



Employing Youth. Inspiring Excellence.

THE URBAN ALLIANCE FOUNDATION, INC.

Financial Statements

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)



**and
Report Thereon**



THE URBAN ALLIANCE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Urban Alliance Foundation, Inc.

We have audited the accompanying financial statements of The Urban Alliance Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Continued

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Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of The Urban Alliance Foundation, Inc. as of December 31, 2019, 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.

Other Matter*Report on Summarized Comparative Information*

We have previously audited the Foundation's 2018 financial statements, and in our report dated May 30, 2019, we 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature of Marcum LLP in black ink.

Washington, DC
June 4, 2020

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(With Summarized Financial Information as of December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 3,848,945	\$ 3,086,182
Investments	3,223,852	2,821,377
Accounts receivable, net	367,910	448,363
Grants and contributions receivable, net	2,614,817	3,716,759
Other assets	81,646	71,407
Property and equipment, net	26,788	37,520
TOTAL ASSETS	\$ 10,163,958	\$ 10,181,608
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 387,597	\$ 406,523
Deferred revenue	964,514	865,543
Deferred rent	30,536	18,070
Capital lease obligation	22,338	37,230
TOTAL LIABILITIES	1,404,985	1,327,366
Net Assets		
Without donor restrictions		
Undesignated	1,389,773	1,212,368
Board-designated	2,907,000	2,604,000
Total Without Donor Restrictions	4,296,773	3,816,368
With donor restrictions		
	4,462,200	5,037,874
TOTAL NET ASSETS	8,758,973	8,854,242
TOTAL LIABILITIES AND NET ASSETS	\$ 10,163,958	\$ 10,181,608

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 224,980	\$ 3,504,861	\$ 3,729,841	\$ 4,645,816
Contracts	3,852,928	-	3,852,928	3,229,979
Federal grants	2,585,639	-	2,585,639	2,417,213
Donated facilities and services	346,120	-	346,120	374,853
Investment income, net	223,242	-	223,242	(31,684)
Other income	-	-	-	12,326
Net assets released from restrictions:				
Satisfaction of purpose restrictions	4,007,535	(4,007,535)	-	-
Satisfaction of time restrictions	73,000	(73,000)	-	-
	11,313,444	(575,674)	10,737,770	10,648,503
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
Workforce development programs	7,863,355	-	7,863,355	6,322,255
Youth programs	1,141,519	-	1,141,519	1,248,345
Program development	1,011,905	-	1,011,905	1,006,576
	10,016,779	-	10,016,779	8,577,176
Total Program Services				
Supporting Services:				
Management and general	161,583	-	161,583	246,856
Development and fundraising	654,677	-	654,677	570,840
	816,260	-	816,260	817,696
Total Supporting Services				
TOTAL EXPENSES	10,833,039	-	10,833,039	9,394,872
CHANGE IN NET ASSETS	480,405	(575,674)	(95,269)	1,253,631
NET ASSETS, BEGINNING OF YEAR	3,816,368	5,037,874	8,854,242	7,600,611
NET ASSETS, END OF YEAR	\$ 4,296,773	\$ 4,462,200	\$ 8,758,973	\$ 8,854,242

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Program Services			Supporting Services			2019 Total	2018 Total	
	Workforce Development Programs	Youth Programs	Program Development	Total Program Services	Management and General	Development and Fundraising			Total Supporting Services
Staff salaries	\$ 2,665,511	\$ 522,552	\$ 264,734	\$ 3,452,797	\$ 78,497	\$ 436,325	\$ 514,822	\$ 3,967,619	\$ 3,497,579
Program intern wages	2,915,484	282,073	-	3,197,557	-	-	-	3,197,557	2,690,758
Employee benefits	860,109	133,134	52,106	1,045,349	14,776	82,575	97,351	1,142,700	956,295
Professional fees	220,698	75,017	612,727	908,442	51,822	47,100	98,922	1,007,364	904,877
Occupancy and utilities	341,680	49,602	43,970	435,252	6,833	28,446	35,279	470,531	409,507
Student activities	235,361	16,306	-	251,667	-	-	-	251,667	192,989
Student training	230,666	6,422	-	237,088	-	-	-	237,088	240,350
Travel	139,256	20,670	11,258	171,184	127	15,884	16,011	187,195	163,102
Computer supplies	61,462	12,054	10,810	84,326	1,132	8,315	9,447	93,773	100,803
Printing	35,306	4,680	4,330	44,316	645	8,058	8,703	53,019	37,776
Miscellaneous	27,604	3,141	2,656	33,401	4,753	10,993	15,746	49,147	34,283
Telecommunications	35,623	6,818	2,320	44,761	361	2,501	2,862	47,623	54,842
Meals and entertainment	31,086	3,472	1,974	36,532	1,923	2,826	4,749	41,281	37,636
Insurance	18,855	2,737	2,426	24,018	377	1,570	1,947	25,965	20,575
Office supplies	19,281	598	657	20,536	70	465	535	21,071	19,652
Dues, fees and subscriptions	11,752	629	507	12,888	45	5,743	5,788	18,676	17,371
Depreciation and amortization	11,117	1,614	1,430	14,161	222	926	1,148	15,309	16,045
Public relations	2,504	-	-	2,504	-	2,950	2,950	5,454	432
TOTAL EXPENSES	\$ 7,863,355	\$ 1,141,519	\$ 1,011,905	\$ 10,016,779	\$ 161,583	\$ 654,677	\$ 816,260	\$ 10,833,039	\$ 9,394,872

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (95,269)	\$ 1,253,631
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in present value discount for grants and contributions	(3,784)	2,886
Change in allowance for doubtful accounts	12,900	22,839
Realized gains on investments	(633)	(85)
Unrealized losses (gains) on investments	(157,113)	85,744
Depreciation and amortization	15,309	16,045
Changes in assets and liabilities:		
Accounts receivable	67,553	(21,579)
Grants and contributions receivable	1,105,726	(954,461)
Other assets	(10,239)	(33,256)
Accounts payable and accrued expenses	(18,926)	119,926
Deferred revenue	98,971	498,219
Deferred rent	12,466	13,606
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,026,961	1,003,515
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(701,729)	(604,160)
Sale of investments	457,000	200,000
Purchase of property and equipment	(4,577)	-
NET CASH USED IN INVESTING ACTIVITIES	(249,306)	(404,160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(14,892)	(14,892)
NET CASH USED IN FINANCING ACTIVITIES	(14,892)	(14,892)
NET INCREASE IN CASH AND CASH EQUIVALENTS	762,763	584,463
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,086,182	2,501,719
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,848,945	\$ 3,086,182

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

THE URBAN ALLIANCE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies

Organization

The Urban Alliance Foundation, Inc. (the Foundation) was incorporated on August 11, 1995, under the laws of the District of Columbia. The Foundation was originally founded and created by a small group of volunteers to provide the tools necessary for youth living in under-resourced Washington, DC neighborhoods to excel. The Foundation has expanded to serve youth in Washington, DC; Baltimore, MD; Montgomery County, MD; Chicago, IL, Northern Virginia (Arlington, Alexandria and Fairfax County) and Detroit, MI. The Foundation mobilizes a variety of community resources to provide youth with otherwise unavailable educational and employment opportunities. Its mission is to empower economically-disadvantaged youth to aspire, work and succeed through paid internships, professional skills training and mentoring. These activities are funded primarily from grants, contributions and contracts from businesses, corporations, nonprofit organizations, community members and the federal government.

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash Equivalents

The Foundation considers money market funds, other than the money market funds held by external investment managers in its operating reserve account and considered to be part of the operating reserve investment portfolio, to be cash equivalents.

Investments

Investments consist of equity and fixed-income bond mutual funds, certificates of deposit, corporate bonds, and money market funds. Investments are reported at fair value in the accompanying financial statements. Fair value is 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.

The change in unrealized appreciation or depreciation of investments is included in net investment income in the accompanying statement of activities. Realized gains and losses on sales of investments are computed on an average cost method, and are recorded on the trade date of the transaction and included in net investment income in the accompanying statement of activities.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities measured at fair value on a recurring basis, the Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2019, only the Foundation's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis.

Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The Foundation uses the allowance method to record potentially uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific receivables.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. The Foundation capitalizes expenditures for property and equipment that are in excess of \$1,250 and that have useful lives of more than one year. Depreciation on computers, office equipment and licenses is provided for on a straight-line basis over the estimated useful lives of the assets, which range from two to five years. The cost of property and equipment retired or disposed of is removed from the accounts, along with the related accumulated depreciation and amortization, and any gain or loss is reflected in revenue and support or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

THE URBAN ALLIANCE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The Foundation's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Foundation at the discretion of the Foundation's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated \$2,907,000 of net assets without donor restrictions to be used as described in Note 5.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2019, the Foundation had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

Unconditional contributions and grants are reported as revenue and support in the year in which payments are received and/or unconditional promises to give are made. Grants and contributions are recorded as with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires. Unconditional promises to give that have been awarded to the Foundation, but not yet received, are reflected as grants and contributions receivable in the accompanying statement of financial position. A contribution is considered conditional if the agreement includes a measureable performance or barrier and a right of return. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are met.

The Foundation has cost-reimbursable grants with U.S. government agencies. Revenue from these grants are conditional upon certain performance requirements and revenue from U.S. government is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Amounts related to these conditional grants that are recognized and released in the same year are included as grants and contributions without donor restrictions in the accompanying statement of activities. Revenue recognized on these grants for which billings have not been collected from the grantors is included in grants and contributions receivable in the accompanying statement of financial position.

The Foundation also has other contracts with private organizations in exchange for services. These contracts contain multiple performance obligations, and revenue under these contracts is recognized at the point in time that the performance obligations are provided under the

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

contract. Revenue recognized on the contracts for which payments have not been received is reflected as accounts receivable in the accompanying statement of financial position. Contract payments received but not yet expended for the purpose of the contract are reflected as deferred revenue in the accompanying statement of financial position. The Foundation's deferred revenue are short-term in nature and are recognized as contract revenue when the performance obligations are met.

Donated Facilities and Services

In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. In-kind contributions consist of contributed professional services and facilities that benefit both program and supporting services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributable to a specific functional area have been reported as an expense of that function. Direct salaries and benefits are allocated based on time sheets. Shared costs that benefit multiple functional areas have been allocated among the various functional areas based on the percentage of direct costs to total costs.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which 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 those goods and services. The Foundation adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact the Foundation's results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. The Foundation adopted ASU 2018-08 on January 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the financial statements or the timing of revenue recognition for the Foundation's grants and contributions.

2. Investments

The following table summarizes the Foundation's investments, measured at fair value on a recurring basis, as of December 31, 2019:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity mutual funds	\$ 890,514	\$ 890,514	\$ -	\$ -
Fixed-income bond mutual funds	358,479	358,479	-	-
Certificates of deposit	666,431	-	666,431	-
Corporate bonds	49,892	-	49,892	-
Money market funds	<u>1,258,536</u>	<u>1,258,536</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 3,223,852</u>	<u>\$ 2,507,529</u>	<u>\$ 716,323</u>	<u>\$ -</u>

The Foundation used the following methods and significant assumptions to estimate fair value:

Equity and fixed-income bond mutual funds and money market funds – Valued based on quoted prices available in active markets for identical assets.

Certificates of deposit – Valued at amortized cost which approximates fair value.

Corporate bonds – Valued based upon estimates using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. Investments (continued)

Investment income for the year ended December 31, 2019, is summarized as follows:

Unrealized gain	\$ 157,113
Realized gains	633
Interest and dividends	65,563
Investment fees	<u>(67)</u>
Investment Income, Net	<u>\$ 223,242</u>

3. Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from federal agencies and foundations, corporations and individual donors. Grants and contributions receivable were composed of the following as of December 31, 2019:

Federal grants receivable	\$ 757,370
Other grants, contributions and miscellaneous receivables	<u>1,857,447</u>
Grants, Contributions and Contracts Receivable, Net	<u>\$ 2,614,817</u>

Grants, contributions and contracts receivable were due as follows as of December 31, 2019:

Less than one year	\$ 1,967,067
One to five years	<u>705,000</u>
Total Grants and Contributions Receivable	2,672,067
Less: Discount to Net Present Value	<u>(57,250)</u>
Grants and Contributions Receivable, Net	<u>\$ 2,614,817</u>

The Foundation has received Federal conditional grants totaling \$9,716,210 as of December 31, 2019. The Foundation records revenue and support on these Federal conditional grants as the conditions are met. During the year ended December 31, 2019, the Foundation recognized \$2,585,639 of revenue without donor restrictions from these Federal conditional grants. As of December 31, 2019, the Foundation has yet to recognize revenue of approximately \$2,230,000 related to these Federal conditional grants as qualifying expenditures have not been incurred.

The Foundation also has received various other conditional grants from private organizations totaling \$963,777 as of December 31, 2019. During the year ended December 31, 2019, the Foundation recognized \$446,444 of revenue with donor restrictions from these conditional grants. As of December 31, 2019, the Foundation has yet to recognize revenue of approximately \$208,000 related to these conditional grants as qualifying expenditures have not been incurred by the Foundation nor approved by the grantors.

Continued

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

Computer and office equipment	\$ 19,919
Equipment under capital leases	74,460
Software	<u>51,377</u>
Total Property and Equipment	145,756
Less: Accumulated Depreciation and Amortization	<u>(118,968)</u>
Property and Equipment, Net	<u>\$ 26,788</u>

Depreciation and amortization expense totaled \$15,309 for the year ended December 31, 2019.

5. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2019, the Foundation's net assets without donor restrictions were as follows:

Undesignated	\$ 1,389,773
Board-designated	<u>2,907,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 4,296,773</u>

The Foundation's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for an operating reserve. The Board of the Foundation has established an operating reserve fund to provide for future financial needs and special projects of the Foundation. Such funds, including all allocable investment income on the funds, are reflected as board-designated net assets in the accompanying financial statements. No board-designated funds were used during the year ended December 31, 2019. In March 2020, the Board approved an addition to the board-designated fund of \$250,000 retro-active to December 31, 2019. During the year ended December 31, 2019, the Foundation also added \$53,000 of investment earnings to the board-designated fund in accordance with the operating reserve policy.

The Foundation does not consider its board-designated fund to be a quasi-endowment fund.

Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions were restricted for the following:

Workforce development programs	\$ 4,103,254
Program development	34,113
Matching funds	149,245
Youth programs	98,502
Restricted due to time	<u>77,086</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,462,200</u>

Continued

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

5. Net Assets (continued)

Net Assets With Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes. For the year ended December 31, 2019, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
Workforce development programs	\$ 3,669,981
Program development	84,862
Matching funds	190,051
Youth programs	30,827
Others	<u>31,814</u>
Total Satisfaction of Purpose Restrictions	4,007,535
Satisfaction of time restrictions	<u>73,000</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 4,080,535</u>

6. Donated Services and Facilities

During the year ended December 31, 2019, the Foundation received donated services and facilities as follows:

Donated facilities – classrooms	\$ 118,956
Donated professional services	117,300
Donated facilities – office space	84,264
Donated student transit	<u>25,600</u>
Total Donated Facilities and Services	<u>\$ 346,120</u>

7. Commitments and Contingencies

Office Leases

District of Columbia: The Foundation occupies office space under a five-year agreement for office space and related services from a limited liability company owned by one of the Foundation's board members. The current agreement expires on October 31, 2022. The agreement can be terminated by either party with six months' written notice without cause. Under the terms of the agreement, the fee for the space and office services escalates annually by the greater of 2% or the annual increase in the U.S. City Average Consumer Price Index. The payments required for the space and services are estimated to be below fair value. Management's estimate of the difference between fair value and the amount paid by the Foundation has been recorded as an in-kind contribution and corresponding donated rent expense.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

7. Commitments and Contingencies (continued)

Office Leases (continued)

Baltimore: The Foundation leases office space under a noncancelable operating lease that expired on November 30, 2017. The Foundation entered into a lease amendment in October 2017 with the same landlord, and the amended lease expires on November 30, 2020. The rent escalates by 3% annually beginning December 1, 2018. In addition, the landlord charges additional rent for common areas and building maintenance.

Chicago: The Foundation leases office space under a five-year operating lease which is scheduled to expire on August 31, 2023. Under the terms of the lease, rent escalates annually per an established schedule in accordance with the lease term. The lease provides for three months of rent abatement. In addition, the landlord charges additional amounts for utilities.

Under GAAP, scheduled rent increases over a lease term are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is recorded as deferred rent in the accompanying statement of financial position.

Future minimum lease payments for the stated terms of these leases subject to increases based on operating expenses, real estate taxes and consumer price index adjustments, are as follows:

<u>For the Year Ending December 31,</u>	
2020	\$ 308,737
2021	314,171
2022	282,841
2023	<u>56,864</u>
Total	<u>\$ 962,613</u>

Rent expense under all of these lease agreements, exclusive of the in-kind rent recognized, totaled \$386,268 for the year ended December 31, 2019, and is included in occupancy and utilities in the accompanying statement of functional expenses.

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions. While the amounts, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution, the Foundation monitors the creditworthiness of these institutions and has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2019, the Foundation's balance in excess of the amount guaranteed by the FDIC was approximately \$2,785,000.

Continued

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

7. Commitments and Contingencies (continued)

Compliance Audit

The Foundation has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although the Foundation expects such amounts, if any, to be insignificant.

8. Availability and Liquidity

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

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,848,945
Investments	3,223,852
Accounts receivable	367,910
Grants and contributions receivable	<u>2,614,817</u>
Total Financial Assets at Year-End	10,055,524
Less amount not available to be used within one year:	
Amounts unavailable for general expenditures within one year due to donors' restrictions	(813,946)
Amounts unavailable to management without Board approval: Board-designated	<u>(2,907,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 6,334,578</u>

Amounts unavailable for general expenditures within one year due to donors' restrictions includes grants and contributions receivable due in more than one year of \$647,750 and amounts restricted by donors that the Foundation plans on spending beyond fiscal year 2020 of \$166,196.

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on ensuring the financial liquidity of the Foundation throughout the year. The Foundation monitors its cash flow needs on quarterly basis and is aware of the cyclical nature of cash flows related to the timing of the Foundation's various funding sources and programmatic expenditures. As part of the Foundation's liquidity plan, excess cash is invested in short-term investment vehicles, including money market funds and

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

8. Availability and Liquidity (continued)

certificates of deposit. The Foundation can liquidate these cash equivalents at any time to make funds available for current cash flow needs. Additionally, the Foundation has a board-designated operating reserve fund that could be liquidated and made available for current operations with Board approval, if necessary.

9. Related Parties

As disclosed in Note 7, during the year ended December 31, 2019, the Foundation leased office space from a limited liability company owned by one of the Foundation's board members. The Foundation paid approximately \$244,000 under this agreement for rent, utilities, maintenance, office cleaning and other occupancy fees.

10. Pension Plan

The Foundation maintains a defined contribution pension plan under Section 403(b) of the Internal Revenue Code (the IRC) that covers substantially all of the Foundation's full-time employees. Employees may elect to defer and contribute to the plan a portion of their compensation up to the federal tax limitation. The Foundation matches employee contributions to the plan up to 3% of an employee's annual salary. The Foundation's matching contributions for the year ended December 31, 2019, totaled \$78,499.

11. Income Taxes

Under the IRC Section 501(c)(3), the Foundation is exempt from federal taxes on income other than net unrelated business income. Late in December 2019, the Foundation was made aware that it was eligible to receive a refund for taxes paid in 2018 and 2019 on qualified transportation benefits. As of December 31, 2019, the Foundation had a receivable of \$2,896 for income taxes paid for qualified transportation benefits provided to employees and the amount is included in accounts receivable in the accompanying statement of financial position.

The Foundation has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation evaluated its uncertainty in income taxes for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2019, there are no audits for any tax periods pending or in progress. It is the Foundation's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

THE URBAN ALLIANCE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

12. Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

13. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

14. Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Foundation has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain.

On April 17, 2020, the Foundation's Small Business Administration loan application in the amount of \$1,463,877 was approved by a financial institution. The loan will mature in April 2022 with a fixed interest rate at 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which minimally requires at least 75% of the loan be used to cover payroll costs and the remainder used for rent and utility costs over an 8 week period after the loan is made, provided the number of employees and compensation levels are maintained. Commencing on November 1, 2020, the unforgiven portion of the loan will be paid in equal monthly installments through the maturity.

In preparing these financial statements, the Foundation's management has evaluated events and transactions, for potential recognition or disclosure, through June 4, 2020. Except as disclosed above and Note 5 regarding Board-designated net assets, there were no subsequent events that require recognition or disclosure in these financial statements.