

URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

**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, 2018 and 2017, 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, 2018 and 2017, 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
January 2, 2019

URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 148,754	\$ 559,124
Accounts Receivable, Net	97,847	85,390
Prepaid Expenses	-	26,187
Pledges Receivable	75,000	-
Total Current Assets	321,601	670,701
PROPERTY, EQUIPMENT, AND BUILDINGS	13,548,186	14,459,450
OTHER ASSETS		
Endowment Fund Investments	2,136,397	2,136,028
Other Investments	-	1,074
Total Other Assets	2,136,397	2,137,102
Total Assets	\$ 16,006,184	\$ 17,267,253
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 100,000	\$ -
Accounts Payable	64,564	75,099
Accrued Expenses	175,387	101,800
Current Portion of Long-Term Debt	37,570	97,568
Total Current Liabilities	377,521	274,467
LONG-TERM LIABILITIES		
Long-Term Debt	46,249	941,553
Total Liabilities	423,770	1,216,020
NET ASSETS		
Unrestricted	13,542,132	14,155,951
Temporarily Restricted	145,000	-
Permanently Restricted	1,895,282	1,895,282
Total Net Assets	15,582,414	16,051,233
Total Liabilities and Net Assets	\$ 16,006,184	\$ 17,267,253

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions and Grants	\$ 2,912,969	\$ 145,000	\$ -	\$ 3,057,969	\$ 3,376,498	\$ -	\$ -	\$ 3,376,498
Program Service Fees	190,127	-	-	190,127	72,091	-	-	72,091
Rental Income	276,030	-	-	276,030	383,767	-	-	383,767
Special Event Revenue	83,156	-	-	83,156	327,808	-	-	327,808
Investment Income	47,469	72,077	-	119,546	84,031	141,589	-	225,620
Other Income	141,562	-	-	141,562	93,364	-	-	93,364
CityKid Java Revenue	116,619	-	-	116,619	105,114	-	-	105,114
Donated Asset	51,000	-	-	51,000	-	-	-	-
Gain on Sale of Asset	374,665	-	-	374,665	-	-	-	-
Net Assets Released from Restriction	72,077	(72,077)	-	-	493,133	(493,133)	-	-
Total Support and Revenue	4,265,674	145,000	-	4,410,674	4,935,806	(351,544)	-	4,584,262
EXPENSES								
Program Services:								
Youth Services	1,333,069	-	-	1,333,069	1,901,790	-	-	1,901,790
Farm, Nutrition, City Kid Enterprises	795,598	-	-	795,598	720,409	-	-	720,409
Family Programming	759,997	-	-	759,997	996,947	-	-	996,947
Outreach	104,965	-	-	104,965	283,454	-	-	283,454
Early Learning and Literacy	280,295	-	-	280,295	-	-	-	-
Total Program Services	3,273,924	-	-	3,273,924	3,902,600	-	-	3,902,600
Supporting Services:								
ULVF Opportunities	280	-	-	280	53,930	-	-	53,930
General and Administrative Expenses	894,587	-	-	894,587	885,102	-	-	885,102
Fundraising	710,702	-	-	710,702	431,590	-	-	431,590
Total Supporting Services	1,605,569	-	-	1,605,569	1,370,622	-	-	1,370,622
Total Expenses	4,879,493	-	-	4,879,493	5,273,222	-	-	5,273,222
CHANGE IN NET ASSETS	(613,819)	145,000	-	(468,819)	(337,416)	(351,544)	-	(688,960)
Net Assets - Beginning of Year	14,155,951	-	1,895,282	16,051,233	14,493,367	351,544	1,895,282	16,740,193
NET ASSETS - END OF YEAR	<u>\$ 13,542,132</u>	<u>\$ 145,000</u>	<u>\$ 1,895,282</u>	<u>\$ 15,582,414</u>	<u>\$ 14,155,951</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 16,051,233</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Program Services						Supporting Services				Total 2018
	Total Youth	Total Farm,	Total Family	Early Learning		Total	UVLF	Administration	Fundraising	Total	
	Service	Nutrition, CKE	Programming	Outreach	and Literacy		Opportunities	and General			
Salaries	\$ 615,708	\$ 423,945	\$ 404,350	\$ 50,490	\$ 168,141	\$ 1,662,634	\$ -	\$ 371,725	\$ 368,185	\$ 739,910	\$ 2,402,544
Benefits	137,230	90,447	86,712	14,306	32,484	361,179	-	87,208	71,507	158,715	519,894
Total Payroll	752,938	514,392	491,062	64,796	200,625	2,023,813	-	458,933	439,692	898,625	2,922,438
Conferences and Training	3,425	1,519	273	58	4,133	9,408	-	3,353	353	3,706	13,114
Employee Travel	11,141	1,061	47	84	2,206	14,539	-	1,940	104	2,044	16,583
Professional Fees	103,013	3,819	60,823	442	4,613	172,710	-	89,282	31,196	120,478	293,188
Purchased Services	46,756	14,329	12,788	11,862	3,224	88,959	-	17,547	7,363	24,910	113,869
Food	10,781	31,619	3,725	73	308	46,506	-	13,874	6,881	20,755	67,261
Entry Fees	38,244	-	-	-	-	38,244	-	-	-	-	38,244
Printing	4,859	6,252	1,770	231	499	13,611	-	6,330	12,890	19,220	32,831
Supplies	45,879	14,160	7,389	218	914	68,560	-	10,385	64,660	75,045	143,605
Vehicles Operations	2,252	1,864	1,244	196	470	6,026	-	1,321	1,020	2,341	8,367
Telephone	526	326	290	46	110	1,298	-	2,034	273	2,307	3,605
Dues, Fees and Subscriptions	6,914	3,983	3,915	1,057	1,316	17,185	-	43,823	15,258	59,081	76,266
Postage and Shipping	461	1,398	324	40	96	2,319	-	2,696	603	3,299	5,618
Insurance	32,230	20,630	17,801	2,807	6,725	80,193	-	19,047	14,595	33,642	113,835
Occupancy	37,969	22,471	20,970	3,307	7,922	92,639	-	22,283	17,194	39,477	132,116
Lake & 4th Building Expense	66,226	39,194	36,577	5,767	13,818	161,582	-	38,866	29,989	68,855	230,437
Other Expense	534	(1,588)	1,028	(252)	(604)	(882)	-	31,716	(1,070)	30,646	29,764
Rents and Leases	5,147	1,901	7,254	80	12	14,394	-	10,251	25	10,276	24,670
Equipment Expense	1,493	2,173	3,456	78	187	7,387	-	817	2,362	3,179	10,566
Building Expense	9,770	6,590	5,396	851	2,038	24,645	280	5,734	4,424	10,438	35,083
Interest Expense	6,723	3,979	3,713	586	1,403	16,404	-	29,575	3,045	32,620	49,024
Depreciation	145,123	85,887	80,152	12,638	30,280	354,080	-	84,780	59,845	144,625	498,705
Cost of Goods Sold	665	19,639	-	-	-	20,304	-	-	-	-	20,304
Total Other Expenses	580,131	281,206	268,935	40,169	79,670	1,250,111	280	435,654	271,010	706,944	1,957,055
Total Expense	\$ 1,333,069	\$ 795,598	\$ 759,997	\$ 104,965	\$ 280,295	\$ 3,273,924	\$ 280	\$ 894,587	\$ 710,702	\$ 1,605,569	\$ 4,879,493

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				Total 2017
	Total Youth Service	Total Farm, Nutrition, CKE	Total Family Programming	Outreach	Total	UVLF Opportunities	Administration and General	Fundraising	Total	
Salaries	\$ 838,615	\$ 470,202	\$ 635,231	\$ 203,029	\$ 2,147,077	\$ -	\$ 340,341	\$ 232,879	\$ 573,220	\$ 2,720,297
Benefits	167,266	82,987	108,302	25,849	384,404	-	80,477	39,310	119,787	504,191
Total Payroll	<u>1,005,881</u>	<u>553,189</u>	<u>743,533</u>	<u>228,878</u>	<u>2,531,481</u>	<u>-</u>	<u>420,818</u>	<u>272,189</u>	<u>693,007</u>	<u>3,224,488</u>
Conferences and Training	23,808	1,260	1,350	-	26,418	-	-	200	200	26,618
Employee Travel	24,928	827	3,840	1,137	30,732	-	1,517	897	2,414	33,146
Professional Fees	44,793	7,016	46,508	16,590	114,907	-	211,705	5,485	217,190	332,097
Purchased Services	82,130	25,916	41,976	7,405	157,427	27,452	48,860	32,138	108,450	265,877
Food	24,607	25,860	6,045	711	57,223	-	10,726	12,530	23,256	80,479
Entry Fees	62,933	173	1,088	350	64,544	-	-	-	-	64,544
Printing	897	4,743	801	190	6,631	-	10,758	12,255	23,013	29,644
Supplies	44,377	16,589	13,549	2,439	76,954	-	12,907	3,605	16,512	93,466
Vehicles Operations	5,617	2,480	2,035	585	10,717	-	1,519	-	1,519	12,236
Telephone	1,356	535	710	204	2,805	-	2,434	-	2,434	5,239
Dues, Fees and Subscriptions	5,271	4,059	2,353	403	12,086	60	29,970	9,594	39,624	51,710
Postage and Shipping	105	3,788	86	14	3,993	-	836	17	853	4,846
Insurance	36,977	17,026	19,380	5,570	78,953	8,008	14,456	-	22,464	101,417
Occupancy	42,452	16,742	22,249	6,395	87,838	9,065	16,907	-	25,972	113,810
Other Expense	712	(3,020)	887	1,488	67	5	14,006	25,038	39,049	39,116
Rents and Leases	3,986	2,949	3,727	47	10,709	-	2,767	48,914	51,681	62,390
Equipment Expense	8,051	8,755	10,415	457	27,678	-	4,500	701	5,201	32,879
Building Expense	22,571	10,937	11,830	3,400	48,738	9,340	8,830	-	18,170	66,908
Interest Expense	19,483	14,668	10,211	2,965	47,327	-	29,158	-	29,158	76,485
Depreciation	440,855	5,917	54,374	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	<u>895,909</u>	<u>167,220</u>	<u>253,414</u>	<u>54,576</u>	<u>1,371,119</u>	<u>53,930</u>	<u>464,284</u>	<u>159,401</u>	<u>677,615</u>	<u>2,048,734</u>
Total Expense	<u>\$ 1,901,790</u>	<u>\$ 720,409</u>	<u>\$ 996,947</u>	<u>\$ 283,454</u>	<u>\$ 3,902,600</u>	<u>\$ 53,930</u>	<u>\$ 885,102</u>	<u>\$ 431,590</u>	<u>\$ 1,370,622</u>	<u>\$ 5,273,222</u>

See accompanying Notes to Consolidated Financial Statements.

**URBAN VENTURES LEADERSHIP FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (468,819)	\$ (688,960)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	498,705	526,078
(Gain) Loss on Sale of Fixed Assets	(374,665)	-
Investment Income	(119,546)	(225,620)
Change in Operating Assets and Liabilities:		
Pledges Receivable	(75,000)	35,000
Accounts Receivable	(12,457)	(40,353)
Inventory	-	108
Prepaid Expenses	26,187	71,202
Accounts Payable	(10,535)	(27,460)
Accrued Expenses	73,587	(24,119)
Deferred Revenue	-	(5,032)
Net Cash Used by Operating Activities	<u>(462,543)</u>	<u>(379,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(75,784)	-
Proceeds from the Sale of Property and Equipment	863,008	679,080
Purchase of Other Investments	(26,014)	-
Proceeds from Sale of Other Investments	27,088	24,203
Purchase of Endowment Fund Investments	(167,600)	(74,221)
Proceeds from the Sale of Endowment Fund Investments	<u>286,777</u>	<u>671,784</u>
Net Cash Provided by Investing Activities	907,475	1,300,846
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Line of Credit	100,000	(500,000)
Repayment of Long-Term Debt	<u>(955,302)</u>	<u>(93,479)</u>
Net Cash Used by Financing Activities	<u>(855,302)</u>	<u>(593,479)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(410,370)	328,211
Cash and Cash Equivalents - Beginning of Year	<u>559,124</u>	<u>230,913</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 148,754</u>	<u>\$ 559,124</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 49,025</u>	<u>\$ 77,936</u>

See accompanying Notes to Consolidated Financial Statements.

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 subsidiary, UVLF Opportunities, Inc. All material intercompany balances and transactions have been eliminated in consolidation. UVLF Opportunities, Inc. had very limited activity during the years ended June 30, 2018 and 2017.

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, 2018 AND 2017**

**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 \$1,713 and \$2,000 at June 30, 2018 and 2017, respectively. The Organization's accounts receivable are unsecured assets.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges, including pending bequests, are not included as support until such time as the conditions are substantially met. Management 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, 2018 AND 2017**

**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) require that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by an individual possessing those skills, and would typically need to be purchased if not provided by donation, be recorded. In-kind contributions were \$-0- in 2018 and 2017.

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

In-Kind Contributions (Continued)

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.

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.

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.

**URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

Fair Value Measurements (Continued)

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

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

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

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

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

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through January 2, 2019, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Fixed Income Funds	\$ 173,846	\$ 213,384
Diversified Equity Fund	1,115,462	998,435
Marketable Alternative Fund	585,625	653,175
Special Opportunities Fund	261,464	271,034
Total	<u>\$ 2,136,397</u>	<u>\$ 2,136,028</u>

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 ENDOWMENT FUND INVESTMENTS (CONTINUED)

Investment income for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Endowment Fund Realized and Unrealized Gains	<u>\$ 119,546</u>	<u>\$ 225,620</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.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2018 and 2017:

	<u>Net Asset Value</u>		Unfunded Commitments	Redemption Frequency if	Redemption
	<u>2018</u>	<u>2017</u>		Currently Available	Notice Period
Endowment Fund Investments:					
Fixed Income Fund	\$ 173,846	\$ 213,384	\$ -	Quarterly	30 Days
Diversified Equity Fund	1,115,462	998,435	-	Quarterly	30 Days
Marketable Alternative Fund	585,625	653,175	-	Quarterly	6 Months
Special Opportunities Fund	261,464	271,034	-	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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,545,007	\$ 2,545,009
Buildings	16,766,031	18,216,852
Furniture and Equipment	297,962	586,413
Office and Computer Equipment	1,343,602	1,389,350
Vehicles	<u>129,898</u>	<u>100,501</u>
Total Property, Equipment, and Buildings	21,082,500	22,838,125
Less: Accumulated Depreciation	<u>(7,534,314)</u>	<u>(8,378,675)</u>
Net Property, Equipment, and Buildings	<u>\$ 13,548,186</u>	<u>\$ 14,459,450</u>

Depreciation expense was \$498,705 and \$526,078 for the years ended June 30, 2018 and 2017, 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 LINE OF CREDIT

The Organization has a \$700,000 line of credit with a variable rate of interest, which were 5.00% and 3.19% as of June 30, 2018 and 2017, respectively, which are 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, 2018 and 2017, \$100,000 and \$-0-, respectively, was owed.

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2018 and 2017:

<u>Description</u>	<u>2018</u>	<u>2017</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
Note payable - bank, with monthly payments of \$3,447 including variable interest, which was 5.25% at June 30, 2018 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>83,819</u>	<u>120,511</u>
Total Long-Term Debt	83,819	1,039,121
Current Portion of Long-Term Debt	<u>(37,570)</u>	<u>(97,568)</u>
Total	<u>\$ 46,249</u>	<u>\$ 941,553</u>

Current maturities of long-term debt at June 30, 2018 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 37,570
2020	39,716
2021	6,533
Total Debt Payments	<u>\$ 83,819</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 \$22,137 and \$17,111 during the years ended June 30, 2018 and 2017, 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 \$276,030 and \$383,767 during the years ended June 30, 2018 and 2017, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time and Purpose Restriction	\$ 145,000	\$ -

Temporarily restricted net assets released consist of the following during the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose Releases	\$ 223	\$ 65,501
Appropriations from Endowment Funds	71,854	427,632
Total	<u>\$ 72,077</u>	<u>\$ 493,133</u>

NOTE 10 ENDOWMENT FUNDS

The endowment funds consist of gifts restricted by donors that have stipulated the funds be held in perpetuity and are subject to Minnesota's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and amounts designated by the board. The Organization has established the endowment funds to provide for ongoing funding for their programs. The annual distribution policy allows distributions to be made available to operations equal to 5% of the average market value. Underwater funds as of June 30, 2018 and 2017 are disclosed in the following table and were \$607,062 and \$607,431, respectively. These deficiencies resulted from approved appropriations in excess of accumulated earnings.

URBAN VENTURES LEADERSHIP FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Endowments by net asset class for the years ended June 30, 2018 and 2017:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (607,208)	\$ -	\$ 1,895,282	\$ 1,288,074
Board-Designated Endowment Funds	848,323	-	-	848,323
Total Endowment Funds	<u>\$ 241,115</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,136,397</u>

	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>

Changes in endowment fund assets were as follows for the years ended June 30, 2018 and 2017:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments - July 1, 2017	\$ 240,746	\$ -	\$ 1,895,282	\$ 2,136,028
Appropriation of Endowment Assets for Expenditures	(47,323)	(71,854)	-	(119,177)
Realized and Unrealized Gains on Investments Appreciation	47,469	72,077	-	119,546
Transfer of Endowment Fund Deficits	223	(223)	-	-
Endowments - June 30, 2018	<u>\$ 241,115</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,136,397</u>

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments - July 1, 2016	\$ 612,689	\$ -	\$ 1,895,282	\$ 2,507,971
Board Approved Contribution	-	-	-	-
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 - June 30, 2017	<u>\$ 240,746</u>	<u>\$ -</u>	<u>\$ 1,895,282</u>	<u>\$ 2,136,028</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, 2018 AND 2017**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

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

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

NOTE 11 MAJOR CONTRIBUTORS

Three donors/funders accounted for 38% and 41% of total contributions and grants for the years ended June 30, 2018 and 2017, respectively.

The Organization received \$183,350 and \$175,758 of contributions through the generosity of board members during the years ended June 30, 2018 and 2017, respectively.