



Employing Youth. Inspiring Excellence.

THE URBAN ALLIANCE FOUNDATION, INC.

Financial Statements

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)



**and
Report Thereon**



THE URBAN ALLIANCE FOUNDATION, INC.

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For the Year Ended December 31, 2020

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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, 2020, 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 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 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.

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of The Urban Alliance Foundation, Inc. as of December 31, 2020, 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 2019 financial statements, and in our report dated June 4, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Washington, DC
August 25, 2021

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Summarized Financial Information as of December 31, 2019)

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 6,688,308 | \$ 3,848,945 |
| Investments | 3,253,200 | 3,223,852 |
| Accounts receivable, net | 317,531 | 367,910 |
| Grants and contributions receivable, net | 2,737,181 | 2,614,817 |
| Other assets | 160,615 | 81,646 |
| Property and equipment, net | <u>10,370</u> | <u>26,788</u> |
| TOTAL ASSETS | <u>\$ 13,167,205</u> | <u>\$ 10,163,958</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 236,033 | \$ 387,597 |
| Deferred revenue | 939,474 | 964,514 |
| Deferred rent | 34,906 | 30,536 |
| Capital lease obligation | 7,446 | 22,338 |
| Note payable | <u>1,463,887</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>2,681,746</u> | <u>1,404,985</u> |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 1,761,936 | 1,389,773 |
| Board-designated | <u>3,205,500</u> | <u>2,907,000</u> |
| Total Without Donor Restrictions | 4,967,436 | 4,296,773 |
| With donor restrictions | <u>5,518,023</u> | <u>4,462,200</u> |
| TOTAL NET ASSETS | <u>10,485,459</u> | <u>8,758,973</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 13,167,205</u> | <u>\$ 10,163,958</u> |

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Total |
|--|-------------------------------|----------------------------|----------------------|---------------------|
| REVENUE AND SUPPORT | | | | |
| Grants and contributions | \$ 641,785 | \$ 5,624,236 | \$ 6,266,021 | \$ 3,729,841 |
| Contracts | 3,402,516 | - | 3,402,516 | 3,852,928 |
| Federal grants | 1,572,794 | - | 1,572,794 | 2,585,639 |
| Donated facilities and services | 167,693 | - | 167,693 | 346,120 |
| Investment income, net | 136,448 | - | 136,448 | 223,242 |
| Other income | 1,776 | - | 1,776 | - |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restrictions | 4,530,389 | (4,530,389) | - | - |
| Satisfaction of time restrictions | 38,024 | (38,024) | - | - |
| TOTAL REVENUE AND SUPPORT | 10,491,425 | 1,055,823 | 11,547,248 | 10,737,770 |
| EXPENSES | | | | |
| Program Services: | | | | |
| Workforce development programs | 7,107,653 | - | 7,107,653 | 7,863,355 |
| Youth programs | 1,107,029 | - | 1,107,029 | 1,141,519 |
| Program development | 786,258 | - | 786,258 | 1,011,905 |
| Total Program Services | 9,000,940 | - | 9,000,940 | 10,016,779 |
| Supporting Services: | | | | |
| Management and general | 127,235 | - | 127,235 | 161,583 |
| Development and fundraising | 692,587 | - | 692,587 | 654,677 |
| Total Supporting Services | 819,822 | - | 819,822 | 816,260 |
| TOTAL EXPENSES | 9,820,762 | - | 9,820,762 | 10,833,039 |
| CHANGE IN NET ASSETS | 670,663 | 1,055,823 | 1,726,486 | (95,269) |
| NET ASSETS, BEGINNING OF YEAR | 4,296,773 | 4,462,200 | 8,758,973 | 8,854,242 |
| NET ASSETS, END OF YEAR | \$ 4,967,436 | \$ 5,518,023 | \$ 10,485,459 | \$ 8,758,973 |

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

| | Program Services | | | Supporting Services | | | 2020 Total | 2019 Total | |
|-------------------------------|--------------------------------------|---------------------|------------------------|------------------------------|---------------------------|-----------------------------------|-------------------|---------------------|---------------------------------|
| | Workforce Development Programs | Youth Programs | Program Development | Total Program Services | Management and General | Development and Fundraising | | | Total Supporting Services |
| Staff salaries | \$ 2,682,440 | \$ 444,783 | \$ 228,015 | \$ 3,355,238 | \$ 72,474 | \$ 506,107 | \$ 578,581 | \$ 3,933,819 | \$ 3,967,619 |
| Program intern wages | 2,659,478 | 301,800 | - | 2,961,278 | - | - | - | 2,961,278 | 3,197,557 |
| Employee benefits | 821,843 | 129,090 | 40,991 | 991,924 | 12,986 | 90,880 | 103,866 | 1,095,790 | 1,142,700 |
| Professional fees | 168,093 | 137,995 | 464,310 | 770,398 | 33,886 | 17,921 | 51,807 | 822,205 | 1,007,364 |
| Occupancy and utilities | 279,712 | 43,566 | 30,942 | 354,220 | 5,007 | 27,256 | 32,263 | 386,483 | 470,531 |
| Student activities | 175,059 | 3,718 | - | 178,777 | - | - | - | 178,777 | 251,667 |
| Student training | 108,624 | 39 | - | 108,663 | - | - | - | 108,663 | 237,088 |
| Computer supplies | 60,823 | 25,846 | 9,224 | 95,893 | 1,078 | 9,135 | 10,213 | 106,106 | 93,773 |
| Telecommunications | 39,148 | 6,542 | 3,303 | 48,993 | 462 | 3,863 | 4,325 | 53,318 | 47,623 |
| Printing | 27,328 | 3,892 | 2,764 | 33,984 | 447 | 11,036 | 11,483 | 45,467 | 53,019 |
| Travel | 27,472 | 2,690 | 1,322 | 31,484 | 36 | 3,318 | 3,354 | 34,838 | 187,195 |
| Miscellaneous | 10,211 | 1,225 | 824 | 12,260 | 94 | 15,314 | 15,408 | 27,668 | 49,147 |
| Insurance | 13,076 | 2,037 | 1,446 | 16,559 | 234 | 1,274 | 1,508 | 18,067 | 25,965 |
| Depreciation and amortization | 11,882 | 1,851 | 1,314 | 15,047 | 213 | 1,158 | 1,371 | 16,418 | 15,309 |
| Dues, fees and subscriptions | 9,568 | 517 | 1,362 | 11,447 | 34 | 2,937 | 2,971 | 14,418 | 18,676 |
| Office supplies | 7,216 | 1,020 | 291 | 8,527 | 45 | 268 | 313 | 8,840 | 21,071 |
| Meals and entertainment | 5,680 | 418 | 150 | 6,248 | 239 | 426 | 665 | 6,913 | 41,281 |
| Public relations | - | - | - | - | - | 1,694 | 1,694 | 1,694 | 5,454 |
| TOTAL EXPENSES | \$ 7,107,653 | \$ 1,107,029 | \$ 786,258 | \$ 9,000,940 | \$ 127,235 | \$ 692,587 | \$ 819,822 | \$ 9,820,762 | \$ 10,833,039 |

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

| | 2020 | 2019 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,726,486 | \$ (95,269) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Change in present value discount for grants and contributions | (21,641) | (3,784) |
| Change in allowance for doubtful accounts | (9,600) | 12,900 |
| Realized gains on investments | (163) | (633) |
| Unrealized gains on investments | (82,975) | (157,113) |
| Depreciation and amortization | 16,418 | 15,309 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 59,979 | 67,553 |
| Grants and contributions receivable | (100,723) | 1,105,726 |
| Other assets | (78,969) | (10,239) |
| Accounts payable and accrued expenses | (151,564) | (18,926) |
| Deferred revenue | (25,040) | 98,971 |
| Deferred rent | 4,370 | 12,466 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,336,578 | 1,026,961 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (661,331) | (701,729) |
| Sale of investments | 1,037,695 | 647,015 |
| Purchase of property and equipment | - | (4,577) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 376,364 | (59,291) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease obligation | (14,892) | (14,892) |
| Proceeds from note payable | 1,463,887 | - |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 1,448,995 | (14,892) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,161,937 | 952,778 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 5,107,481 | 4,154,703 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 8,269,418 | \$ 5,107,481 |
| Reconciliation of cash and cash equivalents | | |
| Cash and cash equivalents | \$ 6,688,308 | \$ 3,848,945 |
| Cash held for investment purposes | 1,581,110 | 1,258,536 |
| Total Cash and Cash Equivalents | \$ 8,269,418 | \$ 5,107,481 |

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, 2020**

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 under-resourced 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 with maturities at time of purchase to be ninety days or less to be cash equivalents.

Investments

Investments consist of equity and fixed-income bond mutual funds, certificates of deposit and cash held in its operating reserve account. 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 gives the highest priority to quoted prices in active markets for identical assets or liabilities

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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

Fair Value Measurement (continued)

(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, 2020, 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, 2020

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 \$3,205,500 of net assets without donor restrictions to be used as described in Note 6.
- 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, 2020, 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. Unconditional grants and contributions are recorded as with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Unconditional 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 and are conditioned upon certain performance requirements and are recognized as conditions have been met. 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 contract. Revenue recognized on the contracts for which payments have not been received is

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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

Revenue Recognition (continued)

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 in the following fiscal year 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.

2. Investments

The following table summarizes the Foundation's investments, measured at fair value on a recurring basis, as of December 31, 2020:

| | <u>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 | \$ 995,879 | \$ 995,879 | \$ - | \$ - |
| Fixed-income bond mutual funds | 376,115 | 376,115 | - | - |

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

2. Investments (continued)

| <i>(continued)</i> | <u>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> |
|--|---------------------|--|--|--|
| Certificates of deposit | \$ 300,096 | \$ - | \$ 300,096 | \$ - |
| Total Investments Measured in the Fair Value Hierarchy | <u>1,672,090</u> | <u>\$ 1,371,994</u> | <u>\$ 300,096</u> | <u>\$ -</u> |
| Cash | <u>1,581,110</u> | | | |
| Total Investments | <u>\$ 3,253,200</u> | | | |

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

Mutual funds– Valued based on quoted prices available in active markets for identical assets.

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

Investment income for the year ended December 31, 2020, is summarized as follows:

| | |
|------------------------|-------------------|
| Unrealized gain | \$ 82,975 |
| Realized gains | 163 |
| Interest and dividends | <u>53,310</u> |
| Investment Income, Net | <u>\$ 136,448</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, 2020:

| | |
|---|---------------------|
| Federal grants receivable | \$ 572,829 |
| Other grants, contributions and miscellaneous receivables | <u>2,164,352</u> |
| Grants, Contributions and Contracts Receivable, Net | <u>\$ 2,737,181</u> |

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

3. Grants and Contributions Receivable (continued)

Grants, contributions and contracts receivable were due as follows as of December 31, 2020:

| | |
|---|---------------------|
| Less than one year | \$ 2,209,441 |
| One to five years | <u>563,349</u> |
| Total Grants and Contributions Receivable | 2,772,790 |
| Less: Discount to Net Present Value | <u>(35,609)</u> |
| Grants and Contributions Receivable, Net | <u>\$ 2,737,181</u> |

The Foundation has received Federal conditional grants totaling \$9,776,210 as of December 31, 2020. The Foundation records revenue and support on these Federal conditional grants as the conditions are met. During the year ended December 31, 2020, the Foundation recognized \$1,572,794 of revenue without donor restrictions from these Federal conditional grants. As of December 31, 2020, the Foundation has yet to recognize revenue of approximately \$706,000 related to these Federal conditional grants as the conditions specified in the grant have not been met.

The Foundation also has received various other conditional grants from private organizations totaling \$2,083,015 as of December 31, 2020. During the year ended December 31, 2020, the Foundation recognized \$739,730 of revenue from these conditional grants. As of December 31, 2020, the Foundation has yet to recognize revenue of approximately \$949,600 related to these conditional grants as conditions have not been met by the Foundation nor approved by the grantors.

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2020:

| | |
|---|------------------|
| 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>(135,386)</u> |
| Property and Equipment, Net | <u>\$ 10,370</u> |

Depreciation and amortization expense totaled \$16,418 for the year ended December 31, 2020.

5. Note Payable

On April 17, 2020, the Foundation entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$1,463,887. The loan will mature on April 17, 2022, and has a fixed interest rate of 1% per

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

5. Note Payable (continued)

annum. Consecutive monthly payments of principal and interest will commence one month after the earlier of the following: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over a specified period of time after the loan is made, assuming the number of employees and compensation levels are maintained. The Foundation applied for PPP loan forgiveness and SBA approved the forgiveness on April 27, 2021.

6. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2020, the Foundation's net assets without donor restrictions were as follows:

| | |
|---|---------------------|
| Undesignated | \$ 1,761,936 |
| Board-designated | <u>3,205,500</u> |
| Total Net Assets Without Donor Restrictions | <u>\$ 4,967,436</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, 2020. In March 2021, the Board approved an addition to the board-designated fund of \$250,000 retroactive to December 31, 2020. During the year ended December 31, 2020, the Foundation also added \$48,500 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, 2020, net assets with donor restrictions were restricted for the following:

| | |
|--|---------------------|
| Workforce development programs | \$ 4,855,755 |
| Program development | 115,209 |
| Matching funds | 426,397 |
| Youth programs | 45,621 |
| Restricted due to time | <u>75,041</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 5,518,023</u> |

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

6. 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, 2020, net assets released from restrictions were as follows:

| | |
|---|---------------------|
| Satisfaction of purpose restrictions: | |
| Workforce development programs | \$ 4,175,859 |
| Program development | 67,171 |
| Matching funds | 175,347 |
| Youth programs | <u>112,012</u> |
| Total Satisfaction of Purpose Restrictions | 4,530,389 |
| Satisfaction of time restrictions | <u>38,024</u> |
| Total Net Assets Released from Donor Restrictions | <u>\$ 4,568,413</u> |

7. Donated Services and Facilities

During the year ended December 31, 2020, the Foundation received donated services and facilities as follows:

| | |
|---------------------------------------|-------------------|
| Donated facilities – classrooms | \$ 15,276 |
| Donated professional services | 60,772 |
| Donated facilities – office space | 83,645 |
| Donated program services | <u>8,000</u> |
| Total Donated Facilities and Services | <u>\$ 167,693</u> |

8. 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.

Baltimore: The Foundation leases office space under a three-year operating lease that expires on November 30, 2023. The rent escalates by 3% annually beginning December 1, 2021. In addition, the landlord charges additional rent for common areas and building maintenance.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

8. Commitments and Contingencies (continued)

Office Leases (continued)

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> | |
|---|-------------------|
| 2021 | \$ 333,216 |
| 2022 | 302,070 |
| 2023 | <u>74,649</u> |
| Total | <u>\$ 709,935</u> |

Rent expense under all of these lease agreements, exclusive of the in-kind rent recognized, totaled \$302,836 for the year ended December 31, 2020, 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, 2020, the Foundation's balance in excess of the amount guaranteed by the FDIC was approximately \$5,462,000.

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.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

8. Commitments and Contingencies (continued)

Global Pandemic

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.

9. 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 | \$ 6,688,308 |
| Investments | 3,253,200 |
| Accounts receivable, net | 317,531 |
| Grants and contributions receivable, net | <u>2,737,181</u> |
| Total Financial Assets at Year-End | 12,996,220 |
| Less amount not available to be used within one year: | |
| Amounts unavailable for general expenditures within one year | (707,203) |
| Amounts unavailable to management without Board approval: | |
| Board-designated | <u>(3,205,500)</u> |
| Financial Assets Available to Meet | |
| General Expenditures Within One Year | <u>\$ 9,083,517</u> |

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 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.

THE URBAN ALLIANCE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

10. Related Parties

As disclosed in Note 8, during the year ended December 31, 2020, the Foundation leased office space from a limited liability company owned by one of the Foundation's board members. The Foundation paid approximately \$187,000 under this agreement for rent, utilities, maintenance, office cleaning and other occupancy fees.

11. 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, 2020, totaled \$84,005.

12. Income Taxes

Under the IRC Section 501(c)(3), the Foundation is exempt from federal taxes on income other than net unrelated business income. No provision for income taxes is required as of December 31, 2020, as the Foundation had no taxable net realized business income.

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, 2020, 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, 2020, 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.

13. Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

14. 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, 2019, from which the summarized information was derived.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

15. Subsequent Events

In preparing these financial statements, the Foundation's management has evaluated events and transactions, for potential recognition or disclosure, through August 25, 2021. Except as disclosed in Note 5 regarding the forgiveness of the note payable and Note 6 regarding Board-designated net assets, there were no additional subsequent events that require recognition or disclosure in these financial statements.