

URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

**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, 2016 and 2015, 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, 2016 and 2015, 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 12 to the consolidated financial statements, Urban Ventures Leadership Foundation has restated its beginning net assets and activity for the year ended June 30, 2015 to properly reflect accumulated depreciation and depreciation expense. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 9, 2017

URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015 (AS RESTATED)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 230,913	\$ 574,410
Accounts Receivable, Net	45,037	77,040
Inventory	108	21,548
Prepaid Expenses	97,389	48,556
Pledges Receivable	35,000	-
Total Current Assets	408,447	721,554
PROPERTY, EQUIPMENT, AND BUILDINGS	15,664,608	16,181,454
OTHER ASSETS		
Endowment Fund Investments	2,507,971	2,827,870
Funds Held by Others	10,681	10,860
Other Investments	14,596	2,317
Total Other Assets	2,533,248	2,841,047
 Total Assets	 \$ 18,606,303	 \$ 19,744,055
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of Credit	\$ 500,000	\$ 174,381
Accounts Payable	102,559	115,226
Accrued Expenses	125,919	102,737
Deferred Revenue	5,032	-
Current Portion of Long-Term Debt	91,723	70,323
Total Current Liabilities	825,233	462,667
LONG-TERM LIABILITIES		
Long-Term Debt	1,040,877	976,788
Total Liabilities	1,866,110	1,439,455
NET ASSETS		
Unrestricted	14,493,367	15,834,010
Temporarily Restricted	351,544	575,308
Permanently Restricted	1,895,282	1,895,282
Total Net Assets	16,740,193	18,304,600
 Total Liabilities and Net Assets	 \$ 18,606,303	 \$ 19,744,055

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015 (AS RESTATED)**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions and Grants	\$ 2,594,076	\$ 501,332	\$ -	\$ 3,095,408	\$ 4,107,772	\$ 775,971	\$ -	\$ 4,883,743
Program Service Fees	115,739	-	-	115,739	79,175	-	-	79,175
Rental Income	339,004	-	-	339,004	343,222	-	-	343,222
Special Event Revenue	417,696	-	-	417,696	450,420	-	-	450,420
Investment Income (Loss)	(65,923)	(120,499)	-	(186,422)	-	15,213	-	15,213
Other Income	38,751	-	-	38,751	82,768	-	-	82,768
CityKid Java Revenue	228,643	-	-	228,643	753,667	-	-	753,667
Net Assets Released from Restriction	604,597	(604,597)	-	-	633,725	(633,725)	-	-
Total Support and Revenue	4,272,583	(223,764)	-	4,048,819	6,450,749	157,459	-	6,608,208
EXPENSES								
Program Services:								
Center for Fathering	935,899	-	-	935,899	988,564	-	-	988,564
Youth Programs	1,476,325	-	-	1,476,325	1,412,511	-	-	1,412,511
City Kid Enterprises	506,125	-	-	506,125	332,263	-	-	332,263
Siempre Padres	247,881	-	-	247,881	196,029	-	-	196,029
Outreach	94,915	-	-	94,915	108,080	-	-	108,080
Total Program Services	3,261,145	-	-	3,261,145	3,037,447	-	-	3,037,447
Supporting Services:								
City Kid Java Expenses	274,307	-	-	274,307	839,495	-	-	839,495
ULVF Opportunities	72,005	-	-	72,005	116,376	-	-	116,376
General and Administrative Expenses	1,384,309	-	-	1,384,309	1,346,375	-	-	1,346,375
Fundraising	621,460	-	-	621,460	597,927	-	-	597,927
Total Supporting Services	2,352,081	-	-	2,352,081	2,900,173	-	-	2,900,173
Total Expenses	5,613,226	-	-	5,613,226	5,937,620	-	-	5,937,620
CHANGE IN NET ASSETS	(1,340,643)	(223,764)	-	(1,564,407)	513,129	157,459	-	670,588
Net Assets - Beginning of Year, as Previously Stated	15,834,010	575,308	1,895,282	18,304,600	15,139,119	417,849	1,895,282	17,452,250
Restatement, Note 12	-	-	-	-	181,762	-	-	181,762
Net Assets - Beginning of Year, As Restated	15,834,010	575,308	1,895,282	18,304,600	15,320,881	417,849	1,895,282	17,634,012
NET ASSETS - END OF YEAR	<u>\$ 14,493,367</u>	<u>\$ 351,544</u>	<u>\$ 1,895,282</u>	<u>\$ 16,740,193</u>	<u>\$ 15,834,010</u>	<u>\$ 575,308</u>	<u>\$ 1,895,282</u>	<u>\$ 18,304,600</u>

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					2016 Total
	Center For Fathering	Youth Programs	City Kid Enterprises	Siempre Padres	Outreach	Total	City Kid Java	UVLF Opportunities	Administration and General	Fund Raising	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 STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015 (AS RESTATED)**

	Program Services						Supporting Services					Total 2015
	Center For Fathering	Youth Programs	City Kid Enterprises	Siempre Padres	Outreach	Total	City Kid Java	UVLF Opportunities	Administration and General	Fund Raising	Total	
Salaries	\$ 507,485	\$ 621,266	\$ 199,605	\$ 89,958	\$ 56,250	\$ 1,474,564	\$ 193,115	\$ -	\$ 616,912	\$ 262,146	\$ 1,072,173	\$ 2,546,737
Benefits	98,754	123,399	41,743	12,883	5,026	281,805	16,238	-	137,286	55,170	208,694	490,499
Total Payroll	606,239	744,665	241,348	102,841	61,276	1,756,369	209,353	-	754,198	317,316	1,280,867	3,037,236
Conferences and Training	2,861	4,631	-	-	131	7,623	-	-	-	487	487	8,110
Employee Travel	15,943	5,064	404	3	21,534	42,948	2,684	-	27	38	2,749	45,697
Professional Fees	9,930	20,350	-	-	6,500	36,780	-	2,529	121,636	14,557	138,722	175,502
Purchased Services	61,875	41,414	1,453	42,125	-	146,867	13,515	-	48,772	39,094	101,381	248,248
Food	33,403	31,823	6,959	4,920	2,873	79,978	836	-	4,774	2,289	7,899	87,877
Entry Fees	-	76,471	-	351	-	76,822	-	-	-	-	-	76,822
Printing	11,601	5,588	-	1,120	-	18,309	-	-	177	12,874	13,051	31,360
Supplies	79,318	73,246	31,303	5,582	11,154	200,603	22,645	-	21,107	175,572	219,324	419,927
Vehicles Operations	46	38,325	6,045	589	-	45,005	-	-	(2,847)	-	(2,847)	42,158
Telephone	889	433	-	-	-	1,322	2,125	-	1,043	-	3,168	4,490
Dues, Fees and Subscriptions	-	1,270	720	-	-	1,990	11,514	55	26,556	590	38,715	40,705
Postage and Shipping	1,044	92	-	-	-	1,136	15,823	-	6,130	4,311	26,264	27,400
Insurance	139	26,372	-	-	-	26,511	9,592	5,012	61,987	-	76,591	103,102
Occupancy	-	18,322	-	-	-	18,322	1,000	18,273	142,939	-	162,212	180,534
Other Expense	11,092	(3,565)	-	-	-	7,527	11,058	13	18,730	-	29,801	37,328
Rents and Leases	3,268	173	-	-	-	3,441	-	-	2,641	-	2,641	6,082
Equipment	-	22,069	44,031	-	-	66,100	-	1,230	14,376	-	15,606	81,706
Building Expense	-	8,557	-	-	-	8,557	-	70,000	42,475	-	112,475	121,032
Interest	-	-	-	-	-	-	7,038	-	53,932	-	60,970	60,970
Depreciation	150,916	297,211	-	38,498	4,612	491,237	11,348	19,264	27,722	30,799	89,133	580,370
Cost of Goods Sold	-	-	-	-	-	-	520,964	-	-	-	520,964	520,964
Total Other Expenses	382,325	667,846	90,915	93,188	46,804	1,281,078	630,142	116,376	592,177	280,611	1,619,306	2,900,384
Total Expense	\$ 988,564	\$ 1,412,511	\$ 332,263	\$ 196,029	\$ 108,080	\$ 3,037,447	\$ 839,495	\$ 116,376	\$ 1,346,375	\$ 597,927	\$ 2,900,173	\$ 5,937,620

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015 (AS RESTATED)**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,564,407)	\$ 670,588
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	584,086	580,370
Bad Debt Expense	159	83
Investment Loss (Income)	186,422	(15,213)
Change in Operating Assets and Liabilities:		
Pledges Receivable	(35,000)	55,149
Accounts Receivable	31,844	(9,096)
Inventory	21,440	53,251
Prepaid Expenses	(48,833)	3,239
Accounts Payable	(12,667)	(55,810)
Accrued Expenses	23,182	(18,453)
Deferred Revenue	5,032	-
Net Cash Provided (Used) by Operating Activities	<u>(808,742)</u>	<u>1,264,108</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(67,240)	(35,888)
Purchase of Other Investments	(82,654)	-
Proceeds from Sale of Other Investments	70,554	93,500
Purchase of Endowment Fund Investments	(184,100)	(1,000,000)
Proceeds from the Sale of Endowment Fund Investments	<u>317,577</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	54,137	(942,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Line of Credit	500,619	(112,619)
Repayment of Long-Term Debt	<u>(89,511)</u>	<u>(75,481)</u>
Net Cash Provided (Used) by Financing Activities	<u>411,108</u>	<u>(188,100)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(343,497)	133,620
Cash and Cash Equivalents - Beginning of Year	<u>574,410</u>	<u>440,790</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 230,913</u>	<u>\$ 574,410</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 67,044</u>	<u>\$ 60,970</u>
Refinancing of Line of Credit with Long-Term Debt	<u>\$ 175,000</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015 (AS RESTATED)**

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 – Resources over which the board of directors has discretionary control.

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

Permanently Restricted – 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.

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.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015 (AS RESTATED)**

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

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 \$-0- at June 30, 2016 and 2015, 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	3-10 Years

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015 (AS RESTATED)**

**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 not-for-profit 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 2016 and 2015.

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, 2016 AND 2015 (AS RESTATED)**

**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 US 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. 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 Internal Revenue Code. 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 are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015 (AS RESTATED)**

**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 May 9, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fixed Income Funds	\$ 281,834	\$ 321,910
Diversified Equity Fund	1,137,462	1,359,929
Marketable Alternative Fund	785,837	810,242
Special Opportunities Fund	302,838	335,789
Total	<u>\$ 2,507,971</u>	<u>\$ 2,827,870</u>

Investment income for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Endowment Fund Realized and Unrealized Gains (Losses)	<u>\$ (186,422)</u>	<u>\$ 15,213</u>

URBAN VENTURES LEADERSHIP FOUNDATION
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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, 2016 and 2015:

<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>

<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ -	\$ -	\$ 321,910	\$ 321,910
Diversified Equity Fund	-	-	1,359,929	1,359,929
Marketable Alternative Fund	-	-	810,242	810,242
Special Opportunities Fund	-	-	335,789	335,789
Other Investments	2,317	-	-	2,317
Funds Held by Others	-	-	10,860	10,860
Total	<u>\$ 2,317</u>	<u>\$ -</u>	<u>\$ 2,838,730</u>	<u>\$ 2,841,047</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, 2016:

	<u>Endowment Fund Investments</u>				
	<u>Fixed Income</u>	<u>Diversified</u>	<u>Marketable</u>	<u>Special</u>	<u>Funds Held by</u>
	<u>Fund</u>	<u>Equity Fund</u>	<u>Alternative</u>	<u>Opportunities</u>	<u>The Minneapolis</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Foundation</u>
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 (Losses)	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>

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015 (AS RESTATED)

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, 2015:

	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	\$ 171,116	\$ 911,889	\$ 583,262	\$ 239,890	\$ 10,935
Purchases	145,500	482,200	256,900	115,400	-
Unrealized and Realized Gains	1,494	3,640	15,180	(5,101)	(75)
Transfers from Other Okabena Funds	14,400	6,800	(17,600)	(3,600)	-
Withdrawals	(10,600)	(44,600)	(27,500)	(10,800)	-
Balance at End of Year	<u>\$ 321,910</u>	<u>\$ 1,359,929</u>	<u>\$ 810,242</u>	<u>\$ 335,789</u>	<u>\$ 10,860</u>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2016 and 2015:

	Net Asset Value		Unfunded Commitments	Redemption Frequency if Currently Available	Redemption Notice Period
	2016	2015			
Endowment Fund Investments:					
Fixed Income Fund	\$ 281,834	\$ 321,910	\$ -	Quarterly	30 Days
Diversified Equity Fund	1,137,462	1,359,929	-	Quarterly	30 Days
Marketable Alternative Fund	785,837	810,242	-	Quarterly	6 Months
Special Opportunities Fund	302,838	335,789	-	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)

Market directional strategies seek to take advantage of broad movements in securities prices and, therefore, have a higher market risk component than the absolute return stratifies. 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 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 2,545,007	\$ 2,545,009
Buildings	19,060,570	19,036,097
Furniture and Equipment	594,830	571,223
Office and Computer Equipment	1,379,383	1,360,219
Vehicles	100,501	100,502
Total Property, Equipment, and Buildings	<u>23,680,291</u>	<u>23,613,050</u>
Less: Accumulated Depreciation	<u>(8,015,683)</u>	<u>(7,431,596)</u>
Net Property, Equipment, and Buildings	<u>\$ 15,664,608</u>	<u>\$ 16,181,454</u>

Depreciation expense was \$584,086 and \$580,370 for the years ended June 30, 2016 and 2015, 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 a \$500,000 line of credit at prime with a variable rate of interest, which was 3.46955% June 30, 2016 which is due monthly. 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, 2016 \$500,000 was owed on the line of credit.

CityKid Java, LLC had a \$500,000 line of credit with a bank that had an outstanding amount of \$174,381 at June 30, 2015. During August of 2015 the amount due was rolled into a term loan, which has been included within long-term debt at June 30, 2016.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015 (AS RESTATED)**

NOTE 6 LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2016 and 2015:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Note payable - 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.	\$ 977,714	\$ 1,033,766
Note payable - bank, with monthly payments of \$1,935 including interest at 4.5% due January 2016. The note is secured by all inventory, equipment and accounts receivable of CityKid Java, LLC	-	13,345
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.	154,886	-
Total Long-Term Debt	<u>1,132,600</u>	<u>1,047,111</u>
Current Portion of Long-Term Debt	<u>(91,723)</u>	<u>(70,323)</u>
Total	<u><u>\$ 1,040,877</u></u>	<u><u>\$ 976,788</u></u>

Current maturities of long-term debt at June 30, 2016 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 91,723
2018	98,510
2019	894,538
2020	39,950
2021	7,879
Total Debt Payments	<u><u>\$ 1,132,600</u></u>

Subsequent to year-end management obtained waivers from the bank for noncompliance with their covenants which included submission of their 2016 audited financial statements within 210 days of year-end.

**URBAN VENTURES LEADERSHIP FOUNDATION
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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 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 of directors. Matching contributions were \$15,471 and \$14,046 during the years ended June 30, 2016 and 2015, respectively.

NOTE 8 RENTAL INCOME

The Organization leases space in buildings it owns under various lease arrangements. Rental income was \$339,004 and \$343,222 during the years ended June 30, 2016 and 2015, respectively. Leases mature at various times with most being month-to-month agreements.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2016 and 2015:

	2016	2015
Purpose Restrictions	\$ 316,544	\$ 575,308
Time and Purpose Restriction	35,000	-
Total	\$ 351,544	\$ 575,308

Temporarily restricted net assets released consist of the following during the years ended June 30, 2016 and 2015:

	2016	2015
Purpose Releases	\$ 518,321	\$ 540,225
Appropriations from Endowment Funds	86,276	93,500
Total	\$ 604,597	\$ 633,725

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 of directors. 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, 2016 and 2015 are disclosed in the following table and were \$321,388 and \$67,412, respectively. These deficiencies resulted from approved appropriations in excess of accumulated earnings.

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015 (AS RESTATED)

NOTE 10 ENDOWMENT FUND (CONTINUED)

Endowment by net asset class for the years ended June 30, 2016 and 2015:

	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>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (67,412)	\$ -	\$ 1,895,282	\$ 1,827,870
Board-Designated Endowment Funds	1,000,000	-	-	1,000,000
Total Endowment Funds	<u>\$ 932,588</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,827,870</u>

Changes in endowment fund assets were as follows for the years ended June 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments at July 1, 2015	\$ 932,588	\$ -	\$ 1,895,282	\$ 2,827,870
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>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments at July 1, 2014	\$ -	\$ 10,875	\$ 1,895,282	\$ 1,906,157
Board Approved Contribution	1,000,000	-	-	1,000,000
Appropriation of Endowment Assets for Expenditures	-	(93,500)	-	(93,500)
Realized and Unrealized Gains on Investments Appreciation	-	15,213	-	15,213
Transfer of Endowment Fund Deficits	(67,412)	67,412	-	-
Endowments at June 30, 2015	<u>\$ 932,588</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,827,870</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
JUNE 30, 2016 AND 2015 (AS RESTATED)**

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 40% and 44% of total contributions and grants for the years ended June 30, 2016 and 2015, respectively.

The Organization received \$334,451 and \$68,776 of contributions through the generosity of board members during the years ended June 30, 2016 and 2015, respectively.

NOTE 12 RESTATEMENT

The Organization has restated its net assets as of July 1, 2014 by reducing accumulated depreciation and increasing unrestricted net assets and financial statements for the year ended June 30, 2015 by decreasing depreciation expense and increasing unrestricted net assets to correct for an error in the calculation of depreciation expense and accumulated depreciation.

The table below summarizes the restatement for the year ended June 30, 2015:

	Unrestricted Net Assets	Total Net Assets
Net Assets at July 1, 2014 as Previously Reported	\$ 15,139,119	\$ 17,452,250
Restatement of Accumulated Depreciation	181,762	181,762
Restated Net Assets as of July 1, 2014	<u>\$ 15,320,881</u>	<u>\$ 17,634,012</u>
2015 Change in Net Assets as Previously Reported	\$ 317,895	\$ 475,354
Change in Depreciation Expense	195,234	195,234
Restated 2015 Change in Net Assets	<u>\$ 513,129</u>	<u>\$ 670,588</u>
Net Assets at June 30, 2015 as Previously Reported	\$ 15,457,014	\$ 17,927,604
Total Restatements	376,996	376,996
Restated Net Assets at June 30, 2015	<u>\$ 15,834,010</u>	<u>\$ 18,304,600</u>