

Contents

	PAGE
INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7-17



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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, 2022, 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, 2022, 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
Page 2

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

December 31, 2023

NEW URBAN ARTS
STATEMENT OF FINANCIAL POSITION
As of June 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 268,849
Restricted cash	<u>390,031</u>
Total cash, cash equivalents, and restricted cash	658,880
Promises to give without restrictions, net	251,481
Promises to give with restrictions, net	58,688
Prepaid expenses	17,778
Agency funds	<u>3,374</u>
TOTAL CURRENT ASSETS	990,201

PROPERTY AND EQUIPMENT

Land	128,994
Building and improvements	1,212,519
Furniture and equipment	<u>82,726</u>
Total Property and Equipment	1,424,239
Less accumulated depreciation	<u>(284,984)</u>
NET PROPERTY AND EQUIPMENT	1,139,255

OTHER ASSETS

Website, net of accumulated amortization of \$12,500	-
Investments held for long-term purposes	107,702
Beneficial interest in assets held by community foundation	103,260
Endowment	<u>182,851</u>
TOTAL OTHER ASSETS	<u>393,813</u>
TOTAL ASSETS	<u>\$ 2,523,269</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 26,995
Accrued expenses	30,950
Accrued payroll liabilities	99,146
Contract liability	6,199
Agency fund liability	<u>3,374</u>
TOTAL CURRENT LIABILITIES	<u>166,664</u>
TOTAL LIABILITIES	<u>166,664</u>

NET ASSETS

Without donor restrictions	
Undesignated	431,006
Designated by the Board for building reserve	107,702
Designated by the Board for endowment	157,151
Invested in property and equipment	<u>1,139,255</u>
	1,835,114
With donor restrictions	
Purpose restrictions	253,031
Time-restricted for future periods	139,500
Perpetual in nature	<u>128,960</u>
	521,491
TOTAL NET ASSETS	<u>2,356,605</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,523,269</u>

See independent auditor's report and accompanying notes.

NEW URBAN ARTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Foundation grants	\$ 389,066	\$ 139,500	\$ 528,566
Government grants	368,583	139,395	507,978
Contributions	218,552	-	218,552
Donated goods and services	3,449	-	3,449
Fiscal sponsor contributions	3,857	214,512	218,369
Total Support	983,507	493,407	1,476,914
Fiscal sponsor revenue	12,881	-	12,881
Other income	2,400	-	2,400
Net investment income/(loss)	(15,329)	-	(15,329)
Distribution from and change in value of beneficial interests in assets held by others	-	(7,586)	(7,586)
Special events - non-reciprocal donations	7,000	-	7,000
Special events - reciprocal receipts	-	-	-
Less cost of direct benefits to donors	(414)	-	(414)
TOTAL SUPPORT AND REVENUE	990,045	485,821	1,475,866
AMOUNTS RELEASED FROM RESTRICTIONS	274,829	(274,829)	-
TOTAL SUPPORT AND REVENUE AFTER RELEASE	1,264,874	210,992	1,475,866
EXPENSES			
Program services	705,540	-	705,540
Management and general	241,956	-	241,956
Fundraising	153,316	-	153,316
TOTAL FUNCTIONAL EXPENSES	1,100,812	-	1,100,812
CHANGE IN NET ASSETS FROM OPERATIONS	164,062	210,992	375,054
<u>Other non-operational activities</u>			
Loss on asset disposal	4,100	-	4,100
CHANGE IN NON-OPERATIONAL ACTIVITIES	4,100	-	4,100
CHANGE IN NET ASSETS	159,962	210,992	370,954
NET ASSETS, beginning of year	1,675,152	310,499	1,985,651
NET ASSETS, end of year	\$ 1,835,114	\$ 521,491	\$ 2,356,605

See independent auditor's report and accompanying notes.

NEW URBAN ARTS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	DIRECT BENEFIT TO DONORS	TOTAL EXPENSES
Salaries	\$ 341,735	\$ 158,916	\$ 100,534	\$ -	\$ 601,185
Contract Labor	36,815	3,275	-	-	40,090
Payroll taxes	33,325	11,450	7,247	-	52,022
Retirement plan	13,672	6,297	3,983	-	23,952
Employee Benefits	28,529	13,140	8,312	-	49,981
Subtotal Personnel	454,076	193,078	120,076	-	767,230
Accounting	-	18,541	-	-	18,541
Advertising and marketing	531	244	2,663	-	3,438
Bank and merchant fees	-	-	2,087	-	2,087
Conferences and meetings	2,387	704	1,243	-	4,334
Depreciation and amortization	18,991	8,747	5,534	-	33,272
Insurance	23,201	7,052	4,459	-	34,712
Licenses, fees and dues	3,239	337	683	-	4,259
Occupancy	9,555	4,401	2,784	-	16,740
Office expense	2,419	1,114	704	-	4,237
Payroll processing fees	748	344	218	-	1,310
Postage	711	-	3,408	-	4,119
Professional development	4,198	-	-	-	4,198
Printing & reproduction	2,518	-	3,566	-	6,084
Repairs and maintenance	9,302	4,284	2,710	-	16,296
Student stipends	17,560	-	-	-	17,560
Student transportation	4,850	-	-	-	4,850
Subrecipient	118,816	-	-	-	118,816
Supplies	18,670	1,876	1,421	414	22,381
Teen enrichment	11,295	-	47	-	11,342
Telephone and internet	2,473	1,139	720	-	4,332
Travel	-	95	993	-	1,088
Total Other Expenses	251,464	48,878	33,240	414	333,996
Total expenses by function	705,540	241,956	153,316	414	1,101,226
Less expenses included with revenues on the statement of activities and changes in net assets					
Cost of direct benefits to donors	-	-	-	(414)	(414)
Total expenses included in the expense section on the statement of activities and changes in net assets	\$ 705,540	\$ 241,956	\$ 153,316	\$ -	\$ 1,100,812

See independent auditor's report and accompanying notes

NEW URBAN ARTS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 370,954
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	33,272
Realized and unrealized (gain) loss on investments	19,449
Change in beneficial interests in assets held by others	7,586
Loss on asset disposal	4,100
Changes in assets and liabilities:	
Grants receivable without restrictions	(249,996)
Grants receivable with restrictions	(7,874)
Prepaid expenses	(5,162)
Accounts payable	17,556
Accrued expenses	8,277
Accrued payroll liabilities	24,353
Refundable advance	3,663
	(144,776)
NET CASH PROVIDED BY OPERATING ACTIVITIES	226,178
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(5,371)
Proceeds from sales of investments	5,371
Building improvements purchases	(29,251)
NET CASH USED IN INVESTING ACTIVITIES	(29,251)
NET INCREASE IN CASH	196,927
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning	461,953
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, ending	\$ 658,880
Supplemental disclosure of cash flow information	
Interest paid	\$ -
Income taxes paid	-
Other non-cash activities:	
Donations of supplies	\$ 3,449

See independent auditor's report and accompanying note

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022

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 promises to give fully collectible and expect to collect them within one year from our year end date of June 30, 2022. No allowance for uncollectible promises to give is recorded as of June 30, 2022.

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.

Depreciation and amortization expense was \$33,272 for the year ended June 30, 2022.

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, 2022.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022

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.

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 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.

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.

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 promises to give 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.

In-kind Contributions

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. We record donated professional services at the respective fair values of the services received.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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.

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 marketing, conferences and meetings, depreciation, insurance, licenses, fees, and dues, occupancy, office expense, postage, printing & reproduction, repairs and maintenance, supplies, telephone, and travel, which are allocated on the basis of estimates of actual usage.

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, 2022, 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.

Concentrations

We receive 25% of all support from local governmental agencies. Our programs generally benefit the greater Providence Rhode Island community.

Advertising

NUA expenses advertising and marketing costs as incurred. Advertising and marketing costs for the year ended June 30, 2022 totaled \$3,438.

Subsequent Events

We have evaluated subsequent events through December 31, 2023, the date that the financial statements were available to be issued.

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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	\$ 268,849
Grants receivable without restrictions, net	251,481
Distributions from beneficial interests in assets held by community foundation	<u>4,130</u>
Total liquid resources	<u>\$ 524,460</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.

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

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2022:

	Total	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>				
<u>Board designated building reserve</u>				
Cash and money market funds (at cost)	\$ 107,702	\$ -	\$ -	\$ -
<u>Beneficial interest in</u>				
Assets held by community foundation	\$ 103,260	\$ -	\$ -	\$ 103,260
<u>Endowment investments</u>				
Cash and money market funds (at cost)	\$ 10,831	\$ -	\$ -	\$ -
Publicly traded mutual funds	172,020	172,020	-	-
Publicly traded stock	-	-	-	-
	<u>\$ 393,813</u>	<u>\$ 172,020</u>	<u>\$ -</u>	<u>\$ 103,260</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, 2022:

	Fair Value Measurements at Report Date using Significant Unobservable Inputs (Level 3)		
	Beneficial Interests		
	Endowment	Risica Fund	Total
Balance at June 30, 2020	\$ 68,280	\$ 42,566	\$ 110,846
Contributions	3,000	50	3,050
Investment return, net	(4,317)	(2,533)	(6,850)
Distributions	(2,379)	(1,407)	(3,786)
Balance at June 30, 2021	<u>\$ 64,584</u>	<u>\$ 38,676</u>	<u>\$ 103,260</u>

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022, 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, 2022, we had the following endowment net asset composition by type of fund:

	Without donor Restriction	With donor Restriction	Total
Board designated endowment	\$ 140,208	\$ -	\$140,208
Bergman Fund - original donor gift	-	25,700	25,700
Bergman Fund - accumulated investment gains	16,943		16,943
Endowment	<u>\$ 157,151</u>	<u>\$ 25,700</u>	<u>\$182,851</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, 2022, we had no underwater endowments.

**NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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, 2022 are as follows:

	Without donor <u>Restriction</u>	With donor <u>Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 177,881	\$ 25,700	\$ 203,581
Investment return, net	(15,571)	(3,033)	(18,604)
Contributions	-	-	-
Appropriation of endowment assets pursuant to spending-rate policy	(2,126)	-	(2,126)
Other changes:			
Reclassification of Bergman Fund earnings	(3,033)	3,033	-
	<u>\$ 157,151</u>	<u>\$ 25,700</u>	<u>\$ 182,851</u>

NEW URBAN ARTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022:

	Balance at 6/30/21	New grants with donor restrictions	Change in beneficial interest	Released by satisfying donor restrictions	Balance at 6/30/22
<u>Subject to expenditure for specified purpose:</u>					
Capital campaign	\$ 22,156	\$ 139,395		\$ (87,176)	\$ 74,375
Fiscal sponsor contributions	79,646	214,512		(117,168)	176,990
Equity working group	1,666			-	1,666
	<u>\$ 103,468</u>	<u>\$ 353,907</u>	<u>\$ -</u>	<u>\$ (204,344)</u>	<u>\$ 253,031</u>
<u>Subject to the passage of time:</u>					
Grants for programs	\$ 70,485	\$ 139,500		\$ (70,485)	\$ 139,500
General operating expenses		-		-	-
	<u>\$ 70,485</u>	<u>\$ 139,500</u>	<u>\$ -</u>	<u>\$ (70,485)</u>	<u>\$ 139,500</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	110,846	-	(7,586)	-	103,260
	<u>\$ 136,546</u>	<u>\$ -</u>	<u>\$ (7,586)</u>	<u>\$ -</u>	<u>\$ 128,960</u>
Total net assets with restrictions	<u>\$ 310,499</u>	<u>\$ 493,407</u>	<u>\$ (7,586)</u>	<u>\$ (274,829)</u>	<u>\$ 521,491</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, 2022 is as follows:

	Satisfied at a point in time	Satisfied over time
Fiscal sponsor administrative fees earned	\$ -	\$ 12,881
Other income	2,400	
Total revenues from contracts with customers	<u>\$ 2,400</u>	<u>\$ 12,881</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, 2022, we have \$6,199 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, 2022

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 interest rate was 5.25% as of June 30, 2022. Interest expense was \$0 for the year ended June 30, 2022. The line is secured by all business assets. There were no borrowings on the line as of June 30, 2022.

NOTE H – DONATED GOODS AND SERVICES

During the year ended June 30, 2022, we received donations of supplies of \$3,449, which are fully utilized as needed.

NOTE I – 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, 2022, the employer contribution rate was 6% of employee salary resulting in \$23,952 of accrued contributions to the SEP-IRA plan.

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

NOTE J – 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.