

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**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 consolidated financial statements of Urban Ventures Leadership Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Urban Ventures Leadership Foundation as of June 30, 2017 and 2016, 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  
November 28, 2017

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 559,124	\$ 230,913
Accounts Receivable, Net	85,390	45,037
Inventory	-	108
Prepaid Expenses	26,187	97,389
Pledges Receivable	-	35,000
Total Current Assets	670,701	408,447
<b>PROPERTY, EQUIPMENT, AND BUILDINGS</b>	14,459,450	15,664,608
<b>OTHER ASSETS</b>		
Endowment Fund Investments	2,136,028	2,507,971
Funds Held by Others	-	10,681
Other Investments	1,074	14,596
Total Other Assets	2,137,102	2,533,248
Total Assets	\$ 17,267,253	\$ 18,606,303
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Lines of Credit	\$ -	\$ 500,000
Accounts Payable	75,099	102,559
Accrued Expenses	101,800	125,919
Deferred Revenue	-	5,032
Current Portion of Long-Term Debt	97,568	91,723
Total Current Liabilities	274,467	825,233
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	941,553	1,040,877
Total Liabilities	1,216,020	1,866,110
<b>NET ASSETS</b>		
Unrestricted	14,155,951	14,493,367
Temporarily Restricted	-	351,544
Permanently Restricted	1,895,282	1,895,282
Total Net Assets	16,051,233	16,740,193
Total Liabilities and Net Assets	\$ 17,267,253	\$ 18,606,303

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>								
Contributions and Grants	\$ 3,376,498	\$ -	\$ -	\$ 3,376,498	\$ 2,594,076	\$ 501,332	\$ -	\$ 3,095,408
Program Service Fees	72,091	-	-	72,091	115,739	-	-	115,739
Rental Income	383,767	-	-	383,767	339,004	-	-	339,004
Special Event Revenue	327,808	-	-	327,808	417,696	-	-	417,696
Investment Income (Loss)	84,031	141,589	-	225,620	(65,923)	(120,499)	-	(186,422)
Other Income	93,364	-	-	93,364	38,751	-	-	38,751
CityKid Java Revenue	105,114	-	-	105,114	228,643	-	-	228,643
Net Assets Released from Restriction	493,133	(493,133)	-	-	604,597	(604,597)	-	-
Total Support and Revenue	4,935,806	(351,544)	-	4,584,262	4,272,583	(223,764)	-	4,048,819
<b>EXPENSES</b>								
Program Services:								
Center for Fathering	686,400	-	-	686,400	935,899	-	-	935,899
Youth Programs	1,901,790	-	-	1,901,790	1,476,325	-	-	1,476,325
City Kid Enterprises	720,409	-	-	720,409	506,125	-	-	506,125
Siempre Padres	310,547	-	-	310,547	247,881	-	-	247,881
Outreach	283,454	-	-	283,454	94,915	-	-	94,915
Total Program Services	3,902,600	-	-	3,902,600	3,261,145	-	-	3,261,145
Supporting Services:								
City Kid Java Expenses	-	-	-	-	274,307	-	-	274,307
ULVF Opportunities	53,930	-	-	53,930	72,005	-	-	72,005
General and Administrative Expenses	885,102	-	-	885,102	1,384,309	-	-	1,384,309
Fundraising	431,590	-	-	431,590	621,460	-	-	621,460
Total Supporting Services	1,370,622	-	-	1,370,622	2,352,081	-	-	2,352,081
Total Expenses	5,273,222	-	-	5,273,222	5,613,226	-	-	5,613,226
<b>CHANGE IN NET ASSETS</b>	(337,416)	(351,544)	-	(688,960)	(1,340,643)	(223,764)	-	(1,564,407)
Net Assets - Beginning of Year	14,493,367	351,544	1,895,282	16,740,193	15,834,010	575,308	1,895,282	18,304,600
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 14,155,951</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 16,051,233</u>	<u>\$ 14,493,367</u>	<u>\$ 351,544</u>	<u>\$ 1,895,282</u>	<u>\$ 16,740,193</u>

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017**

	Program Services					Supporting Services				2017 Total	
	Center For	Youth	City Kid	Siempre	Total	UVLF	Administration	Fundraising	Total		
	Fathering	Programs	Enterprises	Padres		Outreach	Opportunities				and General
Salaries	\$ 455,729	\$ 838,615	\$ 470,202	\$ 179,502	\$ 203,029	\$ 2,147,077	\$ -	\$ 340,341	\$ 232,879	\$ 573,220	\$ 2,720,297
Benefits	75,761	167,266	82,987	32,541	25,849	384,404	-	80,477	39,310	119,787	504,191
Total Payroll	531,490	1,005,881	553,189	212,043	228,878	2,531,481	-	420,818	272,189	693,007	3,224,488
Conferences and Training	1,350	23,808	1,260	-	-	26,418	-	-	200	200	26,618
Employee Travel	3,811	24,928	827	29	1,137	30,732	-	1,517	897	2,414	33,146
Professional Fees	11,196	44,793	7,016	35,312	16,590	114,907	-	211,705	5,485	217,190	332,097
Purchased Services	20,279	82,130	25,916	21,697	7,405	157,427	27,452	48,860	32,138	108,450	265,877
Food	4,042	24,607	25,860	2,003	711	57,223	-	10,726	12,530	23,256	80,479
Entry Fees	100	62,933	173	988	350	64,544	-	-	-	-	64,544
Printing	414	897	4,743	387	190	6,631	-	10,758	12,255	23,013	29,644
Supplies	9,551	44,377	16,589	3,998	2,439	76,954	-	12,907	3,605	16,512	93,466
Vehicles Operations	1,401	5,617	2,480	634	585	10,717	-	1,519	-	1,519	12,236
Telephone	489	1,356	535	221	204	2,805	-	2,434	-	2,434	5,239
Dues, Fees and Subscriptions	1,917	5,271	4,059	436	403	12,086	60	29,970	9,594	39,624	51,710
Postage and Shipping	71	105	3,788	15	14	3,993	-	836	17	853	4,846
Insurance	13,343	36,977	17,026	6,037	5,570	78,953	8,008	14,456	-	22,464	101,417
Occupancy	15,319	42,452	16,742	6,930	6,395	87,838	9,065	16,907	-	25,972	113,810
Other Expense	38	712	(3,020)	849	1,488	67	5	14,006	25,038	39,049	39,116
Rents and Leases	3,676	3,986	2,949	51	47	10,709	-	2,767	48,914	51,681	62,390
Equipment	9,774	8,051	8,755	641	457	27,678	-	4,500	701	5,201	32,879
Building Expense	8,145	22,571	10,937	3,685	3,400	48,738	9,340	8,830	-	18,170	66,908
Interest	7,030	19,483	14,668	3,181	2,965	47,327	-	29,158	-	29,158	76,485
Depreciation	42,964	440,855	5,917	11,410	4,226	505,372	-	12,679	8,027	20,706	526,078
Cost of Goods Sold	-	-	-	-	-	-	-	29,749	-	29,749	29,749
Total Other Expenses	154,910	895,909	167,220	98,504	54,576	1,371,119	53,930	464,284	159,401	677,615	2,048,734
Total Expense	\$ 686,400	\$ 1,901,790	\$ 720,409	\$ 310,547	\$ 283,454	\$ 3,902,600	\$ 53,930	\$ 885,102	\$ 431,590	\$ 1,370,622	\$ 5,273,222

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	Program Services						Supporting Services					Total 2016
	Center For Fathering	Youth Programs	City Kid Enterprises	Siempre Padres	Outreach	Total	City Kid Java	UVLF Opportunities	Administration and General	Fundraising	Total	
Salaries	\$ 469,297	\$ 675,117	\$ 272,437	\$ 112,523	\$ 59,251	\$ 1,588,625	\$ 70,116	\$ -	\$ 725,452	\$ 274,662	\$ 1,070,230	\$ 2,658,855
Benefits	95,679	129,135	55,792	16,507	5,459	302,572	4,253	-	148,274	57,686	210,213	512,785
Total Payroll	564,976	804,252	328,229	129,030	64,710	1,891,197	74,369	-	873,726	332,348	1,280,443	3,171,640
Conferences and Training	1,487	1,855	80	-	-	3,422	-	-	1,837	-	1,837	5,259
Employee Travel	10,361	37,293	1,436	147	3,631	52,868	1,170	-	681	5	1,856	54,724
Professional Fees	100	48	2,271	650	-	3,069	-	-	123,449	12,993	136,442	139,511
Purchased Services	22,597	51,551	19,533	47,247	4,192	145,120	7,875	1,335	86,307	48,818	144,335	289,455
Food	23,297	36,669	43,664	3,936	103	107,669	106	-	14,159	3,687	17,952	125,621
Entry Fees	-	63,276	-	26	-	63,302	-	-	-	-	-	63,302
Printing	5,618	2,245	-	165	80	8,108	305	-	1,033	21,176	22,514	30,622
Supplies	43,909	67,507	52,870	10,088	193	174,567	3,865	-	24,885	160,152	188,902	363,469
Vehicles Operations	1,023	36,845	2,473	-	-	40,341	-	-	3,431	-	3,431	43,772
Telephone	895	-	-	-	-	895	555	-	1,202	-	1,757	2,652
Dues, Fees and Subscriptions	617	25,383	1,501	667	2,000	30,168	4,280	65	42,373	1,569	48,287	78,455
Postage and Shipping	2,545	59	77	-	-	2,681	7,100	-	5,604	2,587	15,291	17,972
Insurance	10,524	29,245	8,923	2,722	1,008	52,422	-	9,798	51,594	1,916	63,308	115,730
Occupancy	25,223	46,516	20,273	6,699	2,481	101,192	-	26,320	7,591	4,714	38,625	139,817
Other Expense	-	-	-	-	-	-	16,975	-	18,585	-	35,560	35,560
Rents and Leases	2,341	3,004	163	-	-	5,508	-	-	2,530	-	2,530	8,038
Equipment	1,602	11,751	1,508	1,886	-	16,747	-	-	19,255	113	19,368	36,115
Building Expense	78,442	-	3,798	7,347	2,713	92,300	-	15,223	8,475	5,154	28,852	121,152
Interest	-	-	-	-	-	-	9,044	-	56,179	-	65,223	65,223
Depreciation	140,342	258,826	19,326	37,271	13,804	469,569	27,612	19,264	41,413	26,228	114,517	584,086
Cost of Goods Sold	-	-	-	-	-	-	121,051	-	-	-	121,051	121,051
Total Other Expenses	370,923	672,073	177,896	118,851	30,205	1,369,948	199,938	72,005	510,583	289,112	1,071,638	2,441,586
Total Expense	\$ 935,899	\$ 1,476,325	\$ 506,125	\$ 247,881	\$ 94,915	\$ 3,261,145	\$ 274,307	\$ 72,005	\$ 1,384,309	\$ 621,460	\$ 2,352,081	\$ 5,613,226

See accompanying Notes to Consolidated Financial Statements.



**URBAN VENTURES LEADERSHIP FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (688,960)	\$ (1,564,407)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	526,078	584,086
Bad Debt Expense	-	159
Investment Loss (Income)	(225,620)	186,422
Change in Operating Assets and Liabilities:		
Pledges Receivable	35,000	(35,000)
Accounts Receivable	(40,353)	31,844
Inventory	108	21,440
Prepaid Expenses	71,202	(48,833)
Accounts Payable	(27,460)	(12,667)
Accrued Expenses	(24,119)	23,182
Deferred Revenue	(5,032)	5,032
Net Cash Used by Operating Activities	(379,156)	(808,742)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	(67,240)
Proceeds from the Sale of Property and Equipment	679,080	-
Purchase of Other Investments	-	(82,654)
Proceeds from Sale of Other Investments	24,203	70,554
Purchase of Endowment Fund Investments	(74,221)	(184,100)
Proceeds from the Sale of Endowment Fund Investments	671,784	317,577
Net Cash Provided by Investing Activities	1,300,846	54,137
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Change in Line of Credit	(500,000)	500,619
Repayment of Long-Term Debt	(93,479)	(89,511)
Net Cash Provided (Used) by Financing Activities	(593,479)	411,108
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	328,211	(343,497)
Cash and Cash Equivalents - Beginning of Year	230,913	574,410
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 559,124	\$ 230,913
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 77,936	\$ 67,044
Refinancing of Line of Credit with Long-Term Debt	\$ -	\$ 175,000

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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

**Organization and Program Services**

Urban Ventures Leadership Foundation (the Organization) is a nonprofit community development corporation founded in 1993.

Urban Ventures Leadership Foundation is committed to alleviating urban poverty in the Twin Cities region by focusing on programs and partnerships that create economic sustainability for the community, enhancing education and spiritual development for youth, teaching and providing parenting and fathering skills and providing food and nutritional education.

Urban Ventures Leadership Foundation believes that transformed lives create a successful community. While based in South Minneapolis, the scale and reach of Urban Ventures is regional as a significant number of clients do not live in our closest neighborhoods.

**Principles of Consolidation**

The accompanying consolidated financial statements include 100% of the accounts of the Organization and its wholly owned subsidiaries, UVLF Opportunities, Inc., and CityKid Java, LLC. All material intercompany balances and transactions have been eliminated in consolidation.

**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 three categories:

Unrestricted Net Assets – Resources over which the board of directors (board) has discretionary control.

Temporarily Restricted Net Assets – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time.

Permanently Restricted Net Assets – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same period, within the unrestricted net asset class.

**Cash and Cash Equivalents**

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

**URBAN VENTURES LEADERSHIP FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**Cash and Cash Equivalents (Continued)**

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 collectibility 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 \$2,000 and \$2,000 at June 30, 2017 and 2016, respectively. The Organization's accounts receivable are unsecured assets.

**Inventory**

Inventory, which consists of items used in CityKid Java, LLC sales, is valued at the lower of cost or market, determined using the first-in, first-out (FIFO) method, or market.

**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 estimates that all pledges receivable are fully collectible and no allowance for doubtful pledges has been recognized.

**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 CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 nonpublicly 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 consolidated statements of activities as a component of investment income. Realized and unrealized gains and losses are included in the accompanying consolidated 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 consolidated statements of activities.

**Revenue Recognition**

Government contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Service group revenues include private and government fees received for services provided to individuals, as well as grants, gifts, and service contracts with government agencies. Fee revenue and revenue under service contracts are recognized as services are performed.

**In-Kind Contributions**

Accounting principles generally accepted in the United States of America (GAAP) requires 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 2017 and 2016.

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 consolidated statements of activities as recognition has not been satisfied under the requirements of GAAP.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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

**Allocation of Functional Expenses**

Functional expenses have been allocated between program services and supporting services based on an analysis of personal time and space utilized for the related activities.

**Use of Estimates**

The preparation of the accompanying consolidated 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. Also, UVLF Opportunities Inc. is exempt from federal taxes on related income under Section 501(c)(2) of the IRC. The Organization is also exempt from state income tax on related income. CityKid Java, LLC. is a disregarded entity for income tax purposes.

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

**Fair Value Measurements**

Accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the consolidated 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 Plan has the ability to access.

**URBAN VENTURES LEADERSHIP FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**Fair Value Measurements (Continued)**

*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.

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through November 28, 2017, the date the consolidated financial statements were available to be issued.

**NOTE 2 ENDOWMENT FUND INVESTMENTS**

Endowment Fund Investments consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fixed Income Funds	\$ 213,384	\$ 281,834
Diversified Equity Fund	998,435	1,137,462
Marketable Alternative Fund	653,175	785,837
Special Opportunities Fund	271,034	302,838
Total	<u>\$ 2,136,028</u>	<u>\$ 2,507,971</u>

Investment income for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Endowment Fund Realized and Unrealized Gains (Losses)	<u>\$ 225,620</u>	<u>\$ (186,422)</u>

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 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.

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, 2017 and 2016:

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ -	\$ -	\$ 213,384	\$ 213,384
Diversified Equity Fund	-	-	998,435	998,435
Marketable Alternative Fund	-	-	653,175	653,175
Special Opportunities Fund	-	-	271,034	271,034
Other Investments	1,074	-	-	1,074
Total	<u>\$ 1,074</u>	<u>\$ -</u>	<u>\$ 2,136,028</u>	<u>\$ 2,137,102</u>

<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ -	\$ -	\$ 281,834	\$ 281,834
Diversified Equity Fund	-	-	1,137,462	1,137,462
Marketable Alternative Fund	-	-	785,837	785,837
Special Opportunities Fund	-	-	302,838	302,838
Other Investments	14,596	-	-	14,596
Funds Held by Others	-	-	10,681	10,681
Total	<u>\$ 14,596</u>	<u>\$ -</u>	<u>\$ 2,518,652</u>	<u>\$ 2,533,248</u>

The unobservable inputs are the underlying assets held at a community foundation and follow their investment policy.

The following table provides a summary of changes in the Organization's Level 3 assets for the year ended June 30, 2017:

	<u>Endowment Fund Investments</u>				<u>Funds Held by The Minneapolis Foundation</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	\$ 281,834	\$ 1,137,462	\$ 785,837	\$ 302,838	\$ 10,681
Purchases	6,121	4,701	25,200	38,200	-
Unrealized and Realized Gains (Losses)	(1,571)	190,372	38,823	(2,004)	-
Transfers from Other Okabena Funds	4,300	(31,600)	13,000	14,300	-
Withdrawals	(77,300)	(302,500)	(209,685)	(82,300)	(10,681)
Balance at End of Year	<u>\$ 213,384</u>	<u>\$ 998,435</u>	<u>\$ 653,175</u>	<u>\$ 271,034</u>	<u>\$ -</u>

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table provides a summary of changes in the Organization's Level 3 assets for the year ended June 30, 2016:

	Endowment Fund Investments				Funds Held by The Minneapolis Foundation
	Fixed Income	Diversified	Marketable	Special	
	Fund	Equity Fund	Alternative Fund	Opportunities Fund	
Balance at Beginning of Year	\$ 321,910	\$ 1,359,929	\$ 810,242	\$ 335,789	\$ 10,860
Purchases	51,400	38,400	67,400	26,900	-
Unrealized and Realized Gains	10,624	(124,967)	(54,728)	(17,351)	(179)
Transfers from Other Okabena Funds	(66,500)	(76,000)	(15,500)	(26,100)	-
Withdrawals	(35,600)	(59,900)	(21,577)	(16,400)	-
Balance at End of Year	<u>\$ 281,834</u>	<u>\$ 1,137,462</u>	<u>\$ 785,837</u>	<u>\$ 302,838</u>	<u>\$ 10,681</u>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2017 and 2016:

	Net Asset Value		Unfunded Commitments	Redemption Frequency if Currently Available	Redemption Notice Period
	2017	2016			
Endowment Fund Investments:					
Fixed Income Fund	\$ 213,384	\$ 281,834	\$ -	Quarterly	30 Days
Diversified Equity Fund	998,435	1,137,462	-	Quarterly	30 Days
Marketable Alternative Fund	653,175	785,837	-	Quarterly	6 Months
Special Opportunities Fund	271,034	302,838	-	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.



**URBAN VENTURES LEADERSHIP FOUNDATION**  
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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

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.

**NOTE 4 PROPERTY, EQUIPMENT, AND BUILDINGS**

Property, equipment, and buildings consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,545,007	\$ 2,545,007
Buildings	18,216,854	19,060,570
Furniture and Equipment	586,413	594,830
Office and Computer Equipment	1,389,350	1,379,383
Vehicles	<u>100,501</u>	<u>100,501</u>
Total Property, Equipment, and Buildings	22,838,125	23,680,291
Less: Accumulated Depreciation	<u>(8,378,675)</u>	<u>(8,015,683)</u>
Net Property, Equipment, and Buildings	<u>\$ 14,459,450</u>	<u>\$ 15,664,608</u>

Depreciation expense was \$526,078 and \$584,086 for the years ended June 30, 2017 and 2016, 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 5 LINES OF CREDIT**

Organization has two \$500,000 lines of credit at prime with variable rates of interest, which were 3.19% June 30, 2017, which are due monthly. The principal balance outstanding on the lines of credit is due on demand with a 90-day notice and are secured by all assets of the Organization. At June 30, 2017, \$-0- was owed on both lines of credit.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Mortgage - bank, with monthly payments of \$8,946 including interest at 5.004%, due September 2018. The note is secured by land, property and assets held by the Organization.	\$ 918,610	\$ 977,714
Note payable - bank, with monthly payments of \$3,447 including variable interest, which was 4.75% at June 30, 2016 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.	<u>120,511</u>	<u>154,886</u>
Total Long-Term Debt	1,039,121	1,132,600
Current Portion of Long-Term Debt	<u>(97,568)</u>	<u>(91,723)</u>
Total	<u><u>\$ 941,553</u></u>	<u><u>\$ 1,040,877</u></u>

Current maturities of long-term debt at June 30, 2017 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 97,568
2019	893,829
2020	39,501
2021	<u>8,223</u>
Total Debt Payments	<u><u>\$ 1,039,121</u></u>

**NOTE 7 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 1% of the employee's base salary. The Organization's matching contribution is discretionary as determined by the board. Matching contributions were \$17,111 and \$15,471 during the years ended June 30, 2017 and 2016, respectively.

**URBAN VENTURES LEADERSHIP FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 RENTAL INCOME**

The Organization leases space in buildings it owns under various lease arrangements. Rental income was \$383,767 and \$339,004 during the years ended June 30, 2017 and 2016, 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 9 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose Restrictions	\$ -	\$ 316,544
Time and Purpose Restriction	-	35,000
Total	<u>\$ -</u>	<u>\$ 351,544</u>

Temporarily restricted net assets released consist of the following during the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose Releases	\$ 65,501	\$ 518,321
Appropriations from Endowment Funds	427,632	86,276
Total	<u>\$ 493,133</u>	<u>\$ 604,597</u>

**NOTE 10 ENDOWMENT FUND**

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, 2017 and 2016 are disclosed in the following table and were \$607,430 and \$321,388, respectively. These deficiencies resulted from approved appropriations in excess of accumulated earnings.

**URBAN VENTURES LEADERSHIP FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10 ENDOWMENT FUND (CONTINUED)**

Endowment by net asset class for the years ended June 30, 2017 and 2016:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (607,431)	\$ -	\$ 1,895,282	\$ 1,287,851
Board-Designated Endowment Funds	848,177	-	-	848,177
Total Endowment Funds	<u>\$ 240,746</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,136,028</u>

  

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (321,388)	\$ -	\$ 1,895,282	\$ 1,573,894
Board-Designated Endowment Funds	934,077	-	-	934,077
Total Endowment Funds	<u>\$ 612,689</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,507,971</u>

Changes in endowment fund assets were as follows for the years ended June 30, 2017 and 2016:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments at July 1, 2016	\$ 612,689	\$ -	\$ 1,895,282	\$ 2,507,971
Appropriation of Endowment Assets for Expenditures	(169,931)	(427,632)	-	(597,563)
Realized and Unrealized Gains on Investments Appreciation	84,031	141,589	-	225,620
Transfer of Endowment Fund Deficits	(286,043)	286,043	-	-
Endowments at June 30, 2017	<u>\$ 240,746</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,136,028</u>

  

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments at July 1, 2015	\$ 932,588	\$ -	\$ 1,895,282	\$ 2,827,870
Board Approved Contribution	-	-	-	-
Appropriation of Endowment Assets for Expenditures	(47,201)	(86,276)	-	(133,477)
Realized and Unrealized Gains on Investments Appreciation	(65,923)	(120,499)	-	(186,422)
Transfer of Endowment Fund Deficits	(206,775)	206,775	-	-
Endowments at June 30, 2016	<u>\$ 612,689</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,507,971</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  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 10 ENDOWMENT FUND (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 11 MAJOR CONTRIBUTORS**

Three donors/funders accounted for 41% and 40% of total contributions and grants for the years ended June 30, 2017 and 2016, respectively.

The Organization received \$175,758 and \$334,451 of contributions through the generosity of board members during the years ended June 30, 2017 and 2016, respectively.