

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

FINANCIAL STATEMENTS

**and**

INDEPENDENT AUDITORS' REPORT

**December 31, 2012**



## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Cash Flows .....	5
Statements of Functional Expenses .....	6
Notes to Financial Statements.....	7-14





## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of **New England Center for Arts and Technology, Inc.** (a Massachusetts not-for-profit corporation), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, 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.

### **Auditors' 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 of 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 auditors' 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.

## **INDEPENDENT AUDITORS' REPORT - CONTINUED**

### **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, 2012 and 2011, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the **New England Center for Arts and Technology, Inc.** 2011 financial statements, and our report, dated October 18, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the Summarized Comparative Information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Rucci, Bardaro & Falzone, PC*

Rucci, Bardaro & Falzone, PC  
Certified Public Accountants

April 30, 2013



# New England Center for Arts and Technology, Inc.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2012

(with comparative totals as of December 31, 2011)

### ASSETS

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 144,212	\$ 7,546
Investments	289,383	500,681
Prepaid expenses	15,812	-
Unconditional promises to give	<u>389,000</u>	<u>16,000</u>
<b>Total current assets</b>	<u>838,407</u>	<u>524,227</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	143,601	-
Leasehold improvements	<u>118,041</u>	<u>2,977</u>
<b>Total property and equipment</b>	<u>261,642</u>	<u>2,977</u>
<b>OTHER ASSETS</b>		
Deposits	94,871	-
Unconditional promise to give	<u>-</u>	<u>16,000</u>
<b>Total other assets</b>	<u>94,871</u>	<u>16,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,194,920</u>	<u>\$ 543,204</u>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 203,607</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Unrestricted	282,199	3,500
Temporarily restricted	<u>709,114</u>	<u>539,704</u>
<b>Total net assets</b>	<u>991,313</u>	<u>543,204</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,194,920</u>	<u>\$ 543,204</u>



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

## New England Center for Arts and Technology, Inc.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**For the year ended December 31, 2012**  
**(with comparative totals as of December 31, 2011)**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	For Comparative Purposes Only
<b>REVENUE</b>				
Contributions and grants	\$ 313,245	\$ 595,000	\$ 908,245	\$ 694,253
Investment income	7,273	1,178	8,451	1,086
Net assets released from restrictions	222,221	(222,221)	-	-
<b>Total revenue</b>	542,739	373,957	916,696	695,339
<b>EXPENSES</b>				
Rent	-	199,383	199,383	-
Contractors - administrative	107,166	-	107,166	97,050
Professional fees	91,245	-	91,245	30,870
Licensing fees	50,000	-	50,000	-
Travel and meetings	8,959	-	8,959	9,490
Insurance	-	3,276	3,276	250
Licenses and filing fees	2,334	-	2,334	-
Computer expenses	2,020	-	2,020	2,258
Utilities	-	1,888	1,888	-
Office	1,583	-	1,583	3,803
Telephone	433	-	433	881
Charitable contributions	300	-	300	-
Books and journals	-	-	-	8,318
Taxes - other	-	-	-	50
<b>Total expenses</b>	264,040	204,547	468,587	152,970
<b>CHANGE IN NET ASSETS</b>	278,699	169,410	448,109	542,369
<b>NET ASSETS, beginning of year</b>	3,500	539,704	543,204	835
<b>NET ASSETS, end of year</b>	\$ 282,199	\$ 709,114	\$ 991,313	\$ 543,204



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

# New England Center for Arts and Technology, Inc.

## STATEMENTS OF CASH FLOWS

**For the year ended December 31, 2012  
(with comparative totals as of December 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 448,109	\$ 542,369
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized gain on investments	(1,178)	(681)
Contributions restricted for long-term purposes	(200,000)	(510,000)
Change in operating assets and liabilities:		
Prepaid expenses	(15,812)	-
Unconditional promises to give	(357,000)	(32,000)
Deposits	(94,871)	-
Accounts payable and accrued expenses	203,607	-
	<u>(17,145)</u>	<u>(312)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(247,958)	(749,995)
Proceeds from sale of investments	460,434	249,995
Purchase of property and equipment	(258,665)	(2,977)
	<u>(46,189)</u>	<u>(502,977)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Collections of contributions restricted for long-term purposes	200,000	510,000
	<u>136,666</u>	<u>6,711</u>
<b>NET CHANGE IN CASH</b>	<u>136,666</u>	<u>6,711</u>
<b>CASH BALANCE, beginning of year</b>	<u>7,546</u>	<u>835</u>
<b>CASH BALANCE, end of year</b>	<u>\$ 144,212</u>	<u>\$ 7,546</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash <b>paid</b> during the year for:		
Interest expense	\$ -	\$ -
Income taxes	\$ -	\$ -



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

**New England Center for Arts and Technology, Inc.**

STATEMENTS OF FUNCTIONAL EXPENSES

**For the years ended December 31, 2012  
(with comparative totals as of December 31, 2011)**

	2012				2011			
	Administration (Mgmt. & Gen)	Program	Fundraising	Total	Administration (Mgmt. & Gen)	Program	Fundraising	Total
Employee compensation and related expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy	201,271	-	-	201,271	-	-	-	-
Contractors and related expenses	107,166	-	-	107,166	97,050	-	-	97,050
Other program/operating expenses	101,191	50,000	8,959	160,150	35,854	-	20,066	55,920
Depreciation	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<u>\$ 409,628</u>	<u>\$ 50,000</u>	<u>\$ 8,959</u>	<u>\$ 468,587</u>	<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, 2012 and 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 accounting principles generally accepted in the United States of America. Under these principles, **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.

These principles also require 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, 2012 and 2011

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

**2. Cash and Cash Equivalents**

Cash in bank accounts may exceed Federal Deposit Insurance Corporation ("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, 2012, the FDIC insures cash balances in banks up to \$250,000, and the uninsured portion of this balance was \$0.

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. Accounting principles generally accepted in the United States of America require recognition of depreciation for long-lived assets for financial statements of not-for-profit organizations. The Organization has capitalized construction expenses for property that has not been placed into service as of December 31, 2012.

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

**5. Functional Expenses and Allocation of Management and General**

Expenses are allocated to program and supporting services based on management's estimates.



# New England Center for Arts and Technology, Inc.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

6. **Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

7. **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, 2012, no such circumstances occurred. Accordingly, no income tax payment was made nor required for the period then ended.

Accounting principles generally accepted in the United States of America clarify the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before recognized in the financial statements. They also provide 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. The Organization's 2012, 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 2012 and 2011 tax years.

8. **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, 2012 and 2011

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

**9. 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.

**10. Fair Value Measurements**

NECAT applies accounting principles generally accepted in the United States of America for fair value measurements on financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. These principles define 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. These principles also establish a framework for measuring fair value and expand 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, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Invested cash	\$ 25,680	\$ -	\$ -	\$ 25,680
Mutual funds				
Income funds	106,338	-	-	106,338
Other funds	157,365	-	-	157,365
Total assets at fair value	<u>\$ 289,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,383</u>



# New England Center for Arts and Technology, Inc.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

**December 31, 2012 and 2011**

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

**10. Fair Value Measurements - Continued**

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>
Invested cash	\$ 412	\$ -	\$ -	\$ 412
Mutual funds				
Income funds	249,753	-	-	249,753
Other funds	<u>250,516</u>	<u>-</u>	<u>-</u>	<u>250,516</u>
Total assets at fair value	<u>\$ 500,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,681</u>

### 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 \$709,114 and \$539,704 as of December 31, 2012 and 2011, respectively.

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

	<u>2012</u>	<u>2011</u>
Construction of educational center	\$ 320,114	\$ 507,704
Unconditional promises to give	<u>389,000</u>	<u>32,000</u>
Total temporarily restricted net assets	<u>\$ 709,114</u>	<u>\$ 539,704</u>

The Organization spent restricted funds of \$408,768 to obtain and improve a property to construct an educational center for the year ended December 31, 2012. The construction is in progress and negotiations are ongoing for to complete this phase of construction. The approximate cost of this project is \$1,650,000.



# New England Center for Arts and Technology, Inc.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

### NOTE D - PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2012</u>	<u>2011</u>
Unrestricted promises	\$ 389,000	\$ 32,000
Less: Unamortized discount	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 389,000</u>	<u>\$ 32,000</u>
Amounts due in:		
Less than one year	\$ 389,000	\$ 16,000
One to five years	<u>-</u>	<u>16,000</u>
Total unconditional promises to give	<u>\$ 389,000</u>	<u>\$ 32,000</u>

### NOTE E - RELATED PARTIES

The Organization received architectural and design services from a firm that is part-owned by a relative of the chairman of the board of directors. He 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 from the related party totaled \$42,100 and \$2,977 for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012, the Organization owes the related party \$30,068 for accrued expenses.

Payments were also made to a member of the chairman of the board of directors' immediate family for providing services with its communications and events planning. He 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 \$500 and \$2,250 for the years ended December 31, 2012 and 2011, respectively.

Included in unconditional promises to give is a pledge of \$250,000 from a foundation of which the chairman of the board of directors of the Organization is president.



# New England Center for Arts and Technology, Inc.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

### NOTE F - 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 \$78,745 and \$22,011 for the years ended December 31, 2012 and 2011, respectively, which have been reflected in the financial statements. No other donated services meet the criteria for recognition

### NOTE G - INVESTMENT INCOME

The following schedule summarizes investment income and their classification in the statement of activities at December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 2	\$ -	\$ 2
Dividend income	7,852	-	7,852
Realized losses	(271)	-	(271)
Investment fees	(310)	-	(310)
Net unrealized gains	<u>-</u>	<u>1,178</u>	<u>1,178</u>
Total investment income	<u>\$ 7,273</u>	<u>\$ 1,178</u>	<u>\$ 8,451</u>

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>



# New England Center for Arts and Technology, Inc.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

### NOTE H - LEASES AND COMMITMENTS

During July 2012, the Organization entered into a lease agreement for premises consisting of land and building located at 23 Bradston Street, Boston, Massachusetts. Rental expense under this lease for the year ended December 31, 2012 was \$179,383. The term of the lease is ten years with three five year options.

Future minimum lease payments for years subsequent to December 31, 2012 are:

2013	\$ 234,838
2014	240,709
2015	246,726
2016	252,894
2017	259,217
Thereafter	<u>946,574</u>
Total	<u>\$ 2,180,958</u>

The Organization expenses the total of the lease obligation on a straight-line basis over the term of the related lease. The Organization is responsible for utilities and insurance.

### NOTE I - SUBSEQUENT EVENTS

The Organization received a conditional promise to give for \$1,500,000 for continuing construction of the educational facility. As of April 30, 2013, they have met the conditions of the grant award letter.

Management has evaluated subsequent events through April 30, 2013, the date the financial statements were available to be issued. With the exception of the above noted item, 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.

