 7% administrative fee, with the remainder of the funds classified as restricted cash and recognized as fiscal sponsor contribution support. As much of the administrative work involves processing the contributions, we recognize fifty percent (50%) of our fee upon receiving the contribution, with the remaining fifty percent (50%) classified as contract liability. Once the sponsoree provides an eligible request for the funds, an allocable portion of the remaining fee is recognized as revenue. Additionally, the restrictions on cash are released, the physical restricted cash is disbursed, and subrecipient expense is recognized. Our fiscal sponsor revenue is recognized over time.

Special events revenue is ordinarily comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. We recognize revenue when these events take place at a point in time

In-kind Contributions

Contributed nonfinancial assets include donated stock, readily tradable on open markets which are recorded at the respective fair values of the stock received (Note H). Our policy is to immediately sell donated stock and transfer the funds to our other investments or cash as operating needs or donor stipulations apply. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly certain costs have been allocated among the programs and supporting services benefited.

Tax-Exempt Status

New Urban Arts is organized as a Rhode Island nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). NUA qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi). NUA has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990 series) with the IRS. In addition, NUA is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. For the year ended June 30, 2021, we have determined that we have no income subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Recent Accounting Guidance

On July 1, 2020, NUA adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The majority of the NUA's support comes from grants and other donations that are outside the scope of ASC 606. Our program services that fall within the scope of ASC 606 are recognized as revenue as we satisfy our obligation to the customer. Services within the scope of ASC 606 include fiscal sponsor administrative fees. NUA adopted ASC 606 using the modified retrospective transition method and applied the guidance to those contracts not completed as of June 30, 2020. Adoption of ASC 606 did not have a significant impact on the recognition of revenues; therefore, we did not have an opening net assets adjustment and adoption had no significant impact on revenue recognition, operating results or cash flows.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced losses in any accounts. Credit risk associated with grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from sponsors supportive of our mission.

**NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations

We receive 20% of all support from local governmental agencies. Our programs generally benefit the greater Providence Rhode Island community.

Supplemental disclosure of Cash Flows

The following items are non-cash items not reflected on the statement of cash flows:

Interest paid	\$	-
Income taxes paid		-
Other non-cash activities:		
Donations of investments in stock	\$	16,200

Advertising

NUA expenses advertising and marketing costs as incurred. Advertising and marketing costs for the year ended June 30, 2021 totaled \$5,474.

Subsequent Events

We have evaluated subsequent events through January 8, 2023, the date that the financial statements were available to be issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. We are closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these declines. Our financial statements do not include adjustments to fair value that have resulted from these declines because the ultimate financial impact cannot be reasonably determined.

NOTE B - LIQUIDITY AND AVAILABILITY

Liquid financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	288,000
Grants receivable without restrictions, net		50,814
Distributions from beneficial interests in assets held by community foundation		4,434
Total liquid resources	\$	<u>343,248</u>

We rely annually on commitments from our donors who generously give annually to support our programs. NUA receives 4% of the beneficial interest fund balance for operating funds on a quarterly basis. NUA maintains long-term investments held in publicly traded securities as reserve funds and an endowment designated by the Board. While both these investments and the associated income is currently reinvested, the Board can vote to change the designation as operating expenditures require.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE C – FAIR VALUE MEASUREMENTS

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair market value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the input as follows:

Level 1 – Quotes prices (adjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observables for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 –Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some instances, the inputs used to measure fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

Our investment and endowment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2021:

	<u>Total</u>	<u>Fair Value Measurement at Report Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Assets</u>				
<u>Board designated building reserve</u>				
Cash and money market funds (at cost)	\$ 106,420	\$ -	\$ -	\$ -
<u>Beneficial interest in</u>				
Assets held by community foundation	\$ 110,846	\$ -	\$ -	\$ 110,846
<u>Endowment investments</u>				
Cash and money market funds (at cost)	\$ 7,568	\$ -	\$ -	\$ -
Publicly traded mutual funds	194,924	194,924	-	-
Publicly traded stock	1,089	1,089	-	-
	<u>\$ 420,847</u>	<u>\$ 196,013</u>	<u>\$ -</u>	<u>\$ 110,846</u>

The following is a reconciliation of the beginning and ending balance of assets held in community foundation measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	<u>Fair Value Measurements at Report Date using Significant Unobservable Inputs (Level 3)</u>		
	<u>Beneficial Interests</u>		
	<u>Endowment</u>	<u>Risica Fund</u>	<u>Total</u>
Balance at June 30, 2020	\$ 50,417	\$ 32,803	\$ 83,220
Contributions	3,000	-	3,000
Investment return, net	17,688	11,326	29,014
Distributions	(2,825)	(1,563)	(4,388)
Balance at June 30, 2021	<u>\$ 68,280</u>	<u>\$ 42,566</u>	<u>\$ 110,846</u>

**NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE D – ENDOWMENT

Our endowment (the Endowment) consists of one fund established by donors (Bergman Fund) to provide funding for work/study undergraduate and graduate students from Rhode Island School of Design who work as artist mentors and/or perform other duties at NUA. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors (Board designated endowment).

Our Board of Directors has interpreted the Rhode Island Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. Accumulated investment gains of the Bergman Fund are designated for endowment by the Board of Directors.

We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2021, we had the following endowment net asset composition by type of fund:

	<u>Without donor Restriction</u>	<u>With donor Restriction</u>	<u>Total</u>
Board designated endowment	\$ 157,905	\$ -	\$ 157,905
Bergman Fund - original donor gift	-	25,700	25,700
Bergman Fund - accumulated investment gains	19,976		19,976
Endowment	<u>\$ 177,881</u>	<u>\$ 25,700</u>	<u>\$ 203,581</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to not permit spending from underwater endowments. As of June 30, 2021, we had no underwater endowments.

**NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE D – ENDOWMENT (Continued)

Investment and Spending Policies

We have adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The Finance Committee measures the performance of the Funds against market performance using the Standard and Poor's 500 Index and the Lehman Aggregate Index, weighted 50% for each. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

We use an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. In the event that the Board determines that a critical need/basis for a distribution exists, distributions shall be limited to 5% of the balance of the Fund on an annual basis and the approval of any distribution shall require 2/3 Board approval. In the event that a distribution results in a balance that is lower than the Endowment Minimum, no further distributions may be made from the Fund until the balance of the Fund is equal to or exceeds the Endowment Minimum. In establishing this policy, we considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the year ended June 30, 2021 are as follows:

	Without donor Restriction	With donor Restriction	Total
Endowment net assets, beginning of year	\$ 123,280	\$ 25,700	\$ 148,980
Investment return, net	46,519	8,215	54,734
Contributions	9,688	-	9,688
Appropriation of endowment assets pursuant to spending-rate policy	(133)	-	(133)
Other changes:			
Reclassification of Bergman Fund earnings	8,215	(8,215)	-
Transfer from board-designated endowment to board-designated building reserve	(9,688)	-	(9,688)
	<u>\$ 177,881</u>	<u>\$ 25,700</u>	<u>\$ 203,581</u>

NEW URBAN ARTS
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For the Year Ended June 30, 2021

NOTE E – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions are restricted for the following purposes or periods. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

<u>Subject to expenditure for specified purpose:</u>	Balance at 6/30/20	New grants with donor restrictions	Change in beneficial interest	Released by satisfying donor restrictions	Balance at 6/30/21
Capital campaign	\$ 28,020	\$ 22,128		\$ (27,992)	\$ 22,156
Fiscal sponsor contributions	-	79,646		-	79,646
Equity working group	-	1,666		-	1,666
	<u>\$ 28,020</u>	<u>\$ 103,440</u>	<u>\$ -</u>	<u>\$ (27,992)</u>	<u>\$ 103,468</u>
 <u>Subject to the passage of time:</u>					
Grants for programs	\$ 77,683	\$ 70,485		\$ (77,683)	\$ 70,485
General operating expenses	25,000	-		(25,000)	-
	<u>\$ 102,683</u>	<u>\$ 70,485</u>	<u>\$ -</u>	<u>\$ (102,683)</u>	<u>\$ 70,485</u>
 Perpetual in nature, earnings from which are subject to <u>endowment spending policy and appropriation:</u>					
Provide stipends for artist mentors at NUA	\$ 25,700	\$ -	\$ -	\$ -	\$ 25,700
Beneficial interest in assets held at RI Foundation	83,220	-	27,626	-	110,846
	<u>\$ 108,920</u>	<u>\$ -</u>	<u>\$ 27,626</u>	<u>\$ -</u>	<u>\$ 136,546</u>
 Total net assets with restrictions	 <u>\$ 239,623</u>	 <u>\$ 173,925</u>	 <u>\$ 27,626</u>	 <u>\$ (130,675)</u>	 <u>\$ 310,499</u>

NOTE F – DISAGGREGATION OF REVENUE FROM CONTRACTS

NUA’s revenue based on the timing of satisfaction of performance obligations for the year ended June 30, 2021 is as follows:

	<u>Satisfied at a point in time</u>	<u>Satisfied over time</u>
Fiscal sponsor administrative fees earned	\$ -	\$ 2,715
Other income	87	-
Total revenues from contracts with customers	<u>\$ 87</u>	<u>\$ 2,715</u>

Our organization is fiscal sponsor for one project whose mission is aligned with our own. Administrative fee income is recognized as our administrative services are delivered, upon sponsoree contributions receipt and eligible sponsoree expense disbursements. As of June 30, 2021, we have \$2,536 of contract liabilities. NUA has no contract receivables or assets.

Other income includes art items created by students and sold from time to time.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE G – LINE OF CREDIT

We maintain a \$75,000 demand revolving line of credit to support short-term working capital needs. Any balance on the line is subject to interest of Wall Street Journal Prime Rate plus .5%, with a floor of 4%. The line is secured by all business assets. The line carried a balance of \$0 as of June 30, 2021. Interest expense was \$0 for the year ended June 30, 2021.

NOTE H – DONATED GOODS AND SERVICES

During the year ended June 30, 2021, we received donations of publicly traded securities at fair market value of \$16,200, of which \$9,688 was for our capital campaign and \$6,512 was for our annual appeal.

NOTE I – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, contract labor, employee benefits, retirement plan, payroll taxes, payroll processing fees, and teen enrichment which are allocated on the basis of estimates of time and effort. Other expenses that are allocated include advertising and promotion, conferences, depreciation, insurance, licenses, fees, and dues, occupancy, postage, professional development, printing & reproduction, repairs and maintenance, supplies, and telephone which are allocated on the basis of estimates of actual usage.

NOTE J – RETIREMENT PLAN

We sponsor a SEP-IRA plan (the Plan) which covers substantially all employees meeting certain age and service requirements. The plan provides that employees who have attained the age of 21, completed one year of service, and earn at least \$5,000 in a given year are eligible to receive an employer funded contribution to their SEP-IRA. Eligible active participants are immediately fully vested. The Board of Directors approves the contribution rate annually. For the year ended June 30, 2021, the employer contribution rate was 6% of employee salary resulting in \$19,844 of contributions to the SEP-IRA plan.

Additionally, NUA maintains an inactive 403(b) plan with no current year contributions allowable by employees.

NOTE K – COMMITMENTS AND CONTINGENCIES

We receive some funding from government agencies. These contracts are subject to interpretation and contain provisions that provide the agencies the right to audit the recipient. These agencies are subject to changes in regulations and allowable funding in accordance with directives occurring within Federal and Rhode Island legislatures, which at times can occur with little notice.

NEW URBAN ARTS
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For the Year Ended June 30, 2021

NOTE L – COVID-19 PANDEMIC

In December 2019, an outbreak of a novel strain of Coronavirus (Covid-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Locally, there were school and office closures, with organizations and businesses allowed to re-open once government authorities determined safety protocols. The closures significantly affected our normal programming during the year ended June 30, 2021.

The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact. In particular, the continued spread of the coronavirus globally could negatively impact our support which in turn could have an adverse impact on our organization, financial condition, and results of activities. However, the future effects of the pandemic and how these may affect NUA are unknown.

NOTE M –PPP CONDITIONAL GRANTS

NUA applied for and was approved \$225,502 of loans under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. These loans were uncollateralized and were fully guaranteed by the Federal government. The loans accrued interest at 1%, but payments were not required to begin for six months after the funding of the loans. We applied for and were granted loan forgiveness for both loans in their entirety during the year ended June 30, 2021. In accordance with ASC Subtopic 958-605, Not-for-Profit Entities - Revenue Recognition, the loans have been accounted for as conditional grants. All conditions were met during the year ended June 30, 2021, and accordingly the \$225,502 was reclassified as government grants.