

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**URBAN VENTURES LEADERSHIP FOUNDATION  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Urban Ventures Leadership Foundation  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Urban Ventures Leadership Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Board of Directors  
Urban Ventures Leadership Foundation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Ventures Leadership Foundation as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
April 28, 2020

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 493,280	\$ 148,754
Cash and Cash Equivalents - EMPOWER Campaign	895,766	-
Pledges Receivable Operating, Net	515,414	75,000
Pledges Receivable - EMPOWER Campaign, Net	1,129,333	-
Accounts Receivable, Net	130,340	97,847
Prepaid Expenses	24,750	-
Total Current Assets	3,188,883	321,601
<b>PROPERTY, EQUIPMENT, AND BUILDINGS</b>	13,158,548	13,548,186
<b>OTHER ASSETS</b>		
Pledges Receivable Operating, Net	476,894	-
Pledges Receivable - EMPOWER Campaign, Net	658,271	-
Endowment Fund Investments	1,548,675	2,136,397
Other Investments	338	-
Total Other Assets	2,684,178	2,136,397
Total Assets	\$ 19,031,609	\$ 16,006,184
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ 230,000	\$ 100,000
Accounts Payable	86,280	64,564
Accrued Expenses	163,441	175,387
Current Portion of Long-Term Debt	38,465	37,570
Total Current Liabilities	518,186	377,521
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	7,687	46,249
Total Liabilities	525,873	423,770
<b>NET ASSETS</b>		
Without Donor Restrictions	13,678,204	14,149,340
With Donor Restrictions	4,827,532	1,433,074
Total Net Assets	18,505,736	15,582,414
Total Liabilities and Net Assets	\$ 19,031,609	\$ 16,006,184

See accompanying Notes to Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and Grants	\$ 2,702,870	\$ 1,288,629	\$ 3,991,499	\$ 2,912,969	\$ 145,000	\$ 3,057,969
Contributions - EMPOWER Campaign	-	3,285,333	3,285,333	-	-	-
Program Service Fees	183,857	-	183,857	190,127	-	190,127
Rental Income	176,248	-	176,248	276,030	-	276,030
Special Event Revenue	80,773	-	80,773	83,156	-	83,156
Investment Income	23,211	19,862	43,073	57,594	72,077	129,671
Other Income	6,238	-	6,238	141,562	-	141,562
CityKid Java Revenue	103,662	-	103,662	106,494	-	106,494
Donated Asset	-	-	-	51,000	-	51,000
Gain on Sale of Asset	-	-	-	374,665	-	374,665
Net Assets Released from Restriction	1,199,366	(1,199,366)	-	71,854	(71,854)	-
Total Support and Revenue	<u>4,476,225</u>	<u>3,394,458</u>	<u>7,870,683</u>	<u>4,265,451</u>	<u>145,223</u>	<u>4,410,674</u>
<b>EXPENSES</b>						
Program Services:						
Youth Services	1,002,759	-	1,002,759	646,998	-	646,998
Education and Literacy	563,015	-	563,015	615,286	-	615,286
Family Programming	773,851	-	773,851	995,291	-	995,291
Farm and Nutrition	456,057	-	456,057	577,316	-	577,316
Program Services	629,234	-	629,234	558,369	-	558,369
Total Program Services	<u>3,424,916</u>	<u>-</u>	<u>3,424,916</u>	<u>3,393,260</u>	<u>-</u>	<u>3,393,260</u>
Supporting Services:						
Administration	532,985	-	532,985	714,238	-	714,238
Marketing	180,590	-	180,590	199,579	-	199,579
Fundraising	808,870	-	808,870	572,416	-	572,416
Total Supporting Services	<u>1,522,445</u>	<u>-</u>	<u>1,522,445</u>	<u>1,486,233</u>	<u>-</u>	<u>1,486,233</u>
Total Expenses	<u>4,947,361</u>	<u>-</u>	<u>4,947,361</u>	<u>4,879,493</u>	<u>-</u>	<u>4,879,493</u>
<b>CHANGE IN NET ASSETS</b>	(471,136)	3,394,458	2,923,322	(614,042)	145,223	(468,819)
Net Assets - Beginning of Year	<u>14,149,340</u>	<u>1,433,074</u>	<u>15,582,414</u>	<u>14,763,382</u>	<u>1,287,851</u>	<u>16,051,233</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 13,678,204</u>	<u>\$ 4,827,532</u>	<u>\$ 18,505,736</u>	<u>\$ 14,149,340</u>	<u>\$ 1,433,074</u>	<u>\$ 15,582,414</u>

See accompanying Notes to Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Program					Support					Total 2019
	Youth Service	Education and Literacy	Family Programming	Farm and Nutrition	Program Services	Total Program	Administration	Marketing	Fundraising	Total Support	
Salaries	\$ 439,128	\$ 322,726	\$ 366,506	\$ 265,241	\$ 295,536	\$ 1,689,137	\$ 261,132	\$ 97,448	\$ 394,546	\$ 753,126	\$ 2,442,263
Benefits	90,847	53,708	84,855	56,199	63,880	349,489	53,321	23,351	69,839	146,511	496,000
Total Payroll	529,975	376,434	451,361	321,440	359,416	2,038,626	314,453	120,799	464,385	899,637	2,938,263
Cost of Goods Sold	-	-	-	-	19,547	19,547	-	-	-	-	19,547
Employee Development, Appreciation and Conferences	6,977	75	-	581	1,946	9,579	22,536	576	-	23,112	32,691
Employee Mileage and Travel	14,008	4,196	55	132	2,677	21,068	3,888	58	330	4,276	25,344
Professional Fees	62,565	16,498	48,214	923	2,264	130,464	43,873	2,814	353	47,040	177,504
Purchased Services	64,348	27,603	6,159	21,273	4,113	123,496	12,193	1,218	120,385	133,796	257,292
Food	17,365	4,942	7,930	10,278	12,775	53,290	5,942	1,301	5,133	12,376	65,666
Entry Fees	71,124	5,802	-	-	-	76,926	-	-	-	-	76,926
Printing	2,091	644	2,134	1,053	17,796	23,718	63	10,454	11,333	21,850	45,568
Supplies	41,311	16,109	8,198	4,306	8,178	78,102	4,965	682	6,460	12,107	90,209
Vehicle Operations	1,681	924	1,991	1,988	570	7,154	605	260	1,170	2,035	9,189
Telephone	981	559	1,205	840	345	3,930	3,154	91	812	4,057	7,987
Dues, Fees, Subscriptions	2,215	1,267	1,869	1,121	13,817	20,289	45,987	8,625	12,202	66,814	87,103
Postage and Shipping	8	4	10	3	6,925	6,950	544	-	-	544	7,494
Insurance	20,357	11,592	24,992	13,135	7,153	77,229	7,595	3,255	14,682	25,532	102,761
Occupancy	15,272	8,696	18,749	6,516	5,367	54,600	5,698	2,441	11,014	19,153	73,753
Lake and 4th Building Expense	50,953	29,014	62,553	21,719	17,904	182,143	19,009	8,147	36,748	63,904	246,047
Other Expense	4,740	1,449	14,785	2,739	91,850	115,563	1,893	3,658	54,016	59,567	175,130
Rents and Leases	118	2,160	4,968	1,903	3,045	12,194	3,892	-	-	3,892	16,086
Equipment Expense	153	87	188	987	377	1,792	687	779	238	1,704	3,496
Buildings Expense	3,262	1,858	4,005	2,735	1,147	13,007	1,217	521	2,353	4,091	17,098
Interest Expense	-	-	-	2,634	19,255	21,889	-	-	-	-	21,889
Depreciation	93,255	53,102	114,485	39,751	32,767	333,360	34,791	14,911	67,256	116,958	450,318
Total Other Expense	472,784	186,581	322,490	134,617	269,818	1,386,290	218,532	59,791	344,485	622,808	2,009,098
Total Expense	\$ 1,002,759	\$ 563,015	\$ 773,851	\$ 456,057	\$ 629,234	\$ 3,424,916	\$ 532,985	\$ 180,590	\$ 808,870	\$ 1,522,445	\$ 4,947,361

See accompanying Notes to Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	Program						Support				Total 2018
	Youth Service	Education and Literacy	Family Programming	Farm and Nutrition	Program Services	Total Program	Administration	Marketing	Fundraising	Total Support	
Salaries	\$ 265,905	\$ 346,880	\$ 434,516	\$ 320,287	\$ 321,615	\$ 1,689,203	\$ 312,588	\$ 103,606	\$ 297,148	\$ 713,342	\$ 2,402,545
Benefits	62,114	72,480	103,351	69,944	63,907	371,796	70,546	23,078	54,474	148,098	519,894
Total Payroll	328,019	419,360	537,867	390,231	385,522	2,060,999	383,134	126,684	351,622	861,440	2,922,439
Cost of Goods Sold	665	-	-	677	4,759	6,101	-	-	14,202	14,202	20,303
Employee Development, Appreciation and Conferences	1,889	4,737	245	1,480	1,088	9,439	3,218	309	149	3,676	13,115
Employee Mileage and Travel	10,349	2,977	42	1,020	142	14,530	1,925	36	92	2,053	16,583
Professional Fees	97,799	6,241	62,142	2,216	11,310	179,708	85,157	7,817	20,505	113,479	293,187
Purchased Services	17,914	25,827	22,002	11,223	16,420	93,386	13,195	2,370	4,912	20,477	113,863
Food	4,016	4,966	3,712	31,383	3,918	47,995	13,309	1,217	4,740	19,266	67,261
Entry Fees	26,255	11,346	-	-	643	38,244	-	-	-	-	38,244
Printing	2,719	124	620	1,506	7,245	12,214	1,979	10,154	8,484	20,617	32,831
Supplies	38,274	6,842	8,528	12,046	18,053	83,743	9,122	1,841	48,900	59,863	143,606
Vehicle Operations	865	957	2,601	1,416	832	6,671	709	288	698	1,695	8,366
Telephone	202	224	607	221	203	1,457	1,892	67	190	2,149	3,606
Dues, Fees, Subscriptions	2,804	2,129	3,948	1,968	8,138	18,987	39,041	10,183	7,926	57,150	76,137
Postage and Shipping	130	144	462	499	608	1,843	2,350	636	789	3,775	5,618
Insurance	12,381	13,704	37,223	14,221	11,912	89,441	10,287	4,118	9,988	24,393	113,834
Occupancy	14,586	16,144	43,851	14,921	6,147	95,649	11,963	4,851	19,653	36,467	132,116
Lake and 4th Building Expense	25,441	28,158	76,486	26,026	17,359	173,470	20,866	8,462	27,640	56,968	230,438
Other Expense	928	(1,202)	(822)	(1,047)	(659)	(2,802)	33,031	(335)	(999)	31,697	28,895
Rents and Leases	21	3,740	7,287	1,729	3,293	16,070	10,236	7	(357)	9,886	25,956
Equipment Expense	347	916	3,914	1,966	483	7,626	442	455	2,041	2,938	10,564
Buildings Expense	3,753	4,154	11,283	4,647	2,596	26,433	3,078	1,248	4,042	8,368	34,801
Interest Expense	2,583	2,859	7,765	2,642	5,387	21,236	24,147	859	2,783	27,789	49,025
Depreciation	55,058	60,939	165,528	56,325	52,970	390,820	45,157	18,312	44,416	107,885	498,705
Total Other Expense	318,979	195,926	457,424	187,085	172,847	1,332,261	331,104	72,895	220,794	624,793	1,957,054
Total Expense	\$ 646,998	\$ 615,286	\$ 995,291	\$ 577,316	\$ 558,369	\$ 3,393,260	\$ 714,238	\$ 199,579	\$ 572,416	\$ 1,486,233	\$ 4,879,493

See accompanying Notes to Financial Statements.



**URBAN VENTURES LEADERSHIP FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,923,322	\$ (468,819)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	450,318	498,705
(Gain) Loss on Sale of Fixed Assets	-	(374,665)
Investment Income	(32,944)	(119,546)
Change in Operating Assets and Liabilities:		
Pledges Receivable	(2,704,912)	(75,000)
Accounts Receivable	(32,493)	(12,457)
Inventory	-	-
Prepaid Expenses	(24,750)	26,187
Accounts Payable	21,716	(10,535)
Accrued Expenses	(11,946)	73,587
Net Cash Provided (Used) by Operating Activities	588,311	(462,543)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(60,680)	(75,784)
Proceeds from the Sale of Property and Equipment	-	863,008
Purchase of Other Investments	-	(26,014)
Proceeds from Sale of Other Investments	-	27,088
Purchase of Endowment Fund Investments	(621,005)	(167,600)
Proceeds from the Sale of Endowment Fund Investments	1,241,333	286,777
Net Cash Provided by Investing Activities	559,648	907,475
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Change in Line of Credit	130,000	100,000
Repayment of Long-Term Debt	(37,667)	(955,302)
Net Cash Provided (Used) by Financing Activities	92,333	(855,302)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,240,292	(410,370)
Cash and Cash Equivalents - Beginning of Year	148,754	559,124
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,389,046	\$ 148,754
<b>Reflected on the Statement of Financial Position as</b>		
Cash and Cash Equivalents	\$ 493,280	\$ 148,754
Cash and Cash Equivalents - EMPOWER Campaign	895,766	-
Total Cash and Cash Equivalents	\$ 1,389,046	\$ 148,754
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 19,255	\$ 49,025

See accompanying Notes to Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Program Services**

Urban Ventures Leadership Foundation (the Organization) provides cradle-to-career support to youth and families in one of the most under resourced neighborhoods in Minneapolis – with the overarching goal to prepare and send every youth in our neighborhood to college or postsecondary education by 2040. The Organization works alongside 80 local partners to address opportunity gaps in academics, nutrition, physical activity, parenting resources and more. Each week, 500 youth of all ages receive one-on-one support in mind, bod, and spirit.

**EMPOWER Fundraising Campaign**

During the 2019 year, the Organization initiated a multi-million dollar, three-year fundraising campaign known as the EMPOWER Campaign. The Campaign is a focused effort to serve more youth and strengthen the entrance and exit points of the Organization’s cradle-to-career programming. Campaign elements include capital projects, program expansion and the funding of two new vital initiatives, an early learning center and an expanded college and career center.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized as they are earned and expenses are recorded when liabilities are incurred.

**Basis of Presentation**

Net assets and revenues, support and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified into the following two categories:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash with donor restrictions for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was with restrictions has been fulfilled, or both.

The Organization has elected to present contributions with temporary restrictions, which are fulfilled in the same period, within the net assets with donor restrictions net asset class.

**URBAN VENTURES LEADERSHIP FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

From time-to-time, the Organization may have deposits at one commercial bank in excess of the limits guaranteed by the Federal Deposit Insurance Corporation (FDIC). While this represents an uninsured risk, management periodically evaluates the financial viability of the financial institutions to determine if any changes are warranted.

**Accounts Receivable**

The Organization analyzes their receivables and records an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. Management takes into consideration factors such as the collectability of the accounts, prior loss experience, current economic conditions, and the age of the receivable balance. An account is considered uncollectible when all collection efforts have failed. The allowance for uncollectible accounts was \$1,713 at June 30, 2019 and 2018. The Organization's accounts receivable are unsecured assets.

**Pledges Receivable**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges, including pending bequests, are not included as support until such time as the conditions are substantially met. Management provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful operating pledges is \$ 5,067 and the allowance for doubtful capital pledges is \$80,000 as of June 30, 2019. No such allowance was recorded as of June 30, 2018.

**Property, Equipment, and Buildings**

Purchased property and equipment are carried at cost. Contributed property and equipment are recorded as support at their estimated fair value at the time of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The cost of maintenance and repairs is expensed as incurred and significant renewals and betterments over \$500 are capitalized. Estimate lives of assets are:

Buildings	40 Years
Building Improvements	20 Years
Vehicles	7 Years
Furniture and Equipment	3 to 10 Years

**URBAN VENTURES LEADERSHIP FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Endowment Fund Investments**

Endowment Fund Investments are stated at fair value. The investments consist of interests in various non-publicly traded investment funds which are valued by management of the individual funds based on the fair value of the underlying investments in the funds. The net changes in fair value on held investments and the realized gains and losses on investments sold are reflected in the statements of activities as a component of investment income. Realized and unrealized gains and losses are included in the accompanying statements of activities.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of the investments will occur in the near term and such changes could materially affect the amounts reported.

**Funds Held by Others**

These assets are valued at fair value, in accordance with current accounting standards on transfers of assets to a nonprofit organization or charitable trust that raises or holds contributions for others. Realized and unrealized gains and losses are recognized in the statements of activities.

**Revenue Recognition**

Program service fees and rental income are recorded as revenue when earned and as services are performed. Funds received but not yet earned are shown as deferred revenue.

**In-Kind Contributions**

Accounting principles generally accepted in the United States of America (GAAP) require that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by an individual possessing those skills, and would typically need to be purchased if not provided by donation, be recorded. In-kind contributions were \$-0- in 2019 and 2018.

A substantial number of volunteers have contributed time to the Organization's programs, fundraising, and administration; however, these donated services are not reflected in the statements of activities as recognition has not been satisfied under the requirements of GAAP.

**Allocation of Functional Expenses**

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities. Other expenses are directly coded to a functional category based on the nature and purpose of the expense.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Use of Estimates**

The preparation of the accompanying 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.

**Tax Status**

Urban Ventures Leadership Foundation is exempt from federal taxes on related income under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has been designated as a publicly supported organization under Section 170 of the same code. Accordingly, contributions qualify for deduction to the extent provided in that code. The Organization is also exempt from state income tax on related income.

The Organization follows applicable accounting standards for uncertainty in income taxes recognized in an organization's financial statements.

**Fair Value Measurements**

Accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position, for which an estimated value is practicable. Certain financial instruments and all nonfinancial instruments are excluded from the standard's disclosure requirements. For all financial instruments other than investments, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. Investments are carried at fair value or estimated fair value.

The Organization follows accounting standards that define fair value, establish a framework for measuring fair value in accordance with existing GAAP, and expand disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes inputs according to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level inputs are defined as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

*Level 3* – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Change in Accounting Principle**

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the liquidity footnote which has only been presented for the year ended June 30, 2019. This has increased net assets without donor restrictions by \$607,431 and decreased net assets with donor restrictions by \$607,431 as of July 1, 2017 resulting from the reclassifications of underwater endowment funds as required under ASU 2016-14.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to confirm to the current year presentation. The reclassifications had no effects on the change in net assets or total net assets as previously reported.

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through April 28, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, a pandemic of the Corina Virus (COVID-19) was declared by the World Health Organization. Future events, revenues and expenses of the Organization are uncertain due to the potential impact on travel and gatherings of large quantities of individuals. This could also impact transactions relating to customers and vendors. In addition, both domestic and international equity markets have experienced significant declines since June 30, 2019. As of April 28, 2020, the amount and likelihood of loss relating to these events is not determined.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Pledges Receivable:		
Operating	\$ 1,023,747	\$ 75,000
EMPOWER Campaign	1,908,000	-
Subtotal	<u>2,931,747</u>	<u>75,000</u>
Allowance for Uncollectible Pledges	(85,067)	-
Unamortized Discount (2.7%)	(66,768)	-
Total	<u>\$ 2,779,912</u>	<u>\$ 75,000</u>
Amounts Due In:		
Less Than One Year	\$ 1,644,747	\$ 75,000
One to Five Years	1,135,165	-
Total	<u>\$ 2,779,912</u>	<u>\$ 75,000</u>

**NOTE 3 ENDOWMENT FUND INVESTMENTS**

Endowment Fund Investments consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Fixed Income Funds	\$ 129,724	\$ 173,846
Diversified Equity Fund	811,100	1,115,462
Marketable Alternative Fund	420,532	585,625
Special Opportunities Fund	187,319	261,464
Total	<u>\$ 1,548,675</u>	<u>\$ 2,136,397</u>

Investment income for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Endowment Fund Realized and Unrealized Gains	<u>\$ 32,944</u>	<u>\$ 119,546</u>

**NOTE 4 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities refer to Note 1 – Organization and Summary of Significant Accounting Policies.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured on a recurring basis as of June 30, 2019 and 2018:

<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ -	\$ -	\$ 129,724	\$ 129,724
Diversified Equity Fund	-	-	811,100	811,100
Marketable Alternative Fund	-	-	420,532	420,532
Special Opportunities Fund	-	-	187,319	187,319
Other Investments	338	-	-	338
Total	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ 1,548,675</u>	<u>\$ 1,549,013</u>
<u>June 30, 2018</u>				
Endowment Fund Investments:				
Fixed Income Fund	\$ -	\$ -	\$ 173,846	\$ 173,846
Diversified Equity Fund	-	-	1,115,462	1,115,462
Marketable Alternative Fund	-	-	585,625	585,625
Special Opportunities Fund	-	-	261,464	261,464
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,136,397</u>	<u>\$ 2,136,397</u>

The following table provides a summary of changes in the Organization's Level 3 assets for the years ended June 30, 2019:

	<u>Endowment Fund Investments</u>			
	<u>Fixed Income Fund</u>	<u>Diversified Equity Fund</u>	<u>Marketable Alternative Fund</u>	<u>Special Opportunities Fund</u>
Balance at Beginning of Year	\$ 173,846	\$ 1,115,462	\$ 585,625	\$ 261,464
Purchases	-	-	-	-
Unrealized and Realized Gains (Losses)	9,178	28,704	(593)	(4,345)
Withdrawals	(53,300)	(333,066)	(164,500)	(69,800)
Balance at End of Year	<u>\$ 129,724</u>	<u>\$ 811,100</u>	<u>\$ 420,532</u>	<u>\$ 187,319</u>

The following table provides a summary of changes in the Organization's Level 3 assets for the years ended June 30, 2018:

	<u>Endowment Fund Investments</u>			
	<u>Fixed Income Fund</u>	<u>Diversified Equity Fund</u>	<u>Marketable Alternative Fund</u>	<u>Special Opportunities Fund</u>
Balance at Beginning of Year	\$ 213,384	\$ 998,435	\$ 653,175	\$ 271,034
Purchases	-	48,424	-	-
Unrealized and Realized Gains	(2,137)	68,603	21,750	31,330
Withdrawals	(37,401)	-	(89,300)	(40,900)
Balance at End of Year	<u>\$ 173,846</u>	<u>\$ 1,115,462</u>	<u>\$ 585,625</u>	<u>\$ 261,464</u>



**URBAN VENTURES LEADERSHIP FOUNDATION  
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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2019 and 2018:

	Net Asset Value		Unfunded Commitments	Redemption Frequency if Currently Available	Redemption Notice Period
	2019	2018			
Endowment Fund Investments:					
Fixed Income Fund	\$ 129,724	\$ 173,846	\$ -	Quarterly	30 Days
Diversified Equity Fund	811,100	1,115,462	-	Quarterly	30 Days
Marketable Alternative Fund	420,532	585,625	-	Quarterly	6 Months
Special Opportunities Fund	187,319	261,464	-	Annually	6 Months

The unobservable inputs of all Endowment Fund Investments are based on the underlying assets within each fund noted below.

The Fixed Income Fund achieves its objective to provide income, capital preservation, and liquidity by investing primarily in investment companies that provide exposure to corporate, government, and asset backed debt, broadly diversified across geography, issuer, strategy, sector, and quality.

The Diversified Equity Fund achieves its investment objective of total return and growth through allocations to global equities diversified across broad company, country, currency, sector, and capitalization exposure. The fund invests in funds and limited partnerships that may impose certain constraints upon discretionary withdrawals as set forth in the partnership agreements which may include initial lock-up periods, gates provisions, and redemption fees.

The Marketable Alternative Fund achieves its investment objective of diversification, risk reduction, and return enhancement through broadly diversified allocations to two primary hedge fund categories, Absolute Return and Market Directional. Absolute return strategies exploit inefficiencies and mispriced securities while “hedging out” the effects of the market’s overall direction in an effort to minimize market risk.

The Special Opportunities Fund invests in distressed securities strategies and equity managers with concentrated equity portfolios. To achieve equity-like returns and provide inflation protection, the Fund targets exposure to real assets via investments in commodities, energy stocks, and real estate sectors. The Fund invests in funds and limited partnerships that may impose certain constraints upon discretionary withdrawals as set forth in the partnership agreements which may include initial lock-up periods, gates provisions, and redemption fees.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 PROPERTY, EQUIPMENT, AND BUILDINGS**

Property, equipment, and buildings consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,545,007	\$ 2,545,007
Buildings	16,806,821	16,766,031
Furniture and Equipment	317,852	297,962
Office and Computer Equipment	1,343,602	1,343,602
Vehicles	129,898	129,898
Total Property, Equipment, and Buildings	<u>21,143,180</u>	<u>21,082,500</u>
Less: Accumulated Depreciation	<u>(7,984,632)</u>	<u>(7,534,314)</u>
Net Property, Equipment, and Buildings	<u>\$ 13,158,548</u>	<u>\$ 13,548,186</u>

Depreciation expense was \$450,318 and \$498,705 for the years ended June 30, 2019 and 2018, respectively. Included in land and buildings is approximately 50% of the total cost of the Colin Powell Center. The Organization has a joint agreement with Twin Cities Jesuit High School where each entity is a 50% owner of the building and land.

**NOTE 6 LINE OF CREDIT**

The Organization has a \$700,000 revolving line of credit with a variable rate of interest (one month LIBOR rate plus 3%), which was 5.39% as of June 30, 2019 and 2018. The principal balance outstanding on the line of credit is due on demand with a 90-day notice and is secured by all assets of the Organization. At June 30, 2019 and 2018, \$230,000 and \$100,000, respectively, was owed.

**NOTE 7 LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2019 and 2018:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Note payable - bank, with monthly payments of \$3,447 including variable interest, which was 5.75% at June 30, 2019 and is due August 2020. The note is secured by all inventory, equipment and accounts receivable of CityKid Java, LLC and is guaranteed by Urban Ventures Leadership Foundation.	\$ 46,152	\$ 83,819
Current Portion of Long-Term Debt	<u>(38,465)</u>	<u>(37,570)</u>
Total	<u>\$ 7,687</u>	<u>\$ 46,249</u>

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 LONG-TERM DEBT (CONTINUED)**

Current maturities of long-term debt at June 30, 2019 are due as follows:

Year Ending June 30,	Amount
2020	\$ 38,465
2021	7,687
Total Debt Payments	\$ 46,152

**NOTE 8 RETIREMENT PLAN**

The Organization adopted a qualified defined contribution retirement plan in May 1997 covering substantially all employees. The plan allows employees to defer compensation up to the Internal Revenue Service (IRS) limitations and in 2012 the Organization began matching 25% of employee contributions up to 2% of the employee's base salary. The Organization's matching contribution is discretionary as determined by the board. Matching contributions were \$25,751 and \$22,137 during the years ended June 30, 2019 and 2018, respectively.

**NOTE 9 RENTAL INCOME**

The Organization leases space in buildings it owns under various lease arrangements. Rental income was \$176,248 and \$276,030 during the years ended June 30, 2019 and 2018, respectively. Leases mature at various times with most being month-to-month agreements and include ad-hoc leases for sports tournaments and event usage.

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with restrictions consist of the following as of June 30, 2019 and 2018:

	2019	2018
Restrictions Temporary in Nature:		
Time Restriction	\$ 1,148,629	\$ 145,000
Literacy Grant	148,668	-
EMPOWER Campaign - Early Learning Center	1,600,000	-
EMPOWER Campaign - Capital and Program Expansion	1,585,333	-
Other	5,000	-
Total	4,487,630	145,000
Endowments:		
General Endowment	339,902	1,288,074
Total Net Assets with Donor Restrictions	\$ 4,827,532	\$ 1,433,074

**URBAN VENTURES LEADERSHIP FOUNDATION  
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**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Restricted net assets released consist of the following during the years ended June 30, 2019 and 2018:

	2019	2018
Purpose Releases	\$ 731,332	\$ -
Donor Approved Release	395,282	-
Appropriations from Endowment Funds	72,752	71,854
Total	\$ 1,199,366	\$ 71,854

During the year ended June 30, 2019, the Organization contacted donors who had previously gifted funds to be maintained in perpetuity. These conversations resulted in donors releasing \$500,000 out of an endowment fund and into a restriction that is temporary in nature and releasing \$395,282 into without donor restriction to be used at the Organization's discretion.

**NOTE 11 ENDOWMENT FUNDS**

The endowment funds consist of gifts restricted by donors that have stipulated the funds be held in perpetuity and are subject to Minnesota's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and amounts designated by the board. The Organization has established the endowment funds to provide for ongoing funding for their programs. The annual distribution policy allows distributions to be made available to operations equal to 5% of the average market value. Underwater funds as of June 30, 2019 and 2018 are disclosed in the following table and were \$660,098 and \$607,208, respectively. These deficiencies resulted from approved appropriations in excess of accumulated earnings. During the year ended June 30, 2019, the Organization's board of directors approved an additional distribution from the board-designated endowment funds of \$500,000.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 ENDOWMENT FUNDS (CONTINUED)**

Endowments by net asset class for the years ended June 30, 2019 and 2018:

	2019		Total
	Without Restrictions	With Restrictions	
Board-Designated Endowment Funds	\$ 313,491	\$ -	\$ 313,491
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,000,000	1,000,000
Accumulated Investment Losses	-	(660,098)	(660,098)
Total Endowment Funds	<u>\$ 313,491</u>	<u>\$ 339,902</u>	<u>\$ 653,393</u>
	2018		
	Without Restrictions	With Restrictions	Total
Board-Designated Endowment Funds	\$ 848,323	\$ -	\$ 848,323
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,895,282	1,895,282
Accumulated Investment Losses	-	(607,208)	(607,208)
Total Endowment Funds	<u>\$ 848,323</u>	<u>\$ 1,288,074</u>	<u>\$ 2,136,397</u>

Changes in endowment fund assets were as follows for the years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
	Endowments - July 1, 2018	\$ 848,323	\$ 1,288,074
Appropriation of Endowment Assets for Expenditures	(547,914)	(72,752)	(620,666)
Donor Approved Release	-	(895,282)	(895,282)
Realized and Unrealized Gains on Investments Appreciation	13,082	19,862	32,944
Endowments - June 30, 2019	<u>\$ 313,491</u>	<u>\$ 339,902</u>	<u>\$ 653,393</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowments - July 1, 2017	\$ 848,177	\$ 1,287,851	\$ 2,136,028
Appropriation of Endowment Assets for Expenditures	(47,323)	(71,854)	(119,177)
Realized and Unrealized Gains on Investments Appreciation	47,469	72,077	119,546
Endowments - June 30, 2018	<u>\$ 848,323</u>	<u>\$ 1,288,074</u>	<u>\$ 2,136,397</u>

The Organization has adopted investment and spending policies for endowment assets based on a total return approach with an assessment of the need for liquidity and income, as well as the desire for capital appreciation and risk control.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
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**NOTE 11 ENDOWMENT FUNDS (CONTINUED)**

The Organization will utilize an investment company that will develop and maintain a model portfolio based on the asset allocation and investment strategy implementation process described in the investment company's Investment Policy Manual for Tax-Exempt Clients. The model portfolio will serve as a target for the portfolio, reflecting the appropriate combination of risk and return, in the context of the investment companies' capital market assumptions. The primary goal is to maximize returns for the overall portfolio, while controlling risk to an acceptable level.

The Organization is responsible for the investment decisions of the endowment funds and determining the income available for distributions, which are made annually.

**NOTE 12 MAJOR CONTRIBUTORS**

Two and three donors/funders accounted for 56% and 38% of total contributions and grants for the years ended June 30, 2019 and 2018, respectively. Further, this concentration is split between EMPOWER Campaign contributions and grants and all other contributions and grants with 76% or EMPOWER Campaign contributions coming from two donors and 38% of all other contributions and grants coming from one donor. No such split existed for the year ended June 30, 2018.

Three and two donors/funders accounted for 97% and 100% of pledges receivable for the years ended June 30, 2019 and 2018, respectively. Further, this concentration is split between EMPOWER Campaign pledges receivable and operating pledges receivable with 96% of EMPOWER Campaign pledges receivable coming from three donors and 98% of operating pledges receivable coming from one donor. No such split existed for the year ended June 30, 2018.

The Organization received \$162,015 and \$183,350 of contributions through the generosity of board members during the years ended June 30, 2019 and 2018, respectively.

**NOTE 13 LIQUIDITY AND AVAILABILITY**

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and Cash Equivalents	\$ 339,666
Accounts Receivable	130,340
Pledges Receivable Operating	515,414
Investments - Next Year's Draw	124,684
Total	<u><u>\$ 1,110,104</u></u>

**URBAN VENTURES LEADERSHIP FOUNDATION**  
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**NOTE 13 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization is substantially supported by without donor restriction and with donor restriction contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's standard financial practices include a balanced annual operating budget. During the fiscal year, the Organization also employed several strategies designed to strengthen liquidity including expanding facility rental operations, increasing coffee fundraising activities and building reserve funds through multi-year pledges. The Organization also has a committed line of credit (see Note 6) to draw upon during the year if needed, as well as an endowment fund (see Note 11). Although the Organization does not intend to spend from its investment fund other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from this fund could be made available if necessary and approved by the Organization's board of directors.