

Urban Gateways

**Financial Report
with Supplemental Information
August 31, 2015**

Urban Gateways

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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, 2015 and 2014 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, 2015 and 2014 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 16, 2015

Urban Gateways

Statement of Financial Position

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Assets		
Cash	\$ 326,263	\$ 451,583
Accounts receivable:		
Accounts receivable - Net	138,218	121,625
Contributions and grants receivable	505,546	279,599
Prepaid expenses and deposits	48,124	56,488
Property and equipment - Net	<u>74,939</u>	<u>69,334</u>
Total assets	<u>\$ 1,093,090</u>	<u>\$ 978,629</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 7,102	\$ 27,715
Accrued expenses	1,056	7,341
Deferred revenue	<u>24,300</u>	<u>7,698</u>
Total liabilities	32,458	42,754
Net Assets		
Unrestricted:		
Undesignated	318,816	260,976
Board designated	-	250,000
Temporarily restricted	<u>741,816</u>	<u>424,899</u>
Total net assets	<u>1,060,632</u>	<u>935,875</u>
Total liabilities and net assets	<u>\$ 1,093,090</u>	<u>\$ 978,629</u>

Urban Gateways

Statement of Activities and Changes in Net Assets

	Year Ended August 31, 2015			Year Ended August 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue						
Contributions:						
Individuals - Urban Gateways Board	\$ 94,753	\$ -	\$ 94,753	\$ 135,965	\$ -	\$ 135,965
Individuals - Other	72,742	33,816	106,558	123,999	24,899	148,898
Corporations	109,049	-	109,049	86,986	-	86,986
Foundations	303,200	688,000	991,200	477,700	370,000	847,700
Special events - Net	199,423	-	199,423	177,062	-	177,062
Total public support	779,167	721,816	1,500,983	1,001,712	394,899	1,396,611
Fees and grants from government agencies	36,950	-	36,950	218,549	-	218,549
Program revenue:						
Art residency programs	563,005	-	563,005	485,217	-	485,217
Touring performances	169,453	-	169,453	177,299	-	177,299
Community schools (21st CCLC and other)	92,167	-	92,167	280,261	-	280,261
Total program revenue	824,625	-	824,625	942,777	-	942,777
Investment income	296	-	296	435	-	435
Other income	1,173	-	1,173	6,736	-	6,736
Total public support and revenue	1,642,211	721,816	2,364,027	2,170,209	394,899	2,565,108
Net assets released from restrictions	404,899	(404,899)	-	689,500	(689,500)	-
Total revenue, support, and net assets released from restrictions	2,047,110	316,917	2,364,027	2,859,709	(294,601)	2,565,108
Expenses						
Program services	1,557,012	-	1,557,012	1,752,751	-	1,752,751
Administrative expenses	213,759	-	213,759	265,307	-	265,307
Fundraising expenses	468,499	-	468,499	467,868	-	467,868
Total expenses	2,239,270	-	2,239,270	2,485,926	-	2,485,926
(Decrease) Increase in Net Assets	(192,160)	316,917	124,757	373,783	(294,601)	79,182
Net Assets - Beginning of year	510,976	424,899	935,875	137,193	719,500	856,693
Net Assets - End of year	\$ 318,816	\$ 741,816	\$ 1,060,632	\$ 510,976	\$ 424,899	\$ 935,875

Urban Gateways

Statement of Cash Flows

	Year Ended	
	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 124,757	\$ 79,182
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	20,136	16,813
Changes in operating assets and liabilities which (used) provided cash:		
Contributions and grants receivable	(225,947)	336,524
Accounts receivable	(16,593)	(14,903)
Prepaid expenses and deposits	8,364	(24,697)
Accounts payable	(20,613)	19,945
Accrued expenses	(6,285)	3,599
Deferred revenue	16,602	7,698
Net cash (used in) provided by operating activities	(99,579)	424,161
Cash Flows from Investing Activities - Purchase of property and equipment	(25,741)	(59,553)
Cash Flows from Financing Activities - Repayments on line of credit	-	(150,000)
Net (Decrease) Increase in Cash	(125,320)	214,608
Cash - Beginning of year	451,583	236,975
Cash - End of year	<u>\$ 326,263</u>	<u>\$ 451,583</u>

Urban Gateways

Notes to Financial Statements August 31, 2015 and 2014

Note I - 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 educate and inspire young people by delivering high-quality, accessible arts experiences that advance their personal and academic growth. 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.

In fiscal year 2014, the Urban Gateways board of directors designated certain unrestricted net asset funds to be used in fiscal year 2015 operations. In fiscal year 2015, those funds were used and released from this designation.

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 \$0 and \$2,000 as of August 31, 2015 and 2014, 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.

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

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.

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 in the statement of activities and changes in net assets 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 GAAP 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.

Urban Gateways

Notes to Financial Statements August 31, 2015 and 2014

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

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, 2015 and 2014, 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 2012.

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.

Reclassifications - Reclassifications were made to amounts in the 2014 financial statements to conform to the financial statement presentation used in 2015. Special event expenses were netted against special event revenue.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including December 16, 2015, which is the date the financial statements were available to be issued.

Note 2 - Contributions Receivable

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

	2015	2014
Due within one year	\$ 298,046	\$ 279,599
Due in one to five years	207,500	-
Total	<u>\$ 505,546</u>	<u>\$ 279,599</u>

Urban Gateways

Notes to Financial Statements August 31, 2015 and 2014

Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2015	2014	Depreciable Life - Years
Furniture and equipment	\$ 27,543	\$ 25,909	3-10
Technology and equipment	182,965	158,858	3-10
Total cost	210,508	184,767	
Accumulated depreciation	135,569	115,433	
Net property and equipment	<u>\$ 74,939</u>	<u>\$ 69,334</u>	

Depreciation expense was \$20,136 for 2015 and \$16,813 for 2014.

Note 4 - 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. The Organization had no outstanding balance on the line of credit as of August 31, 2015 and 2014.

Note 5 - Concentrations

Approximately 34 percent and 25 percent of total revenue earned during the years ended August 31, 2015 and 2014, respectively, is from one customer, Chicago Public Schools. The receivable balance from Chicago Public Schools was \$72,160 and \$63,354 as of August 31, 2015 and 2014, respectively.

Note 6 - 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.

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.

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Notes to Financial Statements August 31, 2015 and 2014

Note 6 - Operating Lease (Continued)

Rent expenses totaled \$75,190 and \$78,540 for the years ended August 31, 2015 and 2014, respectively.

The following is a schedule of estimated future minimum rental payments as of August 31, 2015:

2016	\$	78,878
2017		77,385
2018		<u>64,680</u>
Total	\$	<u>220,943</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at August 31, 2015 and 2014 are restricted for the following:

	<u>2015</u>	<u>2014</u>
Contributions receivable restricted for time purposes	\$ 447,266	\$ 224,899
Restrictions carried over from A.R.T. acquisition for specific program use	-	30,000
Restricted for time and specific program use	20,000	50,000
Restricted for specific program use	<u>274,550</u>	<u>120,000</u>
Total temporarily restricted net assets	<u>\$ 741,816</u>	<u>\$ 424,899</u>

Note 8 - 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 \$20,751 and \$7,353 for the years ended August 31, 2015 and 2014, respectively.

Supplemental Information

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, 2015 and 2014 and have issued our report thereon dated December 16, 2015, 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 16, 2015

Urban Gateways

Statement of Functional Expenses Year Ended August 31, 2015

	Program	Administrative and Marketing	Fundraising	Total
Salaries - Staff	\$ 484,942	\$ 134,157	\$ 274,410	\$ 893,509
Temporary personnel	1,842	639	297	2,778
FICA tax	29,808	8,787	17,156	55,751
Workers' compensation	17,145	2,857	8,573	28,575
Unemployment compensation	3,356	-	-	3,356
Group benefits	59,616	9,817	36,504	105,937
Retirement plan	11,233	1,076	8,442	20,751
Total salaries and related expenses	607,942	157,333	345,382	1,110,657
Artist and instructor fees	709,426	-	-	709,426
Program supplies	47,620	-	-	47,620
Site rental	3,801	382	403	4,586
Audit fees	-	22,700	-	22,700
Professional and contract fees	18,150	2,150	8,038	28,338
Office rent and utilities	52,779	8,797	26,390	87,966
Postage	1,081	775	5,665	7,521
Telephone	7,377	1,230	3,689	12,296
Office supplies	3,994	1,578	2,478	8,050
Equipment maintenance and repairs	12,763	945	8,230	21,938
Equipment and furniture	786	445	265	1,496
Equipment rental and leasing	9,095	1,591	4,548	15,234
General insurance	6,906	6,703	6,702	20,311
Depreciation	12,081	2,014	6,041	20,136
Dues and memberships	1,650	295	2,571	4,516
Publications and subscriptions	-	130	135	265
Urban Gateways merchandise	2,509	-	2,509	5,018
Outside printing	8,659	231	16,815	25,705
Photography and video	125	-	175	300
Staff training	5,773	1,138	2,988	9,899
Bus rental	3,186	-	-	3,186
Bank service charges	760	127	582	1,469
Payroll service charges	2,674	283	850	3,807
Credit card service charges	2,302	425	7,231	9,958
Other	777	247	805	1,829
Shipping and messenger	297	302	859	1,458
Meetings attended	3,670	188	2,419	6,277
Meetings hosted	5,887	272	4,675	10,834
Travel - Local	17,397	1,402	7,173	25,972
Travel - Out of town	7,545	2,076	881	10,502
Fundraising events	-	-	125,222	125,222
Total functional expenses	\$ 1,557,012	\$ 213,759	\$ 593,721	\$ 2,364,492

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