

URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

**URBAN VENTURES LEADERSHIP FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8

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 December 31, 2013 and 2012, 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 December 31, 2013 and 2012, and the changes in its net assets and its 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
June 27, 2014

URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,142,951	\$ 928,177
Accounts Receivable, Net	77,099	85,449
Inventory	124,241	102,295
Prepaid Expenses	17,259	45,783
Pledges Receivable	263,552	283,410
Current Portion of Notes Receivable	-	21,096
Total Current Assets	1,625,102	1,466,210
PROPERTY, EQUIPMENT AND BUILDINGS	16,860,552	17,564,101
OTHER ASSETS		
Endowment Fund Investments	1,942,650	1,741,750
Notes Receivable	-	570,204
Funds Held by Others	10,340	8,626
Other Assets	2,317	9,544
Total Other Assets	1,955,307	2,330,124
Total Assets	\$ 20,440,961	\$ 21,360,435
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of Credit	\$ 105,249	\$ 65,000
Accounts Payable	167,776	123,105
Accrued Expenses	127,207	109,693
Current Portion of Long-Term Debt	76,088	1,155,811
Total Current Liabilities	476,320	1,453,609
LONG-TERM LIABILITIES		
Long-Term Debt	1,082,956	-
Total Liabilities	1,559,276	1,453,609
NET ASSETS		
Unrestricted	16,516,039	17,494,877
Temporarily Restricted	470,364	150,000
Permanently Restricted	1,895,282	2,261,949
Total Net Assets	18,881,685	19,906,826
Total Liabilities and Net Assets	\$ 20,440,961	\$ 21,360,435

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions and Grants	\$ 2,636,633	\$ 322,996	\$ -	\$ 2,959,629	\$ 2,240,958	\$ 150,000	\$ -	\$ 2,390,958
Donated Property, Goods, and Services	-	-	-	-	17,076	-	-	17,076
Program Service Fees	101,863	-	-	101,863	142,557	-	-	142,557
Rental Income	259,858	-	-	259,858	203,338	-	-	203,338
Special Events, Net of Expenses of \$211,550 and \$186,618, Respectively	392,955	-	-	392,955	328,551	-	-	328,551
Investment Income	249,436	47,368	-	296,804	213,540	-	-	213,540
Other Income	16,427	-	-	16,427	64,716	-	-	64,716
CityKid Java Revenue	1,056,753	-	-	1,056,753	1,100,458	-	-	1,100,458
Net Assets Released from Restriction	416,667	(50,000)	(366,667)	-	213,000	(213,000)	-	-
Total Support and Revenue	<u>5,130,592</u>	<u>320,364</u>	<u>(366,667)</u>	<u>5,084,289</u>	<u>4,524,194</u>	<u>(63,000)</u>	<u>-</u>	<u>4,461,194</u>
EXPENSES								
Program Services:								
Urban Stars	588,723	-	-	588,723	587,465	-	-	587,465
Siempre Padres	227,770	-	-	227,770	116,062	-	-	116,062
Real Estate	283,038	-	-	283,038	450,753	-	-	450,753
Go Latino!	16,588	-	-	16,588	44,024	-	-	44,024
Center for Fathering	1,123,028	-	-	1,123,028	777,180	-	-	777,180
Learning Lab	484,162	-	-	484,162	402,316	-	-	402,316
Youth Hub	909,588	-	-	909,588	858,041	-	-	858,041
Kids Café	40,810	-	-	40,810	-	-	-	-
Studio 180	82,917	-	-	82,917	53,426	-	-	53,426
Total Program Services	<u>3,756,624</u>	<u>-</u>	<u>-</u>	<u>3,756,624</u>	<u>3,289,267</u>	<u>-</u>	<u>-</u>	<u>3,289,267</u>
Supporting Services:								
Fundraising	559,418	-	-	559,418	345,165	-	-	345,165
General and Administrative Expenses	623,012	-	-	623,012	583,342	-	-	583,342
City Kid Java Expenses	1,170,376	-	-	1,170,376	1,068,379	-	-	1,068,379
Total Supporting Services	<u>2,352,806</u>	<u>-</u>	<u>-</u>	<u>2,352,806</u>	<u>1,996,886</u>	<u>-</u>	<u>-</u>	<u>1,996,886</u>
Total Expenses	<u>6,109,430</u>	<u>-</u>	<u>-</u>	<u>6,109,430</u>	<u>5,286,153</u>	<u>-</u>	<u>-</u>	<u>5,286,153</u>
CHANGE IN NET ASSETS	(978,838)	320,364	(366,667)	(1,025,141)	(761,959)	(63,000)	-	(824,959)
Net Assets - Beginning of Year	<u>17,494,877</u>	<u>150,000</u>	<u>2,261,949</u>	<u>19,906,826</u>	<u>18,256,836</u>	<u>213,000</u>	<u>2,261,949</u>	<u>20,731,785</u>
NET ASSETS - END OF YEAR	<u>\$ 16,516,039</u>	<u>\$ 470,364</u>	<u>\$ 1,895,282</u>	<u>\$ 18,881,685</u>	<u>\$ 17,494,877</u>	<u>\$ 150,000</u>	<u>\$ 2,261,949</u>	<u>\$ 19,906,826</u>

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

	Program Services										Supporting Services				2013
	Urban Stars	Siempre Padres	Real Estate	Go Latino!	Center For Fathering	Learning Lab	Youth Hub	Kids Café	Studio 180	Total	Fund Raising	Administration and General	City Kid Java Expenses	Total	
Salaries	\$ 88,940	\$ 103,443	\$ 139,916	\$ 13,150	\$ 471,174	\$ 179,642	\$ 457,348	\$ 32,969	\$ 54,115	\$ 1,540,697	\$ 315,774	\$ 229,236	\$ 278,232	\$ 823,242	\$ 2,363,939
Taxes and Benefits	12,705	18,868	56,223	1,217	94,549	32,471	116,519	6,506	6,594	345,652	55,438	49,615	32,862	137,915	483,567
Worker Comp	2,978	2,885	11,853	-	18,089	5,214	16,037	-	721	57,777	8,517	5,815	-	14,332	72,109
Conferences and Seminars	-	50	150	-	7,548	894	2,049	-	110	10,801	3,400	281	-	3,681	14,482
Meals and Entertainment	149	21	-	271	4,809	1,020	15,072	-	22	21,364	1,671	3,553	3,035	8,259	29,623
Travel and Lodging	116	17	1,534	-	16,275	3,518	12,690	-	2,709	36,859	1,262	56	6,918	8,236	45,095
Entry Fees	57,554	-	-	51	-	-	-	-	-	57,605	-	-	-	-	57,605
Equipment	4,414	-	3,985	-	5,074	-	-	-	-	13,473	-	-	1,499	1,499	14,972
Food	-	2,815	-	-	15,147	16,764	6,711	(684)	-	40,753	-	-	-	-	40,753
Non Staff	13,994	1,570	810	-	80,279	9,744	22,906	684	-	129,987	5,623	150	21,359	27,132	157,119
Printing	6,743	170	60	-	6,200	701	897	-	270	15,041	33,944	823	2,254	37,021	52,062
Program Supplies	23,845	2,807	1,381	1,899	103,770	4,658	10,981	1,311	4,079	154,731	959	6,924	-	7,883	162,614
Marketing	-	-	-	-	1,395	-	-	-	-	1,395	23,166	240	-	23,406	24,801
Occupancy	136,800	44,400	(450,255)	-	199,200	96,000	91,200	-	13,200	130,545	48,000	63,600	12,000	123,600	254,145
Building Costs	27,748	-	184,406	-	2,646	-	-	-	-	214,800	-	979	16,764	17,743	232,543
Telephone	1,255	600	1,358	-	1,438	570	4,588	-	1,050	10,859	-	2,670	7,090	9,760	20,619
Taxes	3,347	-	4,477	-	-	-	-	-	-	7,824	-	18,607	-	18,607	26,431
Office Supplies	-	51	3,432	-	25,748	660	2,425	24	8	32,348	1,762	14,263	3,912	19,937	52,285
Vehicles	140	-	2,936	-	-	17,375	41,842	-	-	62,293	-	93	4,163	4,256	66,549
Dues and Fees	-	-	35	-	350	10	-	-	-	395	7,632	17,458	6,254	31,344	31,739
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	3,843	-	3,843	3,843
Postage and Shipping	-	-	-	-	7	-	-	-	39	46	461	5,938	13,500	19,899	19,945
Insurance	3,643	-	36,896	-	-	-	-	-	-	40,539	-	20,634	-	20,634	61,173
Field Trip	10,511	-	-	-	-	362	26,393	-	-	37,266	-	-	-	-	37,266
Technology	-	-	15,505	-	13	-	999	-	-	16,517	11,675	10,863	-	22,538	39,055
Others	-	-	-	-	-	-	918	-	-	918	-	6,040	3,181	9,221	10,139
Scholarship	-	-	-	-	-	-	1,000	-	-	1,000	-	-	-	-	1,000
Professional Fees	15	53	-	-	49,040	2,015	1,900	-	-	53,023	4,703	85,795	-	90,498	143,521
Interest	-	-	71,861	-	-	-	-	-	-	71,861	-	-	6,925	6,925	78,786
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	-	745,166	745,166	745,166
Total Functional Expenses Before Depreciation and Amortization	394,897	177,750	86,563	16,588	1,102,751	371,618	832,475	40,810	82,917	3,106,369	523,987	547,476	1,165,114	2,236,577	5,342,946
Depreciation and Amortization	193,826	50,020	196,475	-	20,277	112,544	77,113	-	-	650,255	35,431	75,536	5,262	116,229	766,484
	<u>\$ 588,723</u>	<u>\$ 227,770</u>	<u>\$ 283,038</u>	<u>\$ 16,588</u>	<u>\$ 1,123,028</u>	<u>\$ 484,162</u>	<u>\$ 909,588</u>	<u>\$ 40,810</u>	<u>\$ 82,917</u>	<u>\$ 3,756,624</u>	<u>\$ 559,418</u>	<u>\$ 623,012</u>	<u>\$ 1,170,376</u>	<u>\$ 2,352,806</u>	<u>\$ 6,109,430</u>

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012**

	Program Services								Supporting Services					Total	2012
	Urban Stars	Siempre Padres	Real Estate	Go Latino!	Center For Fathering	Learning Lab	Youth Hub	Youth Hub	Total	Fund Raising	Administration and General	City Kid Java Expenses	Total		
Salaries	\$ 117,988	\$ 73,121	\$ 162,400	\$ 13,025	\$ 293,572	\$ 172,890	\$ 420,833	\$ 32,308	\$ 1,286,137	\$ 169,429	\$ 226,898	\$ 219,333	\$ 615,660	\$ 1,901,797	
Taxes and Benefits	10,272	8,252	45,448	1,191	50,372	28,231	77,898	4,443	226,107	31,080	41,606	21,545	94,231	320,338	
Worker Comp	3,430	4,065	8,799	-	7,992	3,461	12,933	531	41,211	4,073	3,992	-	8,065	49,276	
Conferences and Seminars	-	230	186	-	2,485	2,495	1,514	-	6,910	260	621	-	881	7,791	
Meals and Entertainment	137	92	-	-	2,421	166	12,068	608	15,492	1,536	3,704	-	5,240	20,732	
Travel and Lodging	214	11	796	-	17,341	136	13,480	274	32,252	3,160	13	3,144	6,317	38,569	
Entry Fees	65,525	-	-	1,310	-	-	-	-	66,835	-	-	-	-	66,835	
Equipment	10,642	515	2,535	-	4,283	-	-	-	17,975	-	-	-	-	17,975	
Food	123	517	-	-	13,568	9,760	6,104	-	30,072	-	-	-	-	30,072	
Non Staff	20,371	2,999	1,300	3,850	62,906	6,035	22,310	-	119,771	40,785	-	19,989	60,774	180,545	
Printing	3,878	582	-	-	2,832	565	534	1,077	9,468	7,514	885	6,019	14,418	23,886	
Program Supplies	14,274	1,385	895	23,354	36,326	4,678	8,896	10,317	100,125	899	1,035	-	1,934	102,059	
Marketing	-	-	-	-	-	-	457	123	580	2,389	915	-	3,304	3,884	
Occupancy	118,800	12,000	(235,145)	-	105,600	72,000	109,200	-	182,455	18,000	57,600	12,000	87,600	270,055	
Building Costs	43,084	-	147,234	-	350	-	-	-	190,668	-	-	-	-	190,668	
Telephone	677	-	981	-	1,186	30	677	743	4,294	64	259	5,181	5,504	9,798	
Taxes	3,372	-	4,385	-	-	-	-	-	7,757	-	21,160	862	22,022	29,779	
Office Supplies	-	147	4,397	-	40,092	826	2,295	2,135	49,892	1,468	16,638	10,179	28,285	78,177	
Vehicles	4,354	-	591	-	60	12,692	38,442	-	56,139	-	-	7,340	7,340	63,479	
Dues and Fees	-	-	-	189	1,300	293	-	-	1,782	2,721	16,102	5,636	24,459	26,241	
Bad Debts	-	-	-	-	-	-	-	-	-	-	7,581	2,138	9,719	9,719	
Postage and Shipping	-	-	-	-	156	393	-	77	626	302	2,166	4,454	6,922	7,548	
Insurance	6,349	-	31,059	-	-	80	160	-	37,648	-	15,807	-	15,807	53,455	
Field Trip	-	-	-	-	-	2,561	20,316	-	22,877	-	-	-	-	22,877	
Technology	-	-	-	-	12	-	-	790	802	2,702	14,232	-	16,934	17,736	
Other	-	-	-	-	-	-	108	-	108	-	15,725	12,298	28,023	28,131	
Professional Fees	-	-	-	1,105	713	-	500	-	2,318	42,970	74,627	1,684	119,281	121,599	
Interest	-	-	80,552	-	-	-	-	-	80,552	-	-	3,599	3,599	84,151	
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	727,193	727,193	727,193	
Total Functional Expenses Before Depreciation and Amortization	423,490	103,916	256,413	44,024	643,567	317,292	748,725	53,426	2,590,853	329,352	521,566	1,062,594	1,913,512	4,504,365	
Depreciation and Amortization	163,975	12,146	194,340	-	133,613	85,024	109,316	-	698,414	15,813	61,776	5,785	83,374	781,788	
	<u>\$ 587,465</u>	<u>\$ 116,062</u>	<u>\$ 450,753</u>	<u>\$ 44,024</u>	<u>\$ 777,180</u>	<u>\$ 402,316</u>	<u>\$ 858,041</u>	<u>\$ 53,426</u>	<u>\$ 3,289,267</u>	<u>\$ 345,165</u>	<u>\$ 583,342</u>	<u>\$ 1,068,379</u>	<u>\$ 1,996,886</u>	<u>\$ 5,286,153</u>	

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,025,141)	\$ (824,959)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	766,484	781,788
Contributions Receivable for Investment in Endowment	366,667	-
Bad Debt Expense	3,810	9,719
Loss on Sale of Property, Equipment and Buildings	-	4,473
Investment Income	(296,804)	(213,540)
Change in Operating Assets and Liabilities:		
Pledges Receivable	16,048	(64,398)
Accounts Receivable	8,350	(34,878)
Inventory	(21,946)	(56,688)
Prepaid Expenses	28,524	(15,632)
Other Assets	7,227	9,637
Accounts Payable	44,671	33,198
Accrued Expenses	17,514	37,213
Deferred Revenue	-	(12,000)
Net Cash Used by Operating Activities	(84,596)	(346,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(62,935)	(208,056)
Proceeds from Sale of Other Investments	94,190	292,134
Proceeds from Notes Receivable	591,300	20,257
Net Cash Provided by Investing Activities	622,555	104,335
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Line of Credit	40,249	-
Proceeds from Long-Term Debt	65,000	-
Repayment of Long-Term Debt	(61,767)	(52,805)
Proceeds for Contributions Restricted for Investment in Endowment	(366,667)	333,667
Net Cash Provided (Used) by Financing Activities	(323,185)	280,862
NET CHANGE IN CASH AND CASH EQUIVALENTS	214,774	39,130
Cash and Cash Equivalents - Beginning of Year	928,177	889,047
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,142,951	\$ 928,177
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 72,247	\$ 74,214
Refinancing of Long-Term Debt	\$ 1,125,627	\$ -

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 is committed to breaking the cycle of generational poverty one person, one family at a time by providing programs which:

- Develop Individual Character
- Strengthen Families
- Provide Education Support and Job Readiness

The Organization values the diversity, dignity, and individual gifts of each person who assists in or is touched by our efforts. We believe that little is accomplished unless people with whom we live achieve the hope of a livable and sustainable life.

Urban Ventures serves the Central and Phillips neighborhoods of South Minneapolis to help redeem and rebuild an inner-city area from economic and social decline. The Organization is committed to marshaling the resources necessary to reweave the community to be livable and sustainable.

The Organization holds a 14-year accreditation from the Leadership Foundations of America, a national group of community development organizations; and is a recognized partner of “America’s Promise” chaired by General Colin L. Powell (Ret.).

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.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

Basis of Presentation (Continued)

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.

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 \$8,483 at December 31, 2013 and 2012. 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. Pledges are considered current and collectible within the following year at December 31, 2013 and 2012.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

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

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 consolidated statement 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.

Investment in Minnesota Shredding, LLC

An interest in Minnesota Shredding, LLC, a privately held business, was contributed to the Organization in 2003. The interest was recorded at the lower of cost or net realizable value, with the cost being the fair value at the date of contribution as determined by an independent appraisal. During 2012, Minnesota Shredding, LLC was sold for approximately \$205,000 with proceeds received during 2012 of approximately \$190,000 and the remainder received in 2013.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

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

The Organization has recorded in-kind contributions for space, professional services, and building costs. Generally Accepted Accounting Principles (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- and \$2,145 in 2013 and 2012, respectively.

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.

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.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

Tax Status

Urban Ventures Leadership Foundation is exempt from federal taxes on related income under Section 501(c)(3) of the Internal Revenue Code. Also, 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. UVLF Opportunities, Inc. and CityKid Java, LLC. are disregarded entities for income tax purposes.

The Organization follows the guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. The Organization's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for years 2010-2012 are open to examination by federal and state authorities.

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.

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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through June 27, 2014, the date the consolidated financial statements were available to be issued.

NOTE 2 ENDOWMENT FUND INVESTMENTS

Endowment Fund Investments consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Fixed Income Funds	\$ 161,315	\$ 188,105
Diversified Equity Fund	989,814	785,491
Marketable Alternative Fund	564,156	531,582
Special Opportunities Fund	227,365	236,572
Total	<u>\$ 1,942,650</u>	<u>\$ 1,741,750</u>

Investment income for the years ended December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Endowment Fund Realized and Unrealized Gains	\$ 290,077	\$ 187,336
Other Investment Income	6,727	26,204
Total	<u>\$ 296,804</u>	<u>\$ 213,540</u>

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.

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 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 December 31, 2013 and 2012:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ -	\$ -	\$ 161,315	\$ 161,315
Diversified Equity Fund	-	-	989,814	989,814
Marketable Alternative Fund	-	-	564,156	564,156
Special Opportunities Fund	-	-	227,365	227,365
Funds Held by Others	-	-	10,340	10,340
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,952,990</u>	<u>\$ 1,952,990</u>
<u>December 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ -	\$ -	\$ 188,105	188,105
Diversified Equity Fund	-	-	785,491	785,491
Marketable Alternative Fund	-	-	531,582	531,582
Special Opportunities Fund	-	-	236,572	236,572
Funds Held by Others	-	-	8,626	8,626
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,376</u>	<u>\$ 1,750,376</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 December 31, 2013:

	<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>Equity Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Foundation</u>
Balance at Beginning of Year	\$ 188,105	\$ 785,491	\$ 531,582	\$ 236,572	\$ 8,626
Unrealized and Realized Gains (Losses)	(19,090)	247,023	58,274	1,693	1,714
Withdrawals	(7,700)	(42,700)	(25,700)	(10,900)	-
Balance at End of Year	<u>\$ 161,315</u>	<u>\$ 989,814</u>	<u>\$ 564,156</u>	<u>\$ 227,365</u>	<u>\$ 10,340</u>

The following table provides a summary of changes in the Organization's Level 3 assets for the year ended December 31, 2012:

	<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>Equity Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Foundation</u>
Balance at Beginning of Year	\$ 198,820	\$ 682,677	\$ 515,757	\$ 247,924	\$ 7,792
Unrealized and Realized Gains (Losses)	(315)	138,114	59,789	(10,252)	834
Withdrawals	(10,400)	(35,300)	(43,964)	(1,100)	-
Balance at End of Year	<u>\$ 188,105</u>	<u>\$ 785,491</u>	<u>\$ 531,582</u>	<u>\$ 236,572</u>	<u>\$ 8,626</u>

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2013:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency if Currently Available</u>	<u>Redemption Notice Period</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ 161,315	\$ -	Quarterly	30 Days
Diversified Equity Fund	989,814	-	Quarterly	30 Days
Marketable Alternative Fund	564,156	-	Quarterly	6 Months
Special Opportunities Fund	227,365	-	Annually	6 Months

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2012:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency if Currently Available</u>	<u>Redemption Notice Period</u>
Endowment Fund Investments:				
Fixed Income Fund	\$ 198,820	\$ -	Quarterly	30 Days
Diversified Equity Fund	682,677	-	Quarterly	30 Days
Marketable Alternative Fund	515,757	-	Quarterly	6 Months
Special Opportunities Fund	247,924	-	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.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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. 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 NOTES RECEIVABLE

Notes receivable consisted of the following at December 31, 2013 and 2012:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Note receivable - monthly payments of \$3,696 commencing February 1, 2007, and continuing until January 1, 2022. The interest rate is 4%. The balance of the note will be due in full on January 1, 2022. The note is secured by property.	\$ -	\$ 591,300
Less: Current Portion	-	(21,096)
Total	<u>\$ -</u>	<u>\$ 570,204</u>

The note receivable was paid in full during the year ended December 31, 2013.

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 5 PROPERTY, EQUIPMENT AND BUILDINGS

Property, equipment and buildings consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 1,528,846	\$ 1,528,846
Buildings	19,991,248	19,964,746
Furniture and Equipment	1,852,547	1,816,115
Vehicles	99,893	99,893
Total Property, Equipment and Buildings	<u>23,472,534</u>	<u>23,409,600</u>
Less: Accumulated Depreciation	<u>(6,611,982)</u>	<u>(5,845,499)</u>
Net Property, Equipment and Buildings	<u>\$ 16,860,552</u>	<u>\$ 17,564,101</u>

Depreciation expense was \$766,484 and \$781,788 in 2013 and 2012, respectively. Included in land and buildings is 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 LINES OF CREDIT

The Organization has a \$500,000 line of credit with a bank, with an interest rate of 3.00% above the 1-Month Libor (3.46% at December 31, 2013). The line of credit is secured by property and matures on September 19, 2014. At December 31, 2013, there was no draws on the line of credit.

CityKid Java, LLC has a \$175,000 line of credit with a bank, at prime with a floor of 4.25% (4.25% at December 31, 2013). The line of credit is secured by all assets of CityKid is guaranteed by the Organization and matures on August 4, 2014. At December 31, 2013 and 2012, there was \$105,249 and \$0-, respectively, owed on the line of credit.

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2013 and 2012:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Note payable - bank, refinanced in September 2013 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.	\$ 1,159,044	\$ 1,155,811
Less: Current Maturities	<u>(76,088)</u>	<u>(1,155,811)</u>
Total	<u>\$ 1,082,956</u>	<u>\$ -</u>

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Current maturities of long-term debt as of December 31, 2013 are due as follows:

Year Ending December 31,	Amount
2014	\$ 76,088
2015	76,494
2016	60,346
2017	61,410
2018	884,706
Total Debt Payments	\$ 1,159,044

Management believes they are in compliance with all covenants and have obtained a waiver for those covenants that it did not meet related to all long-term debt and lines of credit.

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 IRS limitations and in 2012 the Organization began matching 25% of employee contributions up to the federal contribution limit. The Organization's matching contribution is discretionary as determined by the board of directors. Matching contributions were \$19,803 and \$10,318 in 2013 and 2012, respectively.

NOTE 9 RENTAL INCOME

The Organization leases space in buildings it owns under various lease arrangements. Rental income was \$259,858 and \$203,338 in 2013 and 2012, respectively. Leases mature at various times over the next four years.

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2013 and 2012:

	2013	2012
Purpose Restrictions	\$ 422,996	\$ 100,000
Endowment Fund Earnings	47,368	-
Time Restricted	-	50,000
Total	\$ 470,364	\$ 150,000

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets released consist of the following as of December 31, 2013 and 2012:

	2013	2012
Purpose Releases	\$ -	\$ 13,000
Time Releases	50,000	200,000
Total	<u>\$ 50,000</u>	<u>\$ 213,000</u>

NOTE 11 ENDOWMENT FUND

The Organization has established an endowment fund to provide for ongoing funding for their programs. The Organization's endowment consists of one fund established to benefit operations and consists of donor restricted funds. The annual distribution policy allows distributions to be made available to operations equal to 5% of the average market value.

Changes in endowment fund assets were as follows for the years ended December 31, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments at January 1, 2013	\$ (186,532)	\$ -	\$ 1,928,282	\$ 1,741,750
Contributions Received	-	-	-	-
Appropriation of Endowment Assets for Expenditures	(56,177)	-	-	(56,177)
Realized and Unrealized Gains on Investments Appreciation	242,709	47,368	-	290,077
Donor Release from Restriction	-	-	(33,000)	(33,000)
Endowments at December 31, 2013	<u>\$ -</u>	<u>\$ 47,368</u>	<u>\$ 1,895,282</u>	<u>\$ 1,942,650</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments at January 1, 2012	\$ (283,104)	\$ -	\$ 1,928,282	\$ 1,645,178
Contributions Received	-	-	-	-
Appropriation of Endowment Assets for Expenditures	(90,764)	-	-	(90,764)
Realized and Unrealized Gains on Investments Appreciation	187,336	-	-	187,336
Endowments at December 31, 2012	<u>\$ (186,532)</u>	<u>\$ -</u>	<u>\$ 1,928,282</u>	<u>\$ 1,741,750</u>

During 2013, the Organization received permission from a donor to remove the endowment restriction on a portion of a previous gift. The original endowment gift of \$1,000,000 was received via a pledge during 2011. \$366,667 of this gift was approved by the donor for the endowment restriction to be released and the funds spent on operations.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 11 ENDOWMENT FUND (CONTINUED)

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.

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 has received several gifts in which the donors have stipulated that the gift amount be invested and maintained permanently to generate annual income for the operations of the Organization. The Organization is responsible for the investment decisions. The Organization determines the income available for distributions, which are made annually.

NOTE 12 MAJOR CONTRIBUTORS

Two donors accounted for 77% and 93% of the total pledges receivable on December 31, 2013 and 2012, respectively.

The Organization also received \$54,273 and \$251,709 of contributions from board members during 2013 and 2012, respectively.