Urban Gateways

Financial Report
with Supplemental Information
August 31, 2017
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, 2017 and 2016 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, 2017 and 2016 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 13, 2017
## Urban Gateways

### Statement of Financial Position

<table>
<thead>
<tr>
<th>August 31, 2017</th>
<th>August 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$279,996</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable - Net</td>
<td>81,190</td>
</tr>
<tr>
<td>Contributions and grants receivable</td>
<td>525,115</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>62,540</td>
</tr>
<tr>
<td>Property and equipment - Net</td>
<td>150,073</td>
</tr>
<tr>
<td>Total assets</td>
<td><strong>$1,098,914</strong></td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$5,938</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,849</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>79,377</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>87,164</td>
</tr>
<tr>
<td>Net Assets</td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>347,779</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>663,971</td>
</tr>
<tr>
<td>Total net assets</td>
<td>1,011,750</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td><strong>$1,098,914</strong></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
## Urban Gateways

### Statement of Activities and Changes in Net Assets

#### Year Ended August 31, 2017

<table>
<thead>
<tr>
<th>Contributions:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals - Urban Gateways Board</td>
<td>$100,293</td>
<td>$ -</td>
<td>$100,293</td>
</tr>
<tr>
<td>Individuals - Other</td>
<td>83,208</td>
<td>50,000</td>
<td>133,208</td>
</tr>
<tr>
<td>Corporations</td>
<td>80,430</td>
<td>-</td>
<td>80,430</td>
</tr>
<tr>
<td>Foundations</td>
<td>743,896</td>
<td>219,980</td>
<td>963,876</td>
</tr>
<tr>
<td>Special events - Net</td>
<td>104,486</td>
<td>-</td>
<td>104,486</td>
</tr>
<tr>
<td><strong>Total public support</strong></td>
<td>1,112,313</td>
<td>269,980</td>
<td>1,382,293</td>
</tr>
<tr>
<td>Fees and grants from government agencies</td>
<td>19,877</td>
<td>-</td>
<td>19,877</td>
</tr>
<tr>
<td><strong>Program revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Art residency programs</td>
<td>741,943</td>
<td>-</td>
<td>741,943</td>
</tr>
<tr>
<td>Touring performances</td>
<td>224,981</td>
<td>-</td>
<td>224,981</td>
</tr>
<tr>
<td>Community schools (21st CCLC and other)</td>
<td>67,909</td>
<td>-</td>
<td>67,909</td>
</tr>
<tr>
<td><strong>Total program revenue</strong></td>
<td>1,034,833</td>
<td>-</td>
<td>1,034,833</td>
</tr>
<tr>
<td>Interest income</td>
<td>23</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>Other income</td>
<td>27,402</td>
<td>-</td>
<td>27,402</td>
</tr>
<tr>
<td><strong>Total public support and revenue</strong></td>
<td>2,194,448</td>
<td>269,980</td>
<td>2,464,428</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>407,500</td>
<td>(407,500)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue, support, and net assets released from restrictions</strong></td>
<td>2,601,948</td>
<td>(137,520)</td>
<td>2,464,428</td>
</tr>
</tbody>
</table>

#### Expenses

| Program services | 1,935,021 | - | 1,935,021 |
| Administrative expenses | 215,074 | - | 215,074 |
| Fundraising expenses | 430,085 | - | 430,085 |
| **Total expenses** | 2,580,180 | - | 2,580,180 |

#### Increase (Decrease) in Net Assets

<table>
<thead>
<tr>
<th></th>
<th>Year Ended August 31, 2017</th>
<th>Year Ended August 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (Decrease) in Net Assets</td>
<td>21,768</td>
<td>(115,752)</td>
</tr>
</tbody>
</table>

#### Net Assets - Beginning of year

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$326,011</td>
<td>801,491</td>
<td></td>
</tr>
</tbody>
</table>

#### Net Assets - End of year

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$347,779</td>
<td>801,491</td>
<td></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
Urban Gateways

Statement of Cash Flows

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>August 31, 2017</th>
<th>August 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ (115,752)</td>
<td>$ 66,870</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>47,435</td>
<td>27,344</td>
</tr>
<tr>
<td>Discount on contribution receivable</td>
<td>(3,070)</td>
<td>11,009</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities which provided (used) cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and grants receivable</td>
<td>254,185</td>
<td>(281,693)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>70,467</td>
<td>(13,439)</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>(33,430)</td>
<td>19,014</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,486</td>
<td>(5,650)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(1,211)</td>
<td>2,004</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(3,850)</td>
<td>(20,450)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>219,260</td>
<td>(194,991)</td>
</tr>
</tbody>
</table>

| Cash Flows from Investing Activities - Purchase of property and equipment | (113,372) | (36,541) |

| Cash Flows from Financing Activities - Proceeds from issuance of long-term debt - Net | 79,377 |             |

| Net Increase (Decrease) in Cash | 185,265 | (231,532) |

| Cash - Beginning of year | 94,731 | 326,263 |

| Cash - End of year | $ 279,996 | $ 94,731 |

| Supplemental Disclosure of Cash Flow Information - Cash paid for interest | $ 5,884 | $ - |

See Notes to Financial Statements.
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 engage young people in arts experiences to inspire creativity and impact social change. The Organization works to overcome social and economic barriers for youth to access Chicago's artistic and cultural vitality, fostering a more creative and artistically responsive society.

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 and Grants Receivable - The Organization's contributions and grants receivable are comprised primarily of contribution grants committed from various donors and funding agencies for use in the Organization's activities. The Organization has an allowance for doubtful accounts of $0 as of August 31, 2017 and 2016.

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 as of August 31, 2017 and 2016.

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. 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.

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.

**Income Taxes** - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

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

Upcoming Accounting Changes - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization’s year ending August 31, 2019 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the financial statements and plans to complete this evaluation by the end of 2018.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization’s year ending August 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization is currently evaluating which application method it will use and the potential effects of the new standard on the financial statements.
Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization’s year ending August 31, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements is expected to increase long-term assets and liabilities on the statement of financial position. The changes in net assets are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including December 13, 2017, which is the date the financial statements were available to be issued.

Note 2 - Asset Purchase Agreement

On January 31, 2017, the Organization entered into an asset purchase agreement with Street-Level Youth Media (SLYM), an organization that operates digital media arts and emerging technologies programs as part of its stated mission to educate and inspire Chicago’s under-resourced youth and young adults in school, after school and for those out of school.

SLYM transferred all of its net assets to the Organization as of that date. As a result of this acquisition, the balance of SLYM's assets over liabilities was recognized as other revenue in the amount of $26,627 for the year ended August 31, 2017. 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$50,742</td>
</tr>
<tr>
<td>Property and equipment - Net</td>
<td>$56,850</td>
</tr>
<tr>
<td>Other assets</td>
<td>$13,130</td>
</tr>
<tr>
<td>Total assets</td>
<td>$120,722</td>
</tr>
<tr>
<td>Note payable</td>
<td>$89,433</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$4,662</td>
</tr>
<tr>
<td>Net assets acquired</td>
<td>$26,627</td>
</tr>
</tbody>
</table>

8
Note 3 - Contributions Receivable

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$330,554</td>
<td>$607,500</td>
</tr>
<tr>
<td>Due in one to five years</td>
<td>202,500</td>
<td>179,739</td>
</tr>
<tr>
<td>Less discount on long-term receivable</td>
<td>(7,939)</td>
<td>(11,009)</td>
</tr>
<tr>
<td>Total</td>
<td>$525,115</td>
<td>$776,230</td>
</tr>
</tbody>
</table>

Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Depreciable Life - Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology and office equipment</td>
<td>$232,494</td>
<td>$247,049</td>
<td>3-10</td>
</tr>
<tr>
<td>SLYM program center assets</td>
<td>190,860</td>
<td>-</td>
<td>3-5</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>428,655</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Total cost</td>
<td>852,009</td>
<td>247,049</td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>701,936</td>
<td>162,913</td>
<td></td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$150,073</td>
<td>$84,136</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation expense was $47,435 for 2017 and $27,344 for 2016. Assets acquired from SLYM included approximately $467,000 in fully depreciated assets.

Note 5 - Line of Credit

On July 18, 2014, management entered into an 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 rate at August 31, 2017 and 2016 was 5.75 percent and 5 percent, respectively. The Organization had no outstanding balance on the line of credit as of August 31, 2017 and 2016.
Urban Gateways

Notes to Financial Statements
August 31, 2017 and 2016

Note 6 - Long-term Debt

Long-term debt at August 31 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$79,377</td>
<td>-</td>
</tr>
<tr>
<td>Promissory note payable to Illinois Facilities Fund in monthly installments of $1,638 including interest at 5.5 percent. The note was assumed by the Organization as part of the asset purchase of Street-Level Youth Media as described in Note 2. The note is collateralized by the Organization's property and matures on March 1, 2022.</td>
<td>$79,377</td>
<td>-</td>
</tr>
</tbody>
</table>

The balance of the above debt matures as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$15,809</td>
</tr>
<tr>
<td>2019</td>
<td>16,618</td>
</tr>
<tr>
<td>2020</td>
<td>17,469</td>
</tr>
<tr>
<td>2021</td>
<td>18,362</td>
</tr>
<tr>
<td>2022</td>
<td>11,119</td>
</tr>
<tr>
<td>Total</td>
<td>$79,377</td>
</tr>
</tbody>
</table>

Interest expense for the year ended August 31, 2017 was $2,973.

Note 7 - Concentrations

Approximately 66 percent and 62 percent of total revenue earned during the years ended August 31, 2017 and 2016, respectively, is from one customer, Chicago Public Schools. The receivable balance from Chicago Public Schools was $34,388 and $132,620 as of August 31, 2017 and 2016, respectively.

Note 8 - 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 and the Organization is not planning on renewing the lease.

In November 2017, the Organization entered into a 24-month lease with WeWork, whereby it would provide the Organization with 12 months of in-kind rent. The lease begins December 1, 2017. All future rent payments, net of in-kind, are reflected in the schedule of future payments below.
Note 8 - Operating Lease (Continued)

As part of the Street-Level Youth Media asset transaction described in Note 2, the Organization entered into a lease with Pinnacle Capital Ashland, LLC that expires on August 31, 2018. In November 2017, the Organization extended the lease through August 31, 2023. Extended rent payments are reflected in the schedule of future payments below.

Rent expenses totaled $75,481 and $72,502 for the years ended August 31, 2017 and 2016, respectively.

The following is a schedule of estimated future minimum rental payments as of the years ending August 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$167,980</td>
</tr>
<tr>
<td>2019</td>
<td>115,886</td>
</tr>
<tr>
<td>2020</td>
<td>96,540</td>
</tr>
<tr>
<td>2021</td>
<td>95,651</td>
</tr>
<tr>
<td>2022</td>
<td>98,521</td>
</tr>
<tr>
<td>Thereafter</td>
<td>101,477</td>
</tr>
<tr>
<td>Total</td>
<td>$676,055</td>
</tr>
</tbody>
</table>

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets at August 31, 2017 and 2016 are restricted for the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions receivable restricted for time purposes</td>
<td>$527,061</td>
<td>$751,491</td>
</tr>
<tr>
<td>Restricted for time and specific program use</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>Restricted for specific program use</td>
<td>136,910</td>
<td>40,000</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$663,971</td>
<td>$801,491</td>
</tr>
</tbody>
</table>

Note 10 - 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 $28,249 and $25,604 for the years ended August 31, 2017 and 2016, 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, 2017 and 2016 and have issued our report thereon dated December 13, 2017, 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.

December 13, 2017
### Urban Gateways

#### Statement of Functional Expenses

**Year Ended August 31, 2017**

<table>
<thead>
<tr>
<th>Program</th>
<th>Administrative and Marketing</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries - Staff</td>
<td>$579,481</td>
<td>$130,977</td>
<td>$283,736</td>
</tr>
<tr>
<td>Temporary personnel</td>
<td>6,127</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FICA tax</td>
<td>44,774</td>
<td>9,286</td>
<td>20,157</td>
</tr>
<tr>
<td>Workers' compensation</td>
<td>12,142</td>
<td>1,584</td>
<td>3,871</td>
</tr>
<tr>
<td>Group benefits</td>
<td>96,967</td>
<td>10,080</td>
<td>23,794</td>
</tr>
<tr>
<td>Retirement plan</td>
<td>16,213</td>
<td>3,568</td>
<td>8,468</td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td>755,704</td>
<td>155,495</td>
<td>340,026</td>
</tr>
<tr>
<td>Artist and instructor fees</td>
<td>794,761</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Program supplies</td>
<td>79,829</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Site rental</td>
<td>1,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bus rental</td>
<td>3,741</td>
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</tr>
<tr>
<td>Audit fees</td>
<td>-</td>
<td>21,400</td>
<td>-</td>
</tr>
<tr>
<td>Professional and contract fees</td>
<td>13,293</td>
<td>819</td>
<td>1,529</td>
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<tr>
<td>Marketing and promotion</td>
<td>23,815</td>
<td>1,411</td>
<td>17,666</td>
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<td>Postage</td>
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<tr>
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<td>10,015</td>
<td>13,139</td>
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<tr>
<td>General insurance</td>
<td>12,914</td>
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<td>4,118</td>
</tr>
<tr>
<td>Depreciation</td>
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<td>2,955</td>
<td>7,224</td>
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<tr>
<td>Interest expense</td>
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<td>3,348</td>
<td>-</td>
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<tr>
<td>Dues and memberships</td>
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<td>2,740</td>
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<tr>
<td>Staff training</td>
<td>6,010</td>
<td>44</td>
<td>929</td>
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<tr>
<td>Other</td>
<td>631</td>
<td>1,445</td>
<td>7,454</td>
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<tr>
<td>Meetings attended</td>
<td>484</td>
<td>121</td>
<td>465</td>
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<tr>
<td>Meetings hosted</td>
<td>3,706</td>
<td>246</td>
<td>2,137</td>
</tr>
<tr>
<td>Travel - Local</td>
<td>22,218</td>
<td>1,640</td>
<td>1,632</td>
</tr>
<tr>
<td>Travel - Out of town</td>
<td>5,831</td>
<td>332</td>
<td>813</td>
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<tr>
<td>Fundraising events</td>
<td>-</td>
<td>-</td>
<td>161,182</td>
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<tr>
<td><strong>Total functional expenses</strong></td>
<td>$1,935,021</td>
<td>$215,074</td>
<td>$591,267</td>
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</tbody>
</table>
### Urban Gateways

#### Statement of Functional Expenses

**Year Ended August 31, 2016**

<table>
<thead>
<tr>
<th></th>
<th>Program</th>
<th>Administrative and Marketing</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salaries - Staff</strong></td>
<td>$ 512,617</td>
<td>$ 136,320</td>
<td>$ 315,447</td>
<td>$ 964,384</td>
</tr>
<tr>
<td>Temporary personnel</td>
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<td>5,966</td>
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<tr>
<td>FICA tax</td>
<td>36,692</td>
<td>9,657</td>
<td>22,445</td>
<td>68,794</td>
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<tr>
<td>Workers' compensation</td>
<td>12,027</td>
<td>2,005</td>
<td>6,014</td>
<td>20,046</td>
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<tr>
<td>Unemployment compensation</td>
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<td>8,870</td>
<td>10,090</td>
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<td>Group benefits</td>
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<td>11,119</td>
<td>29,790</td>
<td>105,492</td>
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<td>1,166</td>
<td>9,518</td>
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<td><strong>Total salaries and related expenses</strong></td>
<td>$647,652</td>
<td>$160,342</td>
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<td>Artist and instructor fees</td>
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<td>716,248</td>
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<td>Program supplies</td>
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<td>61,633</td>
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<td>Site rental</td>
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<td>-</td>
<td>28,100</td>
</tr>
<tr>
<td>Bus rental</td>
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<td>3,371</td>
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<tr>
<td>Audit fees</td>
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<td>21,000</td>
<td>-</td>
<td>21,000</td>
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<tr>
<td>Professional and contract fees</td>
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<td>3,851</td>
<td>5,232</td>
<td>27,085</td>
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<td>21,841</td>
<td>55,757</td>
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<td>13,414</td>
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<td>4,836</td>
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<td>1,500</td>
<td>7,157</td>
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<tr>
<td>Other</td>
<td>367</td>
<td>1,976</td>
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<td>8,352</td>
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<td>Meetings attended</td>
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<td>3,569</td>
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<td>Meetings hosted</td>
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<td>1,462</td>
<td>4,100</td>
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<tr>
<td>Travel - Local</td>
<td>18,554</td>
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<tr>
<td>Travel - Out of town</td>
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<td>3,443</td>
<td>647</td>
<td>8,794</td>
</tr>
<tr>
<td>Fundraising events</td>
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<td>160,690</td>
<td>160,690</td>
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<tr>
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<td>$1,661,871</td>
<td>$212,367</td>
<td>$668,121</td>
<td>$2,542,359</td>
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</tbody>
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