

THE URBAN LEAGUE OF PHILADELPHIA

**Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021
With Independent Auditor's Report**

HORSEYBUCKNER & HEFFLER

Accountants & Advisors

THE URBAN LEAGUE OF PHILADELPHIA
Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Urban League of Philadelphia

Opinion

We have audited the accompanying consolidated financial statements of the Urban League of Philadelphia (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Urban League of Philadelphia as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Urban League of Philadelphia and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Consolidated Financial Statements

The consolidated financial statements of the Urban League of Philadelphia as of June 30, 2021 were audited by other auditors whose report dated December 17, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Urban League of Philadelphia's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Urban League of Philadelphia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Urban League of Philadelphia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Horsey, Buckner & Heffler, LLP

May 18, 2023

The Urban League of Philadelphia
Consolidated Statements of Financial Position
As of June 30, 2022 and 2021

	2022	2021
ASSETS		
<i>Current assets</i>		
Cash	\$ 6,298,338	\$ 3,945,003
Restricted Cash	260,290	100,000
Contributions receivable, net of allowance for doubtful accounts of \$3,178 in 2022 and 2021	5,327	16,641
Grants receivable	1,197,458	1,116,391
Other receivable	56,650	-
Prepaid expense and other assets	101,207	46,495
Total current assets	7,919,270	5,224,530
Security deposits	9,640	9,640
Property and equipment, net of accumulated depreciation	3,019	3,367
Total assets	\$ 7,931,929	\$ 5,237,537
LIABILITIES		
<i>Current liabilities</i>		
Accrued expenses	\$ 157,615	\$ 186,000
Deferred Income-Special Events	52,500	58,500
Refundable advance	2,026,747	67,500
Total liabilities	2,236,862	312,000
COMMITMENTS		
NET ASSETS		
Without donor restrictions	4,660,955	3,646,964
With donor restrictions	1,034,112	1,278,573
Total net assets	5,695,067	4,925,537
Total liabilities and net assets	\$ 7,931,929	\$ 5,237,537

The accompanying notes are an integral part of these consolidated financial statements.

The Urban League of Philadelphia
Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Grants	\$ 3,234,614	\$ 188,822	\$ 3,423,436	\$ 4,754,081	\$ 365,191	\$ 5,119,272
Contributions	1,829,054	150,290	1,979,344	414,621	1,643,342	2,057,963
Special events, net of cost of direct benefit to donors of \$141,214 in 2022 and \$2,528 in 2021	445,695	-	445,695	440,906	-	440,906
Interest income	185	-	185	298	-	298
Other revenue	52,554	-	52,554	28,842	-	28,842
	<u>5,562,102</u>	<u>339,112</u>	<u>5,901,214</u>	<u>5,638,748</u>	<u>2,008,533</u>	<u>7,647,281</u>
Net assets released from restrictions	583,573	(583,573)	-	826,707	(826,707)	-
Total public support and revenue	<u>6,145,675</u>	<u>(244,461)</u>	<u>5,901,214</u>	<u>6,465,455</u>	<u>1,181,826</u>	<u>7,647,281</u>
EXPENSES						
<i>Program services</i>						
Advocacy and policy	1,671,872	-	1,671,872	2,755,470	-	2,755,470
Business and talent diversity	1,507,727	-	1,507,727	1,133,619	-	1,133,619
Community and economic development	1,350,232	-	1,350,232	833,504	-	833,504
Support services	601,853	-	601,853	631,750	-	631,750
Total expenses	<u>5,131,684</u>	<u>-</u>	<u>5,131,684</u>	<u>5,354,343</u>	<u>-</u>	<u>5,354,343</u>
Change in net assets	1,013,991	(244,461)	769,530	1,111,112	1,181,826	2,292,938
Net assets, at beginning of year	<u>3,646,964</u>	<u>1,278,573</u>	<u>4,925,537</u>	<u>2,535,852</u>	<u>96,747</u>	<u>2,632,599</u>
Net assets, at end of year	<u>\$ 4,660,955</u>	<u>\$ 1,034,112</u>	<u>\$ 5,695,067</u>	<u>\$ 3,646,964</u>	<u>\$ 1,278,573</u>	<u>\$ 4,925,537</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Urban League of Philadelphia
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services				Support Services			Total Expenses
	Advocacy and Policy	Business and Talent Diversity	Community and Economic Development	Total Program Services	Fund Development	Management Services	Total Support Services	
Salaries	\$ 408,040	\$ 348,976	\$ 573,412	\$ 1,330,428	\$ -	\$ 283,659	\$ 283,659	\$ 1,614,087
Benefits and taxes	76,006	79,527	137,671	293,204	-	54,987	54,987	348,191
Professional services	654,939	380,594	156,869	1,192,402	-	212,408	212,408	1,404,810
Meals, travel and meetings	13,290	13,818	491	27,599	-	6,283	6,283	33,882
Special Events	28,343	-	16,720	45,062	-	3,283	3,283	48,345
Office	186	5,008	1,231	6,425	-	13,775	13,775	20,200
Expendable equipment	23,990	16,375	3,361	43,726	-	49,858	49,858	93,584
Dues and memberships	300	-	-	300	-	6,688	6,688	6,988
Advertising	67	-	-	67	-	1,218	1,218	1,285
Occupancy	27,206	31,932	54,486	113,624	-	63,675	63,675	177,299
Utilities	439	703	1,055	2,197	-	24,889	24,889	27,087
Insurance	1,714	-	-	1,714	-	33,662	33,662	35,376
Bank and payroll fees	1,248	378	947	2,573	-	20,491	20,491	23,064
Interest Expense	-	-	-	-	-	(6)	(6)	(6)
Scholarships	111,517	-	-	111,517	-	-	-	111,517
Administrative Allocation	65,932	38,666	82,616	187,215	-	(187,215)	(187,215)	0
Other Expenses	258,655	589,730	321,373	1,169,758	-	14,198	14,198	1,183,956
Total expenses before depreciation	1,671,872	1,505,707	1,350,232	4,527,811	-	601,853	601,853	5,129,664
Depreciation	-	2,020	-	2,020	-	-	-	2,020
Total expenses included in expenses section on the consolidated statement of activities and changes in net asset:	1,671,872	1,507,727	1,350,232	4,529,831	-	601,853	601,853	5,131,684
<i>Plus expenses included with revenue on the consolidated statement of activities and changes in net assets</i>								
Special events - cost of direct benefit to donors								
Rent and facility costs	-	-	-	-	113,274	-	113,274	113,274
Other	-	-	-	-	27,940	-	27,940	27,940
	-	-	-	-	141,214	-	141,214	141,214
Total expenses	\$ 1,671,872	\$ 1,507,727	\$ 1,350,232	\$ 4,529,830	\$ 141,214	\$ 601,853	\$ 743,067	\$ 5,272,897

The accompanying notes are an integral part of these consolidated financial statements.

**The Urban League of Philadelphia
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021**

	Program Services				Support Services			Total Expenses
	Advocacy and Policy	Business and Talent Diversity	Community and Economic Development	Total Program Services	Fund Development	Management Services	Total Support Services	
Salaries	\$ 387,209	\$ 334,395	\$ 443,686	\$ 1,165,290	\$ -	\$ 215,583	\$ 215,583	\$ 1,380,873
Benefits and taxes	75,820	75,352	120,104	271,276	-	32,879	32,879	304,155
Professional services	1,983,783	332,792	91,565	2,408,140	-	196,974	196,974	2,605,114
Meals, travel and meetings	8,506	9,920	196	18,622	-	18,339	18,339	36,961
Office	10,867	1,277	1,023	13,167	-	502	502	13,669
Expendable equipment	6,291	40,244	9,687	56,222	-	34,972	34,972	91,194
Dues and memberships	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-
Occupancy	24,957	33,531	54,142	112,630	-	68,693	68,693	181,323
Utilities	3,345	4,569	7,005	14,919	-	11,811	11,811	26,730
Insurance	-	-	-	-	-	33,689	33,689	33,689
Bank and payroll fees	1,153	1,469	20	2,642	771	14,176	14,947	17,589
Scholarships	111,175	-	-	111,175	-	-	-	111,175
Client support	-	268,286	20,604	288,890	-	-	-	288,890
Other	142,364	30,438	85,472	258,274	700	2,661	3,361	261,635
Total expenses before depreciation	2,755,470	1,132,273	833,504	4,721,247	1,471	630,279	631,750	5,352,997
Depreciation	-	1,346	-	1,346	-	-	-	1,346
Total expenses included in expenses section on the consolidated statement of activities and changes in net assets:	2,755,470	1,133,619	833,504	4,722,593	1,471	630,279	631,750	5,354,343
<i>Plus expenses included with revenue on the consolidated statement of activities and changes in net assets</i>								
Special events - cost of direct benefit to donors								
Food and beverages	-	-	-	-	1,418	-	1,418	1,418
Rent and facility costs	-	-	-	-	-	-	-	-
Awards	-	-	-	-	1,110	-	1,110	1,110
-	-	-	-	-	2,528	-	2,528	2,528
Total expenses	\$ 2,755,470	\$ 1,133,619	\$ 833,504	\$ 4,722,593	\$ 3,999	\$ 630,279	\$ 634,278	\$ 5,356,871

The accompanying notes are an integral part of these consolidated financial statements.

The Urban League of Philadelphia
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 769,530	\$ 2,292,938
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	2,020	1,346
Bad debt expense	-	860
<i>Change in assets and liabilities</i>		
Contributions receivable	11,314	48,854
Grants receivable	(81,067)	(769,655)
Other receivable	(56,650)	-
Prepaid expense and other assets	(56,383)	18,722
Security deposits	-	15,496
Accrued expenses	(28,386)	10,166
Deferred Income	(6,000)	-
Refundable advance	1,959,247	70,841
	<u>2,513,625</u>	<u>1,689,568</u>
Net cash provided by operating activities		
	<u>2,513,625</u>	<u>1,689,568</u>
Net increase in cash	2,513,625	1,689,568
Cash, beginning of year	4,045,003	2,355,435
Cash, end of year	<u>\$ 6,558,628</u>	<u>\$ 4,045,003</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 1 ORGANIZATION AND DESCRIPTION OF PROGRAMS

Organization

The Urban League of Philadelphia (the League) is a nonpartisan, nonprofit community service organization using the tools and methods of social work, economics, law, and other disciplines to secure equal opportunity in all sectors of society for African Americans and other people of color.

Effective March 2, 2021, the League entered into a partnership with ULP Community Impact Financing LLC (the Company). The purpose of this agreement is to assist in providing housing and small business loans to African Americans and other people of color. Management of the League has determined that consolidation of the Company is required since the League exhibits a controlling financial interest in the Company based on the League having a 100% ownership in the Company.

Description of Programs

Advocacy and Policy

The State of Black Philadelphia is a publication created by the League. It is a comprehensive look at the persistent disparities that exist between black and white Philadelphians in the five areas of economics, health, education, civic engagement, and social justice.

The Urban League Guild (the Guild) provides a host of volunteers for special engagements and helps to support the League through annual fundraisers. Among many community service projects, those that provide assistance to abused children are the Guild's primary focus.

The Network of Extraordinary Talent (NExT) is a network of young professionals who provide leadership development, economic empowerment, and community volunteer opportunities for other young professionals. The Organization trains, develops, and educates young professionals to take leadership roles within the civil rights movement and society at large. Members of NExT are defining, developing, implementing and leading the next generation's civil rights agenda.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 1 ORGANIZATION AND DESCRIPTION OF PROGRAMS *(continued)*

Description of Programs *(continued)*

Business and Talent Diversity

Through its employment services, the League empowers African Americans and others to connect with self-sustaining employment opportunities via training opportunities, links to employers, or other employment services.

The Urban Leadership Forum is Philadelphia's first leadership development program for people of color. It is designed to identify and train minority leaders and establish a forum for promoting effective leadership in all sectors of society. Participants must successfully manage a community service project team process, a key component of the Urban Leadership Forum design.

Community and Economic Development

Housing counseling is provided to individuals who seek assistance for prepurchase counseling, fair-housing rights information, lending practices, money management, credit repair, budgeting, real estate selection, and relief from foreclosures and predatory lending. The League also assists renters with tenant rights. Escrow counseling is available for clients living in substandard housing with licensing and inspection violations. Recognized as one of the City of Philadelphia's 30 endorsed housing agencies, the League conducts advocacy on behalf of low-income families and makes referrals to all government programs.

The financial literacy program focuses on educating individuals on how to manage their finances responsibly. This program is tailored to both youth and adults.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation & Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. The consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of the League and the Company (collectively, the Organization). All significant intercompany accounts, transactions, and balances are eliminated in the consolidation process. For the years ended June 30, 2022 and 2021 there were no transactions that were subject to elimination in the consolidation process.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Classification of Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that certain resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Revenue Recognition – Contributions

Funding for the Organization's activities is achieved almost entirely through government funding, foundation, corporate and other support, contributions, and in-kind contributions, including unconditional promises to give. These donations provide funding to be used to support the mission of the Organization. As the donors are not receiving a benefit as a result of these transactions, the donations are considered to be contributions to the Organization. Some contributions require that funds be expended for a specific purpose and are considered to be net assets with donor restrictions.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Revenue Recognition – Contributions *(continued)*

The Organization recognizes unconditional contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. As of June 30, 2022 and 2021, there were conditional contributions of \$2,026,747 and \$67,500, respectively, which are included in refundable advances on the consolidated statements of financial position.

Special events revenue is bifurcated into an exchange transaction component and a contribution component. The exchange transaction component is considered to be the fair market value benefits received by an attendee. The transaction price is the fair market value that is estimated by management for each event based on an analysis of the benefits received by the attendee. The contribution component is considered to be the amount over and above the fair market value for which the attendee does not receive commensurate value. Revenue is recognized at the point in time when the event takes place as that is when the Organization's sole obligation to perform is satisfied and when the barriers are overcome. Payments for special events are generally required to be made when registration for the event occurs or sponsorships are made. All special events revenue is included under public support revenue as management has determined that the split between fair market value and contribution is not material. As of June 30, 2022 and 2021, there were conditional contributions associated with special events of \$52,500 and \$58,500, respectively.

A portion of the grants the Organization receives are cost reimbursement government grants. These grants provide funding to be used for purposes indicated in the grant agreements. As the government is not receiving a benefit as a result of these transactions, the grants are considered to be contributions to the Organization. The grant agreements contain specific service requirements. As these stipulations create a barrier that must be achieved, and any amounts not expended must be returned, government grants are considered to be conditional contributions until such time as the barriers are overcome. Contributions from these grant agreements are, therefore, recognized as revenue when costs are incurred and specific service requirements are met, as required by the agreements. Until the financial information required by the funding sources is accepted, costs billed for program services under cost reimbursement contracts are subject to review and possible disallowance. In management's opinion, the potential for material disallowances is remote and, therefore, is not a barrier that would prevent the recognition of revenue. The Organization received no funds in advance of service requirements being met as of either June 30, 2022 or 2021. There were no conditional amounts recognized on government grants in progress as of June 30, 2022. The conditional amount of \$63,441 was not yet recognized on government grants in progress as of June 30, 2021.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Revenue Recognition – Contributions *(continued)*

On February 22, 2021, the Organization received conditional grants from the U.S. Small Business Administration (the SBA) as part of the Paycheck Protection Program (PPP) in the amount of \$316,407. The funding was conditional on the Organization using the funds to cover qualified expenditures. Contributions from these agreements are, therefore, recognized as revenue when costs are incurred and specific service requirements are met, as required by the agreement. For the year ended June 30, 2021, \$365,191, of the grants were used for qualified expenditures, including payroll, rent, and utilities, and thus were recognized as grants and fees revenue on the consolidated statements of activities and changes in net assets. Management believes that these costs meet the conditions of the grant and will ultimately be approved by the SBA, and the potential for material disallowances is remote and, therefore, is not a barrier that would prevent the recognition of revenue. On December 21, 2020, the Organization was notified that both the SBA and the bank forgave the initial conditional grant received on April 18, 2020 in full.

Restricted Cash

Restricted cash totaling \$260,290 and 100,000 as of June 30, 2022 and 2021, respectively, is limited in use and was held in separate bank accounts for ULP Community Impact Financing LLC operations and scholarships accordingly.

Allowance for Doubtful Accounts

The Organization evaluates its receivables for contributions and grants and fees on a periodic basis to determine collectability. Bad debts are provided for on the allowance method based on history of past write-offs and collections. Accounts are written off when they are deemed uncollectable. As of both June 30, 2022 and 2021, the Organization had an allowance for doubtful accounts of \$3,178 related to contributions receivable.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Property and Equipment

Purchased property and equipment over \$1,000 are capitalized at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Donated property and equipment are capitalized at fair value on the date of donation and depreciated using the straight-line method over their estimated useful lives. Repair and maintenance costs are charged to current operations. At the time property and equipment are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposition is credited or charged to change in net assets.

The Organization will record impairment losses on long-lived assets when events and circumstances indicate that the assets are less than the carrying amounts. There was no impairment loss recognized for the years ended June 30, 2022 and 2021

Deferred Income

Deferred income consists of income received for special events that have not yet taken place.

Refundable Advance

Refundable advance consists of advances received for grants that have not yet been earned in accordance with the grant agreement.

Federal Tax Status

The Internal Revenue Service has classified the League as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and is not considered to be a private foundation as defined in Section 509(a) of the Code. The consolidated entity, ULP Community Impact Financing LLC, is a for-profit entity that is subject to income taxes. Total federal and state income tax expense from the consolidated entity was \$-0- for each of the years ended June 30, 2022 and 2021. Therefore, no provision for income taxes has been included in these consolidated financial statements.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Federal Tax Status (continued)

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability, if the Organization has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. Should the tax exempt status or any tax filing matter be challenged in the future, the Organization's last three tax years are open for examination by the IRS.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest and penalties recorded for either of the years ended June 30, 2022 or 2021.

Functional Allocation of Expense

Directly identifiable expenses are charged to program services and support services. The policy of the Organization's management is to allocate the indirect expenses of administrative support to certain programs based on revenue, headcount, or space utilization, depending on the nature of the expense.

Support services include the administrative costs of supporting the Organization's programs, as well as fundraising costs.

Recently Adopted Accounting Pronouncements

The Organization recently adopted FASB issued ASU 2020-07 (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Under the new standard's requirements, gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash or other financial assets, on the statement of activities and changes in net assets. The disclosure has been updated to reflect the implementation of this pronouncement. See Note 15.

The Urban League of Philadelphia
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Accounting Standards Issued but Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The ASU's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the consolidated statement of financial position and disclosing key information. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its 2023 fiscal year end consolidated financial statements and related disclosures.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following as of June 30, 2022 and 2021:

	2022	2021
<i>Current financial assets</i>		
Cash	\$ 6,298,338	\$ 3,945,003
Contributions receivable	5,327	16,641
Other receivable	56,650	-
Grants receivable	1,197,458	1,116,391
	\$ 7,557,773	\$ 5,078,035

General expenditures include program services expenses and supporting services expenses expected to be paid in the subsequent year. As part of the Organization's liquidity management plan, the Organization structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be received in less than one year. Contributions receivable as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
United Way Donor Option, net of allowance for doubtful accounts of \$3,178 in both 2022 and 2021	\$ 5,327	\$ 16,641
	\$ 5,327	\$ 16,641

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NOTE 5 GRANTS RECEIVABLE

Grants receivable as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
DCED Ready to work sponsored by Senator Hughes	\$ 125,000	\$ -
Division of Housing and Community Development, City of Philadelphia	188,481	106,678
National Urban League/ULEC	90,000	72,600
United Way	12,500	12,500
The City of Philadelphia/BTAP	18,621	26,772
Cheyney University - PA Dept of Education	65,500	53,400
Aramark	286,645	66,000
William Penn Foundation	350,000	695,000
Neighborworks-Housing Counseling	14,000	
CEG-Community Expansion-Gun Violence program	26,711	-
City of Philadelphia, Department of Commerce Urban Tech Jobs Program	-	63,411
United Way - Philadelphia African American Leadership Development Forum	20,000	20,000
	<u>\$ 1,197,458</u>	<u>\$ 1,116,361</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures and equipment	\$ 87,439	\$ 85,766
Software	19,284	19,284
	106,723	105,050
Less: Accumulated depreciation	103,704	101,683
	<u>\$ 3,019</u>	<u>\$ 3,367</u>

Depreciation for the years ended June 30, 2022 and 2021 was \$2,020 and \$1,346, respectively.

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NOTE 7 REFUNDABLE ADVANCE

Refundable advance as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Grants	\$ 2,026,747	\$ 67,500

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period as of June 30, 2022 and 2021:

	2022	2021
<i>Subject to expenditures for specified purposes</i>		
Scholarships	\$ 150,290	\$ 81,821
Urban Tech programs	70,022	43,282
Outreach, education, and support through BlackHomePHL	-	150,000
William Penn youth camp	118,800	-
Education advocacy	345,000	308,470
	684,112	583,573
<i>Promises to give, the proceeds of which have been restricted by donor for</i>		
Education advocacy	350,000	695,000
	\$ 1,034,112	\$ 1,278,573

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS *(continued)*

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30, 2022 and 2021:

	2022	2021
<i>Satisfaction of purpose restrictions</i>		
Scholarships	\$ 81,821	\$ 110,401
Urban Tech programs	43,282	319,585
Education advocacy	308,470	31,530
Outreach, education and support through BlackHome PHL	150,000	-
Qualified expenses within covered period related to PPP	-	365,191
	\$ 583,573	\$ 826,707

NOTE 9 TAX-DEFERRED ANNUITY PLAN

In accordance with Internal Revenue Code Section 403(b), the Organization sponsors an employer contributory tax-deferred annuity plan that covers substantially all employees who have completed 1,000 hours of service. The plan provides for employer discretionary contributions, which are determined on an annual basis. For the years ended June 30, 2022 and 2021, the annual contribution was \$16,717 and \$12,427, respectively, based on 2% of the employees' annual salaries.

NOTE 10 LEASE COMMITMENTS - OPERATING LEASES

The Organization leases office space in Philadelphia under an operating lease that expires in May 2024. Rent is payable in monthly installments of \$12,669, in addition to the Organization's share of common area maintenance. See Note 17 for related subsequent event activity.

The Organization also leases office equipment with monthly lease payments of \$1,833; the equipment leases run through October 2023.

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NOTE 10 LEASE COMMITMENTS - OPERATING LEASES *(continued)*

Approximate minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 177,930
2024	<u>165,974</u>
Total	<u>\$ 343,904</u>

Office rent and equipment leasing expense for the years ended June 30, 2022 and 2021 was \$163,994 and \$189,060, respectively.

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NOTE 11 GRANTS

Grants and fees during the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Grants from corporations/foundations	\$ 1,206,137	\$ 1,711,407
National Urban League/U.S. Department of Housing and Urban Development	-	27,795
National Urban League/Urban Tech Jobs Program	30,000	72,545
National Urban League/Entrepreneurship and Business Development	122,210	52,634
Office of Neighborhood Economic Development	75,000	73,239
Division of Housing and Community Development, City of Philadelphia	470,250	325,250
CEG-Community Expansion grant for gun violence	198,245	-
Homeowners' Emergency Mortgage Assistance Program and Pennsylvania Housing Finance Agency	65,760	72,995
Leadership Tuition	295,000	290,000
School District of Philadelphia	-	205,000
Paycheck Protection Program	-	365,191
Cheyney University	162,100	53,400
National Urban League/Equality and Excellence	-	11,250
Pennsylvania Housing Finance Agency/ First Time Home Buyers Program	200,000	-
Commonwealth of Pennsylvania - Voting	-	100,000
PA Dept. of Education Meals Program	-	1,499,763
City of Philadelphia, Department of Commerce Urban Tech	178,441	190,332
Senator Hughes Ready to Work	125,000	-
Senator Cephas Ready to Work	77,178	-
Neighborworks	96,000	-
Other	122,115	68,471
	<u>\$ 3,423,436</u>	<u>\$ 5,119,272</u>

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NOTE 12 CONTRIBUTIONS

Contributions during the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
United Way Allocation	\$ 20,000	\$ 25,000
United Way Donor Option	-	1,389
Scholarships	176,504	95,475
Foundation support	118,800	1,153,470
Corporate support	1,596,084	718,694
Other	67,956	63,935
	\$ 1,979,344	\$ 2,057,963

NOTE 13 SPECIAL EVENTS

Special events revenue for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Empowerment dinner	\$ 476,301	\$ 288,654
Whitney M. Young Luncheon	110,608	141,896
Guild events	-	10,198
NExT Philadelphia events	-	165
ULEC - Procurement Pitch - Capital One	-	2,521
	586,909	443,434
Less: Cost of direct benefit to donors	(141,214)	(2,528)
	\$ 445,695	\$ 440,906

NOTE 14 CONCENTRATIONS OF CREDIT RISK

As of June 30, 2022 and 2021, the Organization maintained cash accounts with a bank that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on its cash balances.

Grants receivable concentration

Credit risk for grants receivable is concentrated because substantially all of the balances are dependent upon receipts from government entities. Grants receivable are subject to credit risk because the realization of these items is dependent on various economic conditions.

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NOTE 15 CONTRIBUTED SERVICES

Contribution of services is recognized by the Organization as both revenue and expense in the accompanying consolidated statements of activities and changes in net assets, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. For the years ended June 30, 2022 and 2021, the Organization recognized \$15,930 and \$32,000, respectively, of in-kind contributions. In-kind contributions include legal fees for 2022 and legal and consulting fees for 2021, which are included in the management services component of support services on the consolidated statements of activities and changes in net assets. The amount recorded is based on fair market value for the services provided and did not have donor-imposed restrictions.

NOTE 16 CONTINGENCIES

From time to time, the Organization is involved in litigation in the course of business. Management has concluded that such litigation will not have a material impact on the consolidated financial statements for the year ended June 30, 2022.

NOTE 17 SUBSEQUENT EVENTS

The Organization entered into a lease agreement under an operating lease for office space effective January 1, 2023. The lease expires in July 2023. Rent is payable in monthly installments of \$12,644.

The Organization has evaluated subsequent events through May 18, 2023, which is the date the consolidated financial statements were available to be issued.