



Employing Youth. Inspiring Excellence.

THE URBAN ALLIANCE FOUNDATION, INC.

Financial Statements

For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

THE URBAN ALLIANCE FOUNDATION, INC.

TABLE OF CONTENTS
For the Year Ended December 31, 2021

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-16

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The Urban Alliance Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
November 1, 2022

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Summarized Financial Information as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 9,511,527	\$ 6,688,308
Investments	3,669,362	3,253,200
Accounts receivable, net	369,730	317,531
Grants and contributions receivable, net	3,376,746	2,737,181
Other assets	68,826	160,615
Property and equipment, net	<u>3,871</u>	<u>10,370</u>
TOTAL ASSETS	<u><u>\$ 17,000,062</u></u>	<u><u>\$ 13,167,205</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 190,689	\$ 236,033
Deferred revenue	1,563,363	939,474
Deferred rent	24,872	34,906
Capital lease obligation	7,446	7,446
Paycheck protection program loan payable	<u>-</u>	<u>1,463,887</u>
TOTAL LIABILITIES	<u>1,786,370</u>	<u>2,681,746</u>
Net Assets		
Without donor restrictions		
Undesignated	6,645,504	1,761,936
Board-designated	<u>3,205,500</u>	<u>3,205,500</u>
Total Without Donor Restrictions	9,851,004	4,967,436
With donor restrictions	<u>5,362,688</u>	<u>5,518,023</u>
TOTAL NET ASSETS	<u>15,213,692</u>	<u>10,485,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,000,062</u></u>	<u><u>\$ 13,167,205</u></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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 1,263,518	\$ 6,862,672	\$ 8,126,190	\$ 6,266,021
Contracts	3,242,911	-	3,242,911	3,402,516
Federal grants	696,953	-	696,953	1,572,794
Investment income, net	167,584	-	167,584	136,448
Donated facilities and services	20,084	-	20,084	167,693
Other income	5,203	-	5,203	1,776
Net assets released from restrictions:				
Satisfaction of purpose restrictions	6,606,299	(6,606,299)	-	-
Satisfaction of time restrictions	411,708	(411,708)	-	-
TOTAL REVENUE AND SUPPORT	<u>12,414,260</u>	<u>(155,335)</u>	<u>12,258,925</u>	<u>11,547,248</u>
EXPENSES				
Program Services:				
Workforce development programs	6,320,740	-	6,320,740	7,107,653
Program development	841,397	-	841,397	786,258
Youth programs	804,988	-	804,988	1,107,029
Total Program Services	<u>7,967,125</u>	<u>-</u>	<u>7,967,125</u>	<u>9,000,940</u>
Supporting Services:				
Development and fundraising	712,406	-	712,406	692,587
Management and general	315,048	-	315,048	127,235
Total Supporting Services	<u>1,027,454</u>	<u>-</u>	<u>1,027,454</u>	<u>819,822</u>
TOTAL EXPENSES	<u>8,994,579</u>	<u>-</u>	<u>8,994,579</u>	<u>9,820,762</u>
Change in Net Assets from Operations	3,419,681	(155,335)	3,264,346	1,726,486
Other activity:				
Paycheck protection program loan forgiveness	1,463,887	-	1,463,887	-
CHANGE IN NET ASSETS	4,883,568	(155,335)	4,728,233	1,726,486
NET ASSETS, BEGINNING OF YEAR	<u>4,967,436</u>	<u>5,518,023</u>	<u>10,485,459</u>	<u>8,758,973</u>
NET ASSETS, END OF YEAR	<u>\$ 9,851,004</u>	<u>\$ 5,362,688</u>	<u>\$ 15,213,692</u>	<u>\$ 10,485,459</u>

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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Program Services			Supporting Services			2021 Total	2020 Total	
	Workforce Development Programs	Program Development	Youth Programs	Total Program Services	Development and Fundraising	Management and General			Total Supporting Services
Staff salaries	\$ 2,005,824	\$ 535,888	\$ 225,843	\$ 2,767,555	\$ 449,881	\$ 209,235	\$ 659,116	\$ 3,426,671	\$ 3,933,819
Program intern wages	2,774,566	-	348,253	3,122,819	-	-	-	3,122,819	2,961,278
Employee benefits	761,270	117,818	91,747	970,835	91,887	33,691	125,578	1,096,413	1,095,790
Professional fees	167,740	112,307	77,836	357,883	90,609	29,961	120,570	478,453	822,205
Occupancy and utilities	244,668	32,569	31,160	308,397	27,576	31,502	59,078	367,475	386,483
Student sponsorships, awards and training	143,024	577	4,450	148,051	131	-	131	148,182	287,440
Computer supplies	57,457	16,286	7,320	81,063	7,953	2,639	10,592	91,655	106,106
Miscellaneous	24,584	3,645	3,597	31,826	14,173	2,811	16,984	48,810	27,668
Printing	32,866	4,375	4,186	41,427	6,134	1,534	7,668	49,095	45,467
Telecommunications	32,559	4,713	3,584	40,856	4,180	1,148	5,328	46,184	53,318
Insurance	22,107	2,943	2,815	27,865	2,492	1,032	3,524	31,389	18,067
Office supplies	15,278	2,779	1,889	19,946	8,328	570	8,898	28,844	8,840
Dues, fees and subscriptions	13,808	1,225	788	15,821	5,446	246	5,692	21,513	14,418
Meals and entertainment	9,980	2,265	418	12,663	1,233	153	1,386	14,049	6,913
Travel	8,506	3,141	274	11,921	160	223	383	12,304	34,838
Depreciation and amortization	6,369	848	811	8,028	718	297	1,015	9,043	16,418
Public relations	134	18	17	169	1,505	6	1,511	1,680	1,694
TOTAL EXPENSES	\$ 6,320,740	\$ 841,397	\$ 804,988	\$ 7,967,125	\$ 712,406	\$ 315,048	\$ 1,027,454	\$ 8,994,579	\$ 9,820,762

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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,728,233	\$ 1,726,486
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)
Change in allowance for doubtful accounts	86,740	(9,600)
Realized loss (gain) on investments	3,290	(163)
Unrealized gains on investments	(101,045)	(82,975)
Depreciation and amortization	9,043	16,418
Paycheck protection program loan forgiveness	(1,463,887)	-
Changes in assets and liabilities:		
Accounts receivable	(138,939)	59,979
Grants and contributions receivable	(639,565)	(100,723)
Other assets	91,789	(78,969)
Accounts payable and accrued expenses	(45,344)	(151,564)
Deferred revenue	623,889	(25,040)
Deferred rent	(10,034)	4,370
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,144,170	1,336,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(618,407)	(661,331)
Sale of investments	855,277	1,037,695
Purchase of property and equipment	(2,544)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	234,326	376,364
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	-	(14,892)
Proceeds from paycheck protection program loan payable	-	1,463,887
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	1,448,995
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,378,496	3,161,937
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,269,418	5,107,481
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,647,914	\$ 8,269,418
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 9,511,527	\$ 6,688,308
Cash held for investment purposes	2,136,387	1,581,110
Total Cash and Cash Equivalents	\$ 11,647,914	\$ 8,269,418
NONCASH FINANCING ACTIVITIES		
Paycheck protection program loan forgiveness	\$ 1,463,887	\$ -

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, 2021

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 that are ninety days or less to be cash equivalents.

Investments

Investments consist of equity and fixed-income bond mutual funds 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 (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 URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

Fair Value Measurement (continued)

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, 2021, only the Foundation's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis.

Receivables

Receivables that are expected to be collected within one year are recorded at net realizable value. Receivables 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.

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.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

Net Assets (continued)

- 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, 2021, 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 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 facilities that benefit both program and supporting services.

THE URBAN ALLIANCE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

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

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, 2021:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 1,160,064	\$ 1,160,064	\$ -	\$ -
Fixed-income bond mutual funds	<u>372,911</u>	<u>372,911</u>	<u>-</u>	<u>-</u>
Total Investments Measured in the Fair Value Hierarchy	<u>1,532,975</u>	<u>\$ 1,532,975</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>2,136,387</u>			
Total Investments	<u>\$ 3,669,362</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.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

2. Investments (continued)

Investment income for the year ended December 31, 2021, is summarized as follows:

Unrealized gain	\$ 101,045
Realized loss	(3,290)
Interest and dividends	<u>69,829</u>
Investment Income, Net	<u>\$ 167,584</u>

3. Receivables

Accounts receivable totaled \$1,511,537 as of December 31, 2022, less an allowance for doubtful accounts of \$114,540. All accounts receivable are anticipated to be received within one year.

Grants and contributions receivable represent amounts due from foundations, corporations and individual donors. Grants and contributions receivable were due as follows as of December 31, 2021:

Less than one year	\$ 2,612,355
One to five years	<u>800,000</u>
Total Grants and Contributions Receivable	3,412,355
Less: Discount to Net Present Value	<u>(35,609)</u>
Grants and Contributions Receivable, Net	<u>\$ 3,376,746</u>

The Foundation also has received various other conditional grants from private organizations totaling \$2,477,450 as of December 31, 2021. During the year ended December 31, 2021, the Foundation recognized \$861,595 of revenue from these conditional grants. As of December 31, 2021, the Foundation has yet to recognize revenue of approximately \$921,000 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, 2021:

Computer and office equipment	\$ 22,463
Equipment under capital leases	74,460
Software	<u>51,377</u>
Total Property and Equipment	148,300
Less: Accumulated Depreciation and Amortization	<u>(144,429)</u>
Property and Equipment, Net	<u>\$ 3,871</u>

Depreciation and amortization expense totaled \$9,043 for the year ended December 31, 2021.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

5. Paycheck Protection Program Loan 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 had a fixed interest rate of 1% per annum. Consecutive monthly payments of principal and interest were commenced 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. The Foundation recognized PPP loan forgiveness of \$1,463,887 during the year ended December 31, 2021 accordingly.

6. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2021, the Foundation's net assets without donor restrictions were as follows:

Undesignated	\$ 6,645,504
Board-designated	<u>3,205,500</u>
Total Net Assets Without Donor Restrictions	<u>\$ 9,851,004</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. There were no additions to the board-designated funds and there were also no funds used during the year ended December 31, 2021.

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

Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restrictions were restricted for the following:

Workforce development programs	\$ 3,019,146
Program development	115,209
Youth programs	125,000
Restricted due to time	<u>2,103,333</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,362,688</u>

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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, 2021, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
Workforce development programs	\$ 6,132,781
Matching funds	426,397
Youth programs	<u>47,121</u>
Total Satisfaction of Purpose Restrictions	6,606,299
Satisfaction of time restrictions	<u>411,708</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 7,018,007</u>

7. Donated Facilities

The Foundation received donated facilities of \$20,084 during the year ended December 31, 2021.

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.

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.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

8. Commitments and Contingencies (continued)

Office Leases (continued)

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:

For the Year Ending	
<u>December 31,</u>	
2022	\$ 302,070
2023	<u>74,649</u>
Total	<u>\$ 376,719</u>

Rent expense under all of these lease agreements, exclusive of the in-kind rent recognized, totaled \$347,392 for the year ended December 31, 2021, 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, 2021, the Foundation's balance in excess of the amount guaranteed by the FDIC was approximately \$8,078,000.

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	\$ 9,511,527
Investments	3,669,362
Accounts receivable, net	369,730
Grants and contributions receivable, net	<u>3,376,746</u>
Total Financial Assets at Year-End	16,927,365
Less amount not available to be used within one year:	
Amounts unavailable for general expenditures within one year	(755,861)
Amounts unavailable to management without Board approval:	
Board-designated	<u>(3,205,000)</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 12,966,504</u>

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

9. Availability and Liquidity (continued)

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.

10. Related Parties

As disclosed in Note 8, during the year ended December 31, 2021, the Foundation leased office space from a limited liability company owned by one of the Foundation's board members. The Foundation paid approximately \$253,000 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, 2021, totaled \$68,151.

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, 2021, 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, 2021, 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, 2021, 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, 2021**

13. Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 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, 2020, from which the summarized information was derived.

15. Subsequent Events

In preparing these financial statements, the Foundation's management has evaluated events and transactions, for potential recognition or disclosure, through November 1, 2022. In January 2022, the Foundation signed a lease agreement for its office in Detroit, Michigan. The office lease commenced on February 1, 2022 and expires on February 28, 2025. The Foundation also renewed its Washington, DC office lease on October 31, 2022 and the lease will expire on October 31, 2025. There were no additional subsequent events that require recognition or disclosure in these financial statements.