Urban Gateways

Financial Report
with Supplemental Information
August 31, 2014

Urban Gateways

Contents

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Independent Auditor's Report

To the Board of Directors
Urban Gateways

We have audited the accompanying financial statements of Urban Gateways (the "Organization"), which comprise the statement of financial position as of August 31, 2014 and 2013 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Gateways as of August 31, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

December 18, 2014

Urban Gateways

Statement of Financial Position

	August 31, 2014	August 31, 2013
Assets		
Cash	$ 451,583	$ 236,975
Accounts receivable:		
Accounts receivable - Net	121,625	97,722
Contributions and grants receivable	279,599	625,123
Prepaid expenses and deposits	56,488	31,791
Property and equipment - Net	69,334	26,594
Total assets	**$ 978,629**	**$ 1,018,205**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 27,715	$ 7,770
Accrued expenses	7,341	3,742
Deferred revenue	7,698	-
Borrowings under line of credit	-	150,000
Total liabilities	42,754	161,512
Net Assets		
Unrestricted:		
Undesignated	260,976	137,193
Board designated	250,000	-
Temporarily restricted	424,899	719,500
Total net assets	935,875	856,693
Total liabilities and net assets	**$ 978,629**	**$ 1,018,205**

Urban Gateways

Statement of Activities and Changes in Net Assets

	Year Ended August 31, 2014			Year Ended August 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenues						
Contributions:						
Individuals - Urban Gateways Board	$ 135,965	$ -	$ 135,965	$ 192,619	$ 948	$ 193,567
Individuals - Other	123,999	24,899	148,898	103,917	-	103,917
Corporations	86,986	-	86,986	67,070	20,000	87,070
Foundations	477,700	370,000	847,700	204,000	57,084	261,084
Special events	290,137	-	290,137	244,563	-	244,563
Total public support	1,114,787	394,899	1,509,686	812,169	78,032	890,201
Fees and grants from government agencies	218,549	-	218,549	209,493	-	209,493
Program revenues:						
Art residency programs	485,217	-	485,217	539,317	-	539,317
Touring performances	177,299	-	177,299	105,231	-	105,231
Special projects	-	-	-	6,000	-	6,000
Community schools (21st CCLC and other)	280,261	-	280,261	341,378	-	341,378
Total program revenues	942,777	-	942,777	991,926	-	991,926
Investment income	435	-	435	14	-	14
A.R.T. asset purchase agreement revenue	-	-	-	17,618	90,000	107,618
Other income	6,736	-	6,736	1,125	-	1,125
Total public support and revenues	2,283,284	394,899	2,678,183	2,032,345	168,032	2,200,377
Net assets released from restrictions	689,500	(689,500)	-	388,000	(388,000)	-
Total revenue, support, and net assets released from restrictions	2,972,784	(294,601)	2,678,183	2,420,345	(219,968)	2,200,377
Expenses						
Program services	1,752,751	-	1,752,751	1,572,627	-	1,572,627
Administrative expenses	265,307	-	265,307	253,743	-	253,743
Fundraising expenses, including special event cost	580,943	-	580,943	466,783	-	466,783
Total expenses	2,599,001	-	2,599,001	2,293,153	-	2,293,153
Increase (Decrease) in Net Assets	373,783	(294,601)	79,182	127,192	(219,968)	(92,776)
Net Assets - Beginning of year	137,193	719,500	856,693	10,001	939,468	949,469
Net Assets - End of year	**$ 510,976**	**$ 424,899**	**$ 935,875**	**$ 137,193**	**$ 719,500**	**$ 856,693**

Urban Gateways

Statement of Cash Flows

	Year Ended August 31, 2014	Year Ended August 31, 2013
Cash Flows from Operating Activities		
Change in net assets	$ 79,182	$ (92,776)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	16,813	13,722
Loss on disposal of fixed assets	-	6,483
Changes in operating assets and liabilities which provided (used) cash:		
Contributions and grants receivable	336,524	271,995
Accounts receivable	(14,903)	56,778
Prepaid expenses and deposits	(24,697)	(20,535)
Accounts payable	19,945	(28,789)
Accrued expenses	3,599	(6,037)
Deferred revenue	7,698	-
Net cash provided by operating activities	424,161	200,841
Cash Flows from Investing Activities - Purchase of property and equipment	(59,553)	(6,864)
Cash Flows from Financing Activities		
Proceeds from draws on line of credit	-	150,000
Repayments on line of credit	(150,000)	(175,000)
Net cash used in financing activities	(150,000)	(25,000)
Net Increase in Cash	214,608	168,977
Cash - Beginning of year	236,975	67,998
Cash - End of year	**$ 451,583**	**$ 236,975**

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Urban Gateways (the "Organization") was incorporated under the laws of the State of Illinois as a not-for-profit organization on March 14, 1963 and operates in Chicago and its surrounding suburbs. The mission of the Organization is to ignite the full creative potential of all young people. The Organization specializes in bringing the best of the visual, literary, media, and performing arts to children in school-based and community settings throughout the Chicago area. The Organization also excels at deepening the artistic experience for all youth by ensuring that the arts play a critical role in every child's education.

Significant accounting policies are as follows:

Classification of Net Assets - Net assets of the Organization are classified as unrestricted or temporarily restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets.

Contributions Receivable - The Organization's contributions receivable are comprised primarily of contribution grants committed from various donors and funding agencies for use in the Organization's activities. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Accounts Receivable - Accounts receivable are stated at invoice cost. Account balances are reviewed regularly to determine whether delinquent accounts should be written off. The Organization has an allowance for doubtful accounts of $2,000 and $6,400 as of August 31, 2014 and 2013, respectively.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Revenue - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Revenue from government grants and contracts designated for use in specific activities is recognized in the period during which expenditures were incurred in compliance with the grantor's restrictions.

Program revenue is recognized as services are provided.

Donated Services - Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. The Organization receives free rent for certain months as part of its lease agreement with its landlord as well as in-kind legal services. These amounts are classified as an in-kind donation in the corporation contribution revenue line item on the financial statements with a corresponding amount added to rent expense and legal expense, respectively.

In addition, the Organization has volunteers who donate their time and services in performance of the Organization's programs. No amounts have been recognized in the accompanying statement of activities and changes in net assets because the criteria for recognition of such volunteer efforts under generally accepted accounting principles (GAAP) have not been satisfied.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of August 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including December 18, 2014, which is the date the financial statements were available to be issued.

Note 2 - Asset Purchase Agreement

On July 1, 2013, the Organization entered into an asset purchase agreement with Art Resources in Teaching (A.R.T.), a not-for-profit organization dedicated to providing vibrant visual arts residency programs to children, teachers, and parents in the Chicago area.

A.R.T. transferred all of its net assets to the Organization as of that date. As a result of this acquisition, the balance of A.R.T.'s assets over liabilities was recognized as contribution revenue in the amount of $107,618 for the year ended August 31, 2013. All activities are included in the Organization's financial statements since the date of acquisition. Below are the assets and liabilities transferred at the acquisition date.

Cash and cash equivalents	$ 352,769
Other assets	4,574
Property and equipment - Net	10,951
Total assets	$ 368,294
Liabilities assumed	$ 265,124

Note 3 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give. They are included as follows:

	2014	2013
Due within one year	$ 279,599	$ 375,123
Due in one to five years	-	250,000
Total	$ 279,599	$ 625,123

Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2014	2013	Depreciable Life - Years
Furniture and equipment	$ 25,909	$ 11,422	3-10
Technology and equipment	158,858	113,792	3-10
Total cost	184,767	125,214	
Accumulated depreciation	115,433	98,620	
Net property and equipment	$ 69,334	$ 26,594	

Depreciation expense was $16,813 for 2014 and $13,722 for 2013.

Note 5 - Line of Credit

The line of credit with Nonprofit Finance Fund expired on March 1, 2014. Interest on this line of credit was charged at the rate of prime plus 3.5 percent with a minimum rate of 6.75 percent.

On July 18, 2014, management entered into a new agreement with JPMorgan Chase Bank, N.A for a revolving line of credit. This agreement allows for maximum borrowings of $200,000. Interest on this line is charged at the rate of 1.50 percent per annum above the prime rate and is secured by the assets of the Organization.

Note 6 - Concentrations

Approximately 25 percent and 34 percent of total revenues earned during the years ended August 31, 2014 and 2013, respectively, are from one customer, Chicago Public Schools. The receivable balance from Chicago Public Schools was $63,354 and $24,151 as of August 31, 2014 and 2013, respectively.

Note 7 - Operating Lease

Effective April 18, 2012, the Organization entered into a lease with 205 Randolph Investors, LLC, whereby it would provide the Organization with one month of in-kind rent during each year. The in-kind portion is recorded as a contribution from corporations on the statement of activities and changes in net assets and recorded as rent expense on the statement of functional expenses This lease expires on May 31, 2018.

On September 19, 2011, the Organization reached an agreement to reinstate an equipment lease for various copy machines under new payment terms. During the year ended August 31, 2013, this lease was paid in full.

Note 7 - Operating Lease (Continued)

As part of the A.R.T. acquisition described in Note 2, the Organization acquired a copier lease that began in January 2011 with payments of $828 over 60 months. This lease will expire on December 31, 2015.

Rent expenses totaled $78,540 and $77,668 for the years ended August 31, 2014 and 2013, respectively.

The following is a schedule of estimated future minimum rental payments as of August 31, 2014:

2015	$	83,680
2016		78,878
2017		77,385
2018		64,680
Total	$	304,623

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at August 31, 2014 and 2013 are restricted for the following:

	2014	2013
Contributions receivable restricted for time purposes	$ 224,899	$ 462,500
Restrictions carried over from A.R.T. acquisition for specific program use	30,000	90,000
Restricted for time and specific program use	50,000	15,000
Restricted for specific program use	120,000	152,000
Total temporarily restricted net assets	$ 424,899	$ 719,500

Note 9 - Profit Sharing Plan

On August 20, 2007, the Organization adopted a qualified profit-sharing plan (401(k)) for all eligible employees. Employee contributions were matched by the Organization up to a maximum limit of 4 percent. The Organization contributed $4,531 and $0 for the years ended August 31, 2014 and 2013, respectively.

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Board of Directors
Urban Gateways

We have audited the financial statements of Urban Gateways as of and for the years ended August 31, 2014 and 2013 and have issued our report thereon dated December 18, 2014, which contained an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 18, 2014

Urban Gateways

Statement of Functional Expenses
Year Ended August 31, 2014

	Program	Administrative and Marketing	Fundraising	Total
Salaries - Staff	$ 371,203	$ 162,311	$ 275,305	$ 808,819
FICA tax	20,806	6,248	14,208	41,262
Workers' compensation	17,721	4,232	4,496	26,449
Group benefits	67,118	11,057	28,913	107,088
Retirement plan	4,785	1,019	1,549	7,353
Total salaries and related expenses	481,633	184,867	324,471	990,971
Artist and instructor fees	975,068	-	5,473	980,541
Program supplies	62,354	-	80	62,434
Site rental	1,620	-	640	2,260
Audit fees	-	36,700	-	36,700
Professional and contract fees	59,789	-	23,360	83,149
Legal fees	6,727	6,529	6,529	19,785
Office rent and utilities	56,460	13,483	14,326	84,269
Postage	1,289	1,046	6,628	8,963
Telephone	9,727	2,323	2,468	14,518
Office supplies	4,668	1,512	1,134	7,314
Equipment maintenance and repairs	10,387	3,601	15,746	29,734
Equipment and furniture	2,892	601	2,275	5,768
Equipment rental and leasing	13,173	3,146	3,342	19,661
General insurance	6,474	6,284	6,284	19,042
Depreciation	8,406	1,682	6,725	16,813
Interest expense	422	84	338	844
Dues and memberships	3,442	16	2,719	6,177
Publications and subscriptions	270	-	1,400	1,670
Outside printing	7,603	-	15,983	23,586
Photography and video	675	-	175	850
Staff training	2,661	383	204	3,248
Bus rental	6,630	-	-	6,630
Bank service charges	1,391	278	1,326	2,995
Payroll service charges	1,813	433	460	2,706
Credit card service charges	1,769	354	3,430	5,553
Other	1,070	294	2,274	3,638
Shipping and messenger	496	125	616	1,237
Bad debt	2,000	-	-	2,000
Meetings attended	2,557	-	6,074	8,631
Meetings hosted	1,187	-	2,615	3,802
Travel - Local	13,807	50	9,257	23,114
Travel - Out of town	4,291	1,516	1,516	7,323
Fundraising events	-	-	113,075	113,075
Total functional expenses	**$ 1,752,751**	**$ 265,307**	**$ 580,943**	**$ 2,599,001**

Urban Gateways

Statement of Functional Expenses
Year Ended August 31, 2013

	Program	Administrative and Marketing	Fundraising	Total
Salaries - Staff	$ 357,936	$ 159,649	$ 231,045	$ 748,630
Temporary personnel	19,592	282	-	19,874
FICA tax	24,819	11,270	16,722	52,811
Workers' compensation	15,212	3,804	3,803	22,819
Unemployment compensation	7,665	7,327	1,288	16,280
Group benefits	72,332	12,495	31,743	116,570
Retirement plan	1,564	390	391	2,345
Total salaries and related expenses	499,120	195,217	284,992	979,329
Artist and instructor fees	817,634	-	1,350	818,984
Program supplies	66,831	-	-	66,831
Site rental	-	-	300	300
Audit fees	-	21,700	-	21,700
Professional and contract fees	34,659	-	6,509	41,168
Legal fees	-	4,800	-	4,800
Office rent and utilities	56,068	14,017	14,016	84,101
Postage	903	181	5,841	6,925
Telephone	9,247	2,313	2,312	13,872
Office supplies	2,296	545	1,420	4,261
Equipment maintenance and repairs	8,779	1,061	7,641	17,481
Equipment and furniture	825	73	291	1,189
Equipment rental and leasing	16,038	4,010	4,010	24,058
General insurance	7,943	2,043	8,171	18,157
Depreciation	1,908	5,100	6,714	13,722
Loss on disposal of fixed assets	6,483	-	-	6,483
Interest expense	5,349	1,070	4,279	10,698
Dues and memberships	1,100	-	2,215	3,315
Publications and subscriptions	30	-	103	133
Outside printing	4,040	-	6,360	10,400
Staff training	-	-	1,000	1,000
Bus rental	3,035	-	-	3,035
Bank service charges	995	199	796	1,990
Payroll service charges	1,373	344	343	2,060
Credit card service charges	3,145	629	3,570	7,344
Other	5,011	325	850	6,186
Shipping and messenger	134	19	620	773
Bad debt	-	70	19,150	19,220
Meetings attended	2,145	-	1,495	3,640
Meetings hosted	1,902	-	2,895	4,797
Travel - Local	12,756	27	4,347	17,130
Travel - Out of town	2,878	-	470	3,348
Fundraising events	-	-	74,723	74,723
Total functional expenses	**$ 1,572,627**	**$ 253,743**	**$ 466,783**	**$ 2,293,153**