

**NEW ENGLAND CENTER FOR ARTS
AND TECHNOLOGY, INC.**

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITORS' REPORT

December 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New England Center for Arts and Technology, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of **New England Center for Arts and Technology, Inc.** (a Massachusetts not-for-profit corporation) as of December 31, 2011 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **New England Center for Arts and Technology, Inc.**'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of **New England Center for Arts and Technology, Inc.** as of December 31, 2011, and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rucci, Bardaro & Barrett, PC

Rucci, Bardaro & Barrett, PC
Certified Public Accountants

October 18, 2012

New England Center for Arts and Technology, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 7,546
Investments	500,681
Unconditional promise to give	<u>16,000</u>

Total current assets 524,227

PROPERTY AND EQUIPMENT

Net cash used by operating activities	2,977
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OTHER ASSETS

Unconditional promise to give	<u>16,000</u>
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TOTAL ASSETS \$ 543,204

LIABILITIES AND NET ASSETS

NET ASSETS

Unrestricted	\$ 3,500
Temporarily restricted	<u>539,704</u>

Total net assets 543,204

TOTAL LIABILITIES AND NET ASSETS \$ 543,204



The accompanying notes are an integral part of the financial statements.

New England Center for Arts and Technology, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ 155,230	\$ 539,023	\$ 694,253
Investment income	405	681	1,086
Total revenue	<u>155,635</u>	<u>539,704</u>	<u>695,339</u>
EXPENSES			
Books and journals	8,318	-	8,318
Computer expenses	2,258	-	2,258
to net cash flows used by operating activities:	250	-	250
Office	3,803	-	3,803
Professional fees	30,870	-	30,870
Contractors - administrative	97,050	-	97,050
Net cash used by operating activities	50	-	50
Telephone	881	-	881
Travel and meetings	9,490	-	9,490
Total expenses	<u>152,970</u>	<u>-</u>	<u>152,970</u>
CHANGE IN NET ASSETS	2,665	539,704	542,369
NET ASSETS, beginning of year	<u>835</u>	<u>-</u>	<u>835</u>
NET ASSETS, end of year	<u>\$ 3,500</u>	<u>\$ 539,704</u>	<u>\$ 543,204</u>



The accompanying notes are an integral part of the financial statements.

New England Center for Arts and Technology, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 542,369
Adjustments to reconcile change in net assets to net cash flows used by operating activities:	
Unrealized gain on investments	(681)
Contributions restricted for long-term purposes	(510,000)
Change in operating assets:	
Unconditional promise to give	<u>(32,000)</u>
Net cash used by operating activities	<u>(312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(749,995)
Proceeds from sale of investments	249,995
Purchase of property and equipment	<u>(2,977)</u>
Net cash used by investing activities	<u>(502,977)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Collections of contributions restricted for long-term purposes	<u>510,000</u>
NET CHANGE IN CASH	6,711
CASH BALANCE, beginning of year	<u>835</u>
CASH BALANCE, end of year	<u><u>\$ 7,546</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest expense	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>



The accompanying notes are an integral part of the financial statements.

New England Center for Arts and Technology, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2011

	<u>Administration (Mgmt. & Gen)</u>	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Employee compensation and related expenses	\$ -	\$ -	\$ -	\$ -
Occupancy	-	-	-	-
Contractors and related expenses	97,050	-	-	97,050
Other program/operating expenses	35,854	-	20,066	55,920
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 132,904</u>	<u>\$ -</u>	<u>\$ 20,066</u>	<u>\$ 152,970</u>



The accompanying notes are an integral part of the financial statements.

New England Center for Arts and Technology, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE A - THE ORGANIZATION

New England Center for Arts and Technology, Inc. ("NECAT" or the "Organization") is a non-profit corporation organized in Massachusetts in April 2010. The principal purpose of the Organization is to establish a landmark educational center in an inner-city community where it will develop industry-specific job-training programs that are affordable and accessible to adults who are underemployed, unemployed or transitioning from public assistance programs. The Organization also anticipates partnering with the Boston Public Schools to provide extended day, year-round experiential programs in the visual arts. The Organization is engaged to act exclusively for educational and charitable purposes as defined in section 501(c)(3) of the Internal Revenue Code.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with the Accounting Standard Boards Accounting Standard Codification ("ASC") *Financial Statements of Not-For-Profit Organizations*. Under this standard, **NECAT** is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

The accompanying financial statements have also been prepared in accordance with ASC *Accounting for Contributions Received and Contributions Made* which requires that contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a temporary restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, temporarily restricted contributions are reported as unrestricted when the restrictions have been met in the same accounting period.



New England Center for Arts and Technology, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

2. **Cash and Cash Equivalents**

The Organization maintains cash in interest-bearing bank accounts, which are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2013. Cash in interest-bearing bank accounts may exceed FDIC insurance limits from time-to-time during the year in the ordinary course of business, which Management does not believe exposes the Organization to significant risk of loss. As of December 31, 2011, the Organization did not have cash in interest-bearing accounts in excess of FDIC coverage limits. The Company also maintains cash in non-interest-bearing bank accounts, which are insured by the FDIC in full through December 31, 2012.

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

3. **Investments**

Investments in marketable debt securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

4. **Property and Equipment**

NECAT records property and equipment at cost. The ASC Standards require recognition of depreciation for long-lived assets for financial statements of not-for-profit organizations. Depreciation and amortization is recorded on a straight line basis over periods ranging from 3-20 years, based on the estimated useful life of the related property to operations. The Organization has capitalized construction expenses for property that has not been placed into service as of December 31, 2011.



New England Center for Arts and Technology, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

4. **Property and Equipment - Continued**

The costs of normal repairs and maintenance are charged to operating expenses as incurred. Major equipment purchases, renewals, betterments, and additions are capitalized.

5. **Income Taxes**

NECAT is registered with the Internal Revenue Service as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, files information returns on Federal Form 990 and Massachusetts Form PC as a public charity.

Under certain circumstances, NECAT could be liable for tax under I.R.C. Section 512, Unrelated Business Taxable Income. As of, and for the year ended December 31, 2011, no such circumstances occurred. Accordingly, no income tax payment was made nor required for the period then ended.

ASC Accounting for Uncertainty in Income Taxes clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before recognized in the financial statements. It also provides guidance on de-recognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, and disclosures required. NECAT's 2011 and 2010 tax years are subject to examination. NECAT's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no such interest or penalties recognized for the 2011 and 2010 tax years.

6. **Revenue Recognition**

NECAT receives support from individual contributions and grants. This support is recorded on the accrual basis of accounting. Promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. In-kind contributions are generally recognized when received as further discussed in Note E.



New England Center for Arts and Technology, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

7. **Use of Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates making it reasonably possible that a change in these estimates could occur in the near future.

8. **Fair Value Measurements**

NECAT applies the ASC's *Fair Value Measurements* standard for fair value measurements on financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. This standard defines fair value 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. It also establishes a framework for measuring fair value and expands disclosures about fair value measurements. A fair value hierarchy places the highest priority on measurements with significant observable inputs (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. **NECAT** had no significant financial assets requiring further disclosure under this topic.

The following table sets forth by level within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 7,546	\$ -	\$ -	\$ 7,546
Mutual funds	<u>500,681</u>	<u>-</u>	<u>-</u>	<u>500,681</u>
Total assets at fair value	<u>\$ 508,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,227</u>



New England Center for Arts and Technology, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those amounts received with donor restrictions which have not yet been expended for their designated purpose or unconditional promises to give that have not yet been received. The balance in the temporarily restricted net asset fund was \$539,704 as of December 31, 2011. There were no temporarily restricted funds expended for the year ended December 31, 2011.

Temporarily restricted net assets are available for the following purposes as of December 31, 2011:

Construction of educational center	\$	507,704
Unconditional promises to give		<u>32,000</u>
Total temporarily restricted net assets	\$	<u>539,704</u>

NOTE D - PROMISES TO GIVE

Unconditional promises to give consist of the following:

Unrestricted promises	\$	32,000
Less: Unamortized discount		<u>-</u>
Net unconditional promises to give	\$	<u>32,000</u>
Amounts due in:		
Less than one year	\$	16,000
One to five years		<u>16,000</u>
Total unconditional promises to give	\$	<u>32,000</u>

NOTE E - CONTRIBUTED SERVICES

The Organization receives significant amounts of services donated by supporters and other volunteers in carrying out the Organization's mission. These services include specialized legal and accounting fees of \$22,011 that have been reflected in the financial statements. No other donated services meet the criteria for recognition.



New England Center for Arts and Technology, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE F - RELATED PARTIES

The Organization received architectural and design services from a firm that is part-owned by a relative of the President of the Organization. The President has disclosed this relationship to the Organization's board of directors and the board has approved the services. Amounts regarding these services have been determined to be a reflection of market value. Architectural and design services to the related party totaled \$2,977 for the year ended December 31, 2011.

Payments were also made to a member of the President of the Organization's immediate family for providing services with its communications and events planning. The President has disclosed this relationship to the Organization's board of directors and the board has approved the services. Amounts regarding these services have been determined to be a reflection of market value. These services totaled \$2,250 for the year ended December 31, 2011.

NOTE G - INVESTMENT INCOME

The following schedule summarizes investment income and their classification in the statement of activities at December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 405	\$ -	\$ 405
Net unrealized gains	<u>-</u>	<u>681</u>	<u>681</u>
Total investment income	<u>\$ 405</u>	<u>\$ 681</u>	<u>\$ 1,086</u>

NOTE H - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2012, the date the financial statements were available to be issued. Other than the two disclosures below, there are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.



New England Center for Arts and Technology, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE H - SUBSEQUENT EVENTS - Continued

On June 15, 2012, NECAT entered into a one-year agreement with the National Center for Arts & Technology, Inc. ("NCAT"). NCAT will provide assistance to NECAT in developing the center to provide youth arts education and adult career training, the hiring and training of candidates for officers, managers and staff and marketing and fundraising. They will also grant NECAT a license to use Manchester Bidwell Corporation's ("MBC") curricula. NECAT agreed to adopt and implement NCAT branding elements and to implement record keeping and monitoring procedures. NECAT agreed to pay MBC \$150,000 in three equal installments in exchange for these services.

On July 18, 2012, NECAT entered into a ten-year lease for part of a building and attached garage located at 23-27 Bradston Street, Boston, MA. The annual base rent will be \$231,700 payable in monthly installments of \$19,308 and required a security deposit of \$94,871.

