Urban Arts Partnership

Financial Statements and Supplementary Information

Year Ended June 30, 2021

Urban Arts Partnership

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Urban Arts Partnership

Contents

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Independent Auditor's Report

To the Board of Directors
Urban Arts Partnership
New York, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Urban Arts Partnership (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS and *Government 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.

In performing an audit in accordance with GAAS and *Government 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 the Organization's 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 the Organization's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes 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. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

New York, New York
May 10, 2022

Financial Statements

Urban Arts Partnership

Statement of Financial Position

June 30, 2021

Assets		
Cash and cash equivalents	$	1,006,579
Investments		1,530,833
Contracts and contributions receivable		1,455,987
Security deposit		216,658
Prepaid expenses		32,773
Property and equipment, net		547,275
Total Assets	$	4,790,105
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	430,056
Deferred rent		337,340
Refundable advances		26,319
Refundable advance from Paycheck Protection Program		46,496
Total Liabilities		840,211
Net Assets		
Without donor restrictions		3,696,779
With donor restrictions		253,115
Total Net Assets		3,949,894
Total Liabilities and Net Assets	$	4,790,105

See accompanying notes to the financial statements.

Urban Arts Partnership

Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions			
Board	$ 413,042	$ -	$ 413,042
Individuals	67,243	60,000	127,243
Corporations	1,129,000	-	1,129,000
Foundations	303,000	30,000	333,000
Special events, net of direct donor benefits of $38,853	164,433	-	164,433
In-kind donations	243,593	-	243,593
	2,320,311	90,000	2,410,311
Program service revenues			
Government grants			
State and local	1,467,932	-	1,467,932
Federal	1,982,652	-	1,982,652
Program fees	196,854	-	196,854
	3,647,438	-	3,647,438
Other income			
Investment income, net	145,921	-	145,921
Other income	42,345	-	42,345
	188,266	-	188,266
Net assets released from restrictions	239,466	(239,466)	-
Total Revenues and Support	6,395,481	(149,466)	6,246,015
Expenses			
Program	3,660,947	-	3,660,947
Management and general	967,404	-	967,404
Fundraising	531,215	-	531,215
Total Expenses	5,159,566	-	5,159,566
Change in Net Assets	1,235,915	(149,466)	1,086,449
Net Assets, beginning of year	2,460,864	402,581	2,863,445
Net Assets, end of year	$ 3,696,779	$ 253,115	$ 3,949,894

See accompanying notes to the financial statements.

Urban Arts Partnership

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries				
Operations personnel	$ 113,885	$ 265,732	$ -	$ 379,617
Development personnel	358,807	23,685	335,122	717,614
Program personnel	1,513,983	-	-	1,513,983
Total Salaries	1,986,675	289,417	335,122	2,611,214
Fringe benefits and payroll taxes	294,381	131,729	36,921	463,031
Retirement	29,085	10,222	17,721	57,028
Program supplies and equipment	184,765	1,534	4,553	190,852
Scholarship	-	41,108	-	41,108
Travel and related expenses	1,955	1,009	239	3,203
Consultants and professional fees	540,236	123,802	40,321	704,359
Public relations and marketing	7,500	1,044	8,145	16,689
Occupancy	387,586	48,096	49,425	485,107
Insurance	8,182	1,192	1,380	10,754
Recruitment	1,675	3,730	657	6,062
Professional development	2,444	472	404	3,320
Office expenses	14,074	6,957	3,491	24,522
Payroll service	54,980	6,872	6,872	68,724
Dues and subscriptions	596	9,395	1,639	11,630
Postage and delivery	2,135	1,340	79	3,554
Credit card and bank fees	400	65	12,808	13,273
Depreciation and amortization	144,022	45,553	11,388	200,963
In-kind services	-	243,593	-	243,593
Other	256	274	50	580
Total Expenses	$ 3,660,947	$ 967,404	$ 531,215	$ 5,159,566

See accompanying notes to the financial statements.

Urban Arts Partnership

Statement of Cash Flows

Year ended June 30, 2021	
Cash Flows from Operating Activities	
Change in net assets	$ 1,086,449
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	200,963
Realized gain on investments	(22,756)
Unrealized gain on investments	(89,439)
Gain on sale of property and equipment	(124)
Changes in operating assets and liabilities:	
Contracts and contributions receivable	(575,619)
Security deposit	27,964
Prepaid expenses	18,415
Accounts payable and accrued expenses	134,216
Deferred rent	(15,277)
Refundable advances	(36,601)
Refundable advance from Paycheck Protection Program	(318,983)
Net Cash Provided by Operating Activities	409,208
Cash Flows from Investing Activities	
Purchases of investments	(2,222,744)
Proceeds from sale of investments	1,679,089
Purchases of property and equipment	(11,364)
Proceeds from sale of property and equipment	680
Net Cash Used in Investing Activities	(554,339)
Net Decrease in Cash and Cash Equivalents	(145,131)
Cash and Cash Equivalents, beginning of year	1,151,710
Cash and Cash Equivalents, end of year	$ 1,006,579

See accompanying notes to the financial statements.

1. The Organization

Urban Arts Partnership (the "Organization") is incorporated under the laws of the State of New York.

The Organization is a leading arts educator in New York City and a contributing innovator in public education reform. The Organization serves more than 100 schools across New York City, advancing the intellectual, social and artistic development of underserved students through arts-integrated education programs to close the achievement gap.

The Organization provides arts-based education programming to influence and affect how subject matter is taught in public school classrooms so that the students will be more engaged in their learning, develop 21st century skills, and be prepared for the modern world. Nearly one hundred percent of the schools served are Title I (high poverty) learning communities. The Organization aims to engage and improve the performance of various student groups, including English Language Learners (recent immigrants), students in temporary housing, students with Individualized Education Plans (IEPs), students with social behavioral problems, students entering school at low achievement levels, and exceptional students who are not provided with opportunities to express their capacity.

The Organization, as determined by the Internal Revenue Service, is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (“IRC”) as an organization described in Section 501(c)(3) of the IRC and under the corresponding provisions of the New York State tax laws. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

2. Significant Accounting Policies

Financial Statement Presentation

The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The classification of the Organization’s net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

> Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.
>
> Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contracts and Contributions Receivable

Contracts receivable are recorded net of an allowance for expected losses and are written off against the allowance when they are determined to be uncollectible. Contributions receivable represent unconditional promises to give by donors. At June 30, 2021, the Organization had contracts and contributions receivable of $1,455,987. The Organization has determined tha t no allowance for expected losses and uncollectible accounts for contracts and contributions receivable is necessary as of June 30, 2021. The Organization did not recognize bad debt expense for the year ended June 30, 2021.

Propertyand Equipment, Net

Property and equipment, net are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts, less accumulated depreciation, and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the asset or the term of the lease. The Organization has established a $3,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Impairment

The Organization reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Organization recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2021.

Revenue Recognition

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Unconditional contributions without donor restrictions are recognized as revenue or support in changes in net assets without donor restrictions when received or promised. Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions. Contribution accounting is applied under Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*.

Federal, state and local government grants revenues are evaluated for contributions that are conditional. Factors indica ting the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return assets transferred or a right of release of a funder's obligation to transfer the assets. Revenue from federal, state and local government grants and contracts are recorded by the Organization when qualifying expenditures are incurred and billable to the government, or when required services have been provided. Funds received in advance for which qualifying expenditures have not been incurred, if any, are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

The Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606") on July 1, 2020 using the modified retrospective method applied to all contracts not completed as of the date of adoption. The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. Therefore, any comparative information has not been adjusted. No adjustment to the Organization's beginning net assets was required as a result of adopting Topic 606.

Topic 606 applies to the Organization's program fee revenue that is determined to be an exchange transaction. Program fees are recognized in the period in which the performance takes place. Program fees are recognized at a point in time when the program services are provided to the customer.

Topic 606 also applies to revenue from special events that the Organization holds throughout the year that is determined to be an exchange transaction. A portion of the gross proceeds paid by the attendees represents payments for direct costs of the benefits received by the attendees at the event. Unless a verifiable, objective means exists to demonstrate the fair value, meals and entertainment provided at special events are measured at the actual cost to the Organization. All proceeds received in excess of direct costs are recorded as special events support in the accompanying statement of activities. The benefit to the donors and contributors of the events is typically limited to recognition during the event.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization elected to the optional exemption provided under ASC 606. Therefore, it is not required to disclose the aggerate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities and include certain costs that have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. The financial statements report expenses that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

2. Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

Supporting services are categorized as follows:

- Management and general – these expenses relate to oversight, management and administration.
- Fundraising – these expenses relate to business development, and maintenance and engagement of donors of major gifts, planned giving and community campaigns.

All of the expenses listed are allocated on the basis of time and effort:

Expense
Payroll and related costs
Advertising
Office expenses and supplies
Auto and transportation
Telephone and utilities
Insurance
Professional fees and outside services

Advertising

The Organization expenses advertising costs as incurred. The Organization incurred $16,689 of advertising costs for the year ended June 30, 2021, which is included in the accompanying statement of functional expenses under public relations and marketing.

Deferred Rent

In accordance with U.S. GAAP, rent expense is recognized on a straight-line basis over the life of the lease, including future scheduled escalations of rent, rather than in accordance with lease payments. Deferred rent represents the adjustment to future rents as a result of using the straight-line method.

Donated Services

Donated services that meet the requirement for recognition and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are recorded as in-kind donations with the same amounts recorded as expense primarily in fundraising and program services. Total donated services for the year ended June 30, 2021 was $243,593.

A substantial number of volunteers have donated significant amounts of their time to the Organization; however, no amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

Income Taxes

The Organization follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure, and transition.

2. Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization files informational returns in the federal jurisdiction. The Organization is subject to federal tax examinations for all fiscal years in which informational returns were filed.

The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the Organization would classify it as interest expense. The Organization would classify penalties in connection with underpayments of income tax as other expense.

Investments

Investments are recorded at fair value based upon quoted market prices. Investment income includes dividends, interest, and realized and unrealized gains and losses on investments carried at fair value and is recorded net of investment fees. Investment income is recorded as income without donor restrictions in the statement of activities.

Fair Value Measurements and Fair Value – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumptions about inputs used by market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

> Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
>
> Level 2 - Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
>
> Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income approach - Techniques to convert future amounts to a single present value amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

2. Significant Accounting Policies (continued)

Adopted Accounting Pronouncement

During the year ended June 30, 2021, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of July 1, 2020 using the modified-retrospective approach. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The Organization's revenue is derived primarily from government grants, contributions, program fees, and special events support. Government grants are recognized as revenue in accordance with the terms of the respective grant. Contributions are recognized as revenue when promised or received, or when all donor-imposed barriers are overcome or explicitly waived by the donor. Program fees are recognized as revenue in the period in which the performance takes place. Special events support is recognized as revenue in the period in which the event takes place. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of ASU 2016-02.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. The Organization is currently evaluating the impact of the adoption of ASU 2020-07.

3. Liquidity and Availability of Resources

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipa ted liquidity needs, the Organization has a committed line of credit which it could draw upon (Note 8). In addition, the Organization invests excess cash in mutual funds, which are highly liquid investments.

3. Liquidity and Availability of Resources (continued)

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 1,006,579
Investments	1,530,833
Contracts and contributions receivable	1,455,987
Total financial assets	3,993,399
Less amounts unavailable for general expenditures within one year due to:	
Restricted by contract with time or purpose	(253,115)
Total financial assets available to management for general expenditures within one year	$ 3,740,284

4. Investments

Determination of Fair Values

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" notion reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization measures the fair values of the mutual funds based on quoted market prices.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with these investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and the statement of activities.

The following table presents by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021. As required by fair value measurement accounting standards, investments are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

June 30, 2021	Fair Value on a Recurring Basis	Quoted Market Prices in Active Market for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 1,530,833	$ 1,530,833	$ -	$ -

4. Investments (continued)

Determination of Fair Values (continued)

The aggregate cost basis, gross unrealized gains and losses, and fair market value of the investments at June 30, 2021 are as follows:

June 30, 2021	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mutual funds	$ 1,403,887	$ 126,946	$ -	$ 1,530,833

The components of the activity of the Organization's mutual funds as of June 30, 2021 are as follows:

Investments, beginning of year	$ 874,983
Purchase of investments	2,222,744
Sale of investments	(1,679,089)
Realized gain on investments	22,756
Unrealized gain on investments reported at fair value	89,439
Investments, end of year	$ 1,530,833

5. Contracts and Contributions Receivable

Contracts and contributions receivable are comprised of the following at June 30, 2021:

Contracts and program services	$ 940,462
Unconditional promises to give	80,000
Contributions receivable and other	435,525
	$ 1,455,987

Contracts and program services receivable consist of receivables under various programs and grants. All amounts are expected to be collected within the next year.

6. Property and Equipment, Net

Property and equipment, net consist of the following as of June 30, 2021:

		Estimated Useful Lives
Leasehold improvements	$ 809,712	Life of lease
Office and school equipment	642,046	5-7 years
Furniture and fixtures	126,816	7 years
Software	29,503	3 years
	1,608,077	
Less: accumulated depreciation and amortization	(1,060,802)	
	$ 547,275	

6. Property and Equipment, Net (continued)

Depreciation and amortization expense amounted to $200,963 for the year ended June 30, 2021.

7. Refundable Advance from Paycheck Protection Program

In May 2020, the Organization received a Paycheck Protection Program ("PPP") loan of $782,378 (the "first PPP Loan") granted by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). In January 2021, the Organization received an additional PPP loan of $780,123 (the "second PPP loan"). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses, such as utilities, incurred during the qualifying period.

During the year ended June 30, 2021, the Organization recognized $1,099,105 of the amounts received as grant revenue based on the qualifying expenditures incurred and barriers to entitlement being met. In August 2021, the Organization received notifica tion from the SBA tha t the Organization's forgiveness application of their first PPP Loan and accrued interest was approved in full, and the Organization has no further obligations from their first PPP Loan. In February 2022, the Organization received notification from the SBA that the Organization's forgiveness application of their second PPP Loan and accrued interest was approved in full, and the Organization has no further obligations from their second PPP Loan.

At June 30, 2021, the Organization recorded $46,496 as a refundable advance from the Paycheck Protection Program for funds received in advance for which qualifying expenditures have not yet been incurred and barriers to entitlement have not been met.

8. Line of Credit

On August 6, 2020, the Organization entered into a line of credit agreement with J.P. Morgan Chase Bank that has a maximum borrowing limit of $1,000,000. The line is secured by the Organization's assets and expired on August 6, 2021. Borrowings bear interest at LIBOR plus 3.00% and require monthly payments of interest only. The line of credit requires an annual pay down for a period of thirty consecutive days. There were no borrowings outstanding as of June 30, 2021.

There was no interest expense related to the line of credit for the year ended June 30, 2021.

On October 14, 2021, the Organization entered into a line of credit agreement with J.P. Morgan Chase Bank that has a maximum borrowing limit of $1,000,000. The line is secured by the Organization's assets and will expire on October 17, 2022. Borrowings bear interest at LIBOR plus 3.00% and require monthly payments of interest only. The line of credit requires an annual pay down for a period of thirty consecutive days.

9. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions consists of the following:

	Balance, July 1, 2020	Contributions	Satisfaction of Restrictions	Balance, June 30, 2021
Purpose restriction	$ 302,581	$ 60,000	$ (189,466)	$ 173,115
Time restriction	100,000	30,000	(50,000)	80,000
	$ 402,581	$ 90,000	$ (239,466)	$ 253,115

10. Retirement Plan

The Organization maintains a Section 403(b) tax deferred annuity plan which is a retirement savings program that allows eligible employees to set aside a portion of their respective compensation on a pre-tax basis limited to the maximum allowed by the law. The Organization matches employees' contributions up to a maximum of 3.0% of the respective compensation, as defined. During the year ended June 30, 2021, the Organization contributed $57,028.

11. Risk Management

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts at a major financial institution tha t, at times, exceed the Federal Deposit Insurance Corporation insured limits of $250,000 per depositor.

The Organization relies on outside parties such as financial institutions where they maintain investment balances and at times during the year, the amount on deposit may exceed the amount insured by the Securities Investor Protection Corporation. The nonperformance of any of these parties could expose the Organization to various risks.

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Organization maintains commercial insurance to help protect itself from such risks.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The impact of the outbreak of the COVID-19 coronavirus continues to rapidly evolve. The Organization cannot reasonably estimate the duration and severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse impact on the Organization’s activities, its financial position and its cash flows. The Organization believes they are taking appropriate actions to mitigate the negative impact.

On March 27, 2020, the CARES Act was signed into law in response to the COVID-19 pandemic. The CARES Act includes many measures to provide relief to companies and organizations. As discussed in Note 7, the Organization applied for and received a first PPP Loan and second PPP Loan in the amounts of $782,378 and $780,123, respectively. The first PPP Loan and second PPP Loan were both fully forgiven during fiscal year 2022.

12. Concentrations

The Organization receives a significant portion of its revenues from the New York City Department of Education (“NYCDOE”) and the New York City Department of Youth and Community Development (“DYCD”), in connection with the provision of services. A significant amount of this revenue is subject to audit by the NYCDOE, DYCD and other governmental units. In the opinion of management, any possible disallowances by the related governmental agencies, resulting from their audit, will not have a material effect on the accompanying financial statements.

Three major funding sources accounted for approximately 51% of total revenue during the year ended June 30, 2021.

12. Concentrations (continued)

Two major funding sources accounted for approximately 67% of contracts and contributions receivable at June 30, 2021.

Three major vendors accounted for approximately 51% of accounts payable at June 30, 2021.

13. Commitments and Contingencies

Lease

In April 2016, the Organization entered into a lease agreement with a term of ten years and five months for the office facilities at 39 West 19th Street, New York, NY 10011. The lease provides free rent for the first five months following the commencement date, fixed as August 1, 2016. The lease also includes an optional five-year renewal term.

As part of the lease agreement, the Organization was required to pay an initial security deposit of $241,582, plus additional security deposits every year. The security deposit related to this lease totaled $216,658 as of June 30, 2021.

Future minimum rental lease payments are as follows:

Year ending June 30,		
2022	$	474,867
2023		489,113
2024		503,787
2025		518,900
2026		534,467
Thereafter		267,884
	$	2,789,018

Rent expense for the year ended June 30, 2021 was $468,127 and is included in occupancy costs on the statement of functional expenses.

Employment Contract

The Organization has an employment contract with the Chief Executive Officer ("CEO") stipulating duties, compensation and benefits. The employment contract automatically renews annually unless the CEO resigns or is terminated.

14. Subsequent Events

The Organization has evaluated events through May 10, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

Urban Arts Partnership

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Office of Innovation and Improvement				
Education Innovation and Research	84.411C	Not Applicable	-	$ 488,962
Arts in Education	84.351D	Not Applicable	-	358,338
Total U.S. Department of Education, Office of Innovation and Improvement				847,300
National Endowment of the Arts				
Promotion of the Arts Grants to Organizations and Individuals	45.024	Not Applicable	-	36,247
Total National Endowment for the Arts				36,247
Total Expenditures of Federal Awards				$ 883,547

The accompanying notes are an integral part of this schedule.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Urban Arts Partnership (a not-for-profit organization) (the "Organization") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance until March 11, 2022. On March 11, 2022, the Organization received an approved provisional negotiated indirect cost rate of 13.8% for the year ended June 30, 2022, effective July 1, 2021.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Urban Arts Partnership
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Urban Arts Partnership (the "Organization"), which comprise the Organization's statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

New York, New York
May 10, 2022

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Urban Arts Partnership
New York, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Urban Arts Partnership's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the of the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

New York, New York
May 10, 2022

Urban Arts Partnership

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ Yes	✓ No
• Significant deficiency(ies) identified?	______ Yes	✓ None reported
Noncompliance material to financial statements noted?	______ Yes	✓ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	______ Yes	✓ No
• Significant deficiency(ies) identified?	______ Yes	✓ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ Yes	✓ No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
84.411C	Education Innovation and Research

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	______ Yes	✓ No

Section II – Financial Statement Findings

There were no findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

Section III – Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516 (a)) that are required to be reported.