



Employing Youth. Inspiring Excellence.

THE URBAN ALLIANCE FOUNDATION, INC.

Financial Statements

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

THE URBAN ALLIANCE FOUNDATION, INC.

TABLE OF CONTENTS
For the Year Ended December 31, 2022

	Page
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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
December 4, 2023

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(With Summarized Financial Information as of December 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 19,519,977	\$ 9,511,527
Investments	3,018,650	3,669,362
Accounts receivable, net	644,091	369,730
Grants and contributions receivable, net	2,170,129	3,376,746
Other assets	70,271	68,826
Property and equipment, net	275,438	3,871
Right of use assets – operating	833,939	-
	\$ 26,532,495	\$ 17,000,062
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 378,215	\$ 190,689
Deferred revenue	909,830	1,563,363
Deferred rent	-	24,872
Finance lease obligation	-	7,446
Lease liabilities – operating	845,544	-
	2,133,589	1,786,370
Net Assets		
Without donor restrictions		
Undesignated	14,444,296	6,645,504
Board-designated	3,205,500	3,205,500
	17,649,796	9,851,004
With donor restrictions		
	6,749,110	5,362,688
	24,398,906	15,213,692
	\$ 26,532,495	\$ 17,000,062

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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 10,947,235	\$ 5,227,705	\$ 16,174,940	\$ 8,126,190
Contracts	4,446,341	-	4,446,341	3,242,911
Federal grants	75,682	-	75,682	696,953
Investment (loss) income, net	(80,589)	-	(80,589)	167,584
Donated facilities	20,554	-	20,554	20,084
Other income	3,876	-	3,876	5,203
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,763,057	(2,763,057)	-	-
Satisfaction of time restrictions	1,078,226	(1,078,226)	-	-
TOTAL REVENUE AND SUPPORT	19,254,382	1,386,422	20,640,804	12,258,925
EXPENSES				
Program Services:				
Workforce development programs	8,289,348	-	8,289,348	6,320,740
Program development	899,140	-	899,140	841,397
Youth programs	490,165	-	490,165	804,988
Total Program Services	9,678,653	-	9,678,653	7,967,125
Supporting Services:				
Development and fundraising	1,162,348	-	1,162,348	712,406
Management and general	614,589	-	614,589	315,048
Total Supporting Services	1,776,937	-	1,776,937	1,027,454
TOTAL EXPENSES	11,455,590	-	11,455,590	8,994,579
Change in Net Assets from Operations	7,798,792	1,386,422	9,185,214	3,264,346
Other activity:				
Paycheck protection program loan forgiveness	-	-	-	1,463,887
CHANGE IN NET ASSETS	7,798,792	1,386,422	9,185,214	4,728,233
NET ASSETS, BEGINNING OF YEAR	9,851,004	5,362,688	15,213,692	10,485,459
NET ASSETS, END OF YEAR	\$ 17,649,796	\$ 6,749,110	\$ 24,398,906	\$ 15,213,692

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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Program Services			Supporting Services			2022 Total	2021 Total	
	Workforce Development Programs	Program Development	Youth Programs	Total Program Services	Development and Fundraising	Management and General			Total Supporting Services
Staff salaries	\$ 2,813,826	\$ 587,123	\$ 129,706	\$ 3,530,655	\$ 709,483	\$ 375,970	\$ 1,085,453	\$ 4,616,108	\$ 3,426,671
Program intern wages	3,170,362	3,234	249,866	3,423,462	4,181	2,211	6,392	3,429,854	3,122,819
Employee benefits	869,660	111,100	45,676	1,026,436	126,535	58,172	184,707	1,211,143	1,096,413
Professional fees	289,716	79,657	15,618	384,991	85,701	119,192	204,893	589,884	478,453
Occupancy and utilities	346,139	22,601	12,321	381,061	29,217	15,449	44,666	425,727	367,475
Events, conferences, and meetings	156,589	18,591	9,832	185,012	123,665	11,545	135,210	320,222	-
Student activities and training	243,546	9,716	900	254,162	500	(323)	177	254,339	148,182
Computer supplies	97,243	19,440	9,988	126,671	26,953	10,897	37,850	164,521	91,655
Travel	95,742	19,634	7,236	122,612	16,906	7,287	24,193	146,805	12,304
Miscellaneous	79,182	8,251	4,384	91,817	10,861	5,889	16,750	108,567	48,810
Printing	32,101	3,384	1,845	37,330	17,649	2,313	19,962	57,292	49,095
Telecommunications	28,839	3,203	875	32,917	3,701	1,346	5,047	37,964	46,184
Meals and entertainment	18,828	6,235	271	25,334	1,048	1,697	2,745	28,079	14,049
Insurance	17,711	1,921	1,047	20,679	2,484	1,313	3,797	24,476	31,389
Dues, fees and subscriptions	15,145	4,398	296	19,839	2,261	657	2,918	22,757	21,513
Office supplies	13,094	476	208	13,778	975	261	1,236	15,014	28,844
Depreciation and amortization	1,625	176	96	1,897	228	121	349	2,246	9,043
Public relations	-	-	-	-	-	592	592	592	1,680
TOTAL EXPENSES	\$ 8,289,348	\$ 899,140	\$ 490,165	\$ 9,678,653	\$ 1,162,348	\$ 614,589	\$ 1,776,937	\$ 11,455,590	\$ 8,994,579

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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,185,214	\$ 4,728,233
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in present value discount for grants and contributions	(26,576)	-
Change in allowance for doubtful accounts	66,001	86,740
Net realized and unrealized loss (gain) on investments	207,706	(97,755)
Depreciation and amortization	2,246	9,043
Amortization of right-of-use asset	339,587	-
Paycheck protection program loan forgiveness	-	(1,463,887)
Changes in assets and liabilities:		
Accounts receivable	(340,362)	(138,939)
Grants and contributions receivable	1,233,193	(639,565)
Other assets	(1,445)	91,789
Accounts payable and accrued expenses	187,526	(45,344)
Operating lease liabilities	(352,855)	-
Deferred revenue	(653,533)	623,889
Deferred rent	-	(10,034)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,846,702	3,144,170
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,604,172)	(618,407)
Sale of investments	1,367,675	855,277
Purchase of property and equipment	(273,812)	(2,544)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,510,309)	234,326
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on finance lease obligation	(7,446)	-
NET CASH USED IN FINANCING ACTIVITIES	(7,446)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,328,947	3,378,496
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,647,914	8,269,418
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,976,861	\$ 11,647,914
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 19,519,977	\$ 9,511,527
Cash held for investment purposes	456,884	2,136,387
Total Cash and Cash Equivalents	\$ 19,976,861	\$ 11,647,914
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, 2022

1. Organization and Summary of Significant Accounting Policies

Organization

The Urban Alliance Foundation, Inc. (the Foundation) was incorporated on December 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 and realized gains and losses on sales of investments are 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, 2022

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, 2022, 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 5.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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, 2022, the Foundation had no net assets with donor restrictions that are required to be maintained in perpetuity.

Right of Use Assets and Lease Liabilities

The Urban Alliance Foundation, Inc. (the Foundation) determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. The ROU asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using the Foundation's estimated incremental borrowing rate or implicit rate, when readily determinable, and is adjusted for lease incentives. The ROU asset is amortized on a straight-line basis over the lease term and is reflected as lease expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to lease expense for the difference. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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 measurable 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 URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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

Revenue Recognition (continued)

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.

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.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The standard applies a right-of-use model that requires, all leases with a lease term of more than 12 months, to recognize an asset representing its right to use the underlying asset for the lease term and liability to make lease payments to be recorded. The Foundation elected not to restate the comparative period. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, (iii) initial direct costs for existing leases. The adoption of ASU 2016-02 resulted in the recognition of right-of-use assets for its office leases

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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

Adopted Accounting Pronouncement (continued)

of \$326,010 (net of deferred rent of \$24,872) and operating lease liabilities of \$350,882 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the Foundation's historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Foundation's results of operations and cash flows.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The Foundation adopted ASU 2020-07 retrospectively on January 1, 2021. The adoption of the standard did not result in a material change to the financial statements.

2. Investments

The following table summarizes the Foundation's investments, measured at fair value on a recurring basis, as of December 31, 2022:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Equity mutual funds	\$ 1,970,265	\$ 1,970,265	\$ -	\$ -
Fixed-income bond mutual funds	165,961	165,961	-	-
Certificate of deposit	143,775	-	143,775	-
U.S. Government securities	<u>281,765</u>	<u>-</u>	<u>281,765</u>	<u>-</u>
Total Investments Measured in the Fair Value Hierarchy	<u>2,561,766</u>	<u>\$ 2,136,226</u>	<u>\$ 425,540</u>	<u>\$ -</u>
Cash	<u>456,884</u>			
Total Investments	<u>\$ 3,018,650</u>			

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

2. Investments (continued)

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.

U.S. Government securities – Value is determined by the investment custodian using an outside data and pricing company that uses a market approach and spreads based on the credit risk of the issuer, maturity, current yield, trading frequency and other terms and conditions of each security. Management believes the estimates to be reasonable approximation of the fair value of the investments.

3. Receivables

Accounts receivable totaled \$824,631 as of December 31, 2022, less an allowance for doubtful accounts of \$180,540. 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, 2022:

Less than one year	\$ 1,979,162
One to five years	<u>200,000</u>
Total Grants and Contributions Receivable	2,179,162
Less: Discount to Net Present Value (4.73%)	<u>(9,033)</u>
Grants and Contributions Receivable, Net	<u>\$ 2,170,129</u>

The Foundation has also received various other conditional grants from private organizations and the federal government totaling \$4,400,913 as of December 31, 2022. During the year ended December 31, 2022, the Foundation recognized \$705,564 of revenue from these conditional grants. As of December 31, 2022, the Foundation has yet to recognize revenue of approximately \$2,824,000 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, 2022:

Computer and office equipment	\$ 22,462
Equipment under capital leases	74,460
Software	88,877
Assets in process	<u>236,314</u>
Total Property and Equipment	422,113
Less: Accumulated Depreciation and Amortization	<u>(146,675)</u>
Property and Equipment, Net	<u>\$ 275,438</u>

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

4. Property and Equipment (continued)

Depreciation and amortization expense totaled \$2,246 for the year ended December 31, 2022.

5. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2022, the Foundation's net assets without donor restrictions were as follows:

Undesignated	\$ 14,444,296
Board-designated	<u>3,205,500</u>
Total Net Assets Without Donor Restrictions	<u>\$ 17,649,796</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, 2022.

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

Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions were restricted for the following:

Workforce development programs	\$ 4,695,214
Program development	147,884
Youth programs	400,000
Restricted due to time	<u>1,506,012</u>
Total Net Assets With Donor Restrictions	<u>\$ 6,749,110</u>

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes. For the year ended December 31, 2022, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
Workforce development programs	\$ 2,605,527
Program development	32,530
Youth programs	<u>125,000</u>
Total Satisfaction of Purpose Restrictions	2,763,057
Satisfaction of time restrictions	<u>1,078,226</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 3,841,283</u>

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

6. Donated Facilities

The Foundation occupies office space under an agreement that expired in October 2022 for which the rental payments stated in the agreement for the space and services are estimated to be below fair value. Using publicly available commercial real estate rental listings, management estimated the difference between fair value and the amount paid, which has been recorded as donated facilities in the accompanying statement of activities and corresponding donated rent expense within occupancy and utilities on the statement of functional expenses. For the year ended December 31, 2022, the amount recorded was \$20,554. There were no donor-imposed restrictions associated with the donated facilities.

7. Right-of-Use Asset and Lease Liability

The Foundation evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Foundation's right to use underlying assets for the lease term, and the lease liabilities represent the Foundation's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The Foundation has several operating leases for office space, the last of which expires in October 2025. These leases did not have an option for renewal.

For the year ended December 31, 2022, total operating lease cost was \$344,253. Cash paid for operating leases for the year ended December 31, 2022 totaled \$357,520.

The ROU assets for operating leases as of December 31, 2022 was \$833,939.

Weighted average lease term and discount rate as of December 31, 2022 were as follows:

Weighted average remaining lease term	2.62 years
Weighted average discount rate	3.95%

Future minimum lease payments under these noncancelable operating leases were as follows as of December 31, 2022:

For the Year Ending December 31,	
2023	\$ 358,316
2024	301,449
2025	<u>234,872</u>
Total	894,637
Less: Present value discount	<u>(49,093)</u>
Lease Liability	<u>\$ 845,544</u>

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

8. Commitments and Contingencies

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 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.

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	\$ 19,519,977
Investments	3,018,650
Accounts receivable, net	644,091
Grants and contributions receivable, net	<u>2,170,129</u>
Total Financial Assets at Year-End	25,352,847
Less amount not available to be used within one year:	
Amounts unavailable for general expenditures within one year	(1,675,314)
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>\$ 20,472,033</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.

10. Related Parties

As disclosed in Note 6 and 7, during the year ended December 31, 2022, the Foundation leased office space from a limited liability company owned by one of the Foundation's board members. The Foundation paid approximately \$263,000 under this agreement for rent, utilities, maintenance, office cleaning and other occupancy fees.

THE URBAN ALLIANCE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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, 2022, totaled \$72,582.

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, 2022, 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, 2022, 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, 2022, 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. 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, 2021, from which the summarized information was derived.

14. Subsequent Events

In preparing these financial statements, the Foundation's management has evaluated events and transactions, for potential recognition or disclosure, through December 4, 2023.

In August 2023, the Foundation signed a lease agreement for its office in Chicago, Illinois. The office lease commenced on September 1, 2023 and expires on December 31, 2028. There were no additional subsequent events that require recognition or disclosure in these financial statements.