



NATIONAL  
URBAN  
FELLOWS

*Leadership for a Changing America*

**Financial Statements**  
**December 31, 2018 and 2017**  
**With Independent Auditor's Report**

**National Urban Fellows, Inc.**  
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**December 31, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
National Urban Fellows, Inc.:

We have audited the accompanying financial statements of National Urban Fellows, Inc. ("NUF" or the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets (deficit), cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Urban Fellows, Inc. as of December 31, 2018 and 2017, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 1 to the financial statements, the Organization experienced a decrease in net assets during 2018 of approximately \$163,000, has a net deficit without donor restrictions of approximately \$739,000 and a total net deficit of approximately \$58,000 as of December 31, 2018. In addition, the Organization has a net working capital deficit and an outstanding line of credit payable of approximately \$100,000 as of December 31, 2018. These conditions raise substantial doubt about its ability to continue as a going concern. Management’s plans to address these matters primarily include increasing its donor development and fundraising efforts, as well as increasing fellows and fellow participation and reducing the cost of operating the fellowship program and various overhead costs. The financial statements do not include any adjustments that might result from the outcome of this matter.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

February 4, 2020

**National Urban Fellows, Inc.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 118,265	\$ 139,045
Pledges and other receivables, net		
Mentors	261,667	313,750
Corporation/foundation	-	52,083
Other receivables	42,708	27,525
Prepaid expenses and other current assets	<u>6,404</u>	<u>33,878</u>
Total current assets	429,044	566,281
Board designated investment fund	1,313	1,313
Security deposits	4,800	4,800
Other non-current assets	<u>1,250</u>	<u>1,250</u>
Total assets	<u>\$ 436,407</u>	<u>\$ 573,644</u>
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 394,496	\$ 369,205
Line of credit payable	<u>99,921</u>	<u>99,921</u>
Total liabilities	<u>494,417</u>	<u>469,126</u>
Net assets (deficit)		
Without donor restrictions	(738,720)	(983,595)
With donor restrictions	<u>680,710</u>	<u>1,088,113</u>
Total net assets (deficit)	<u>(58,010)</u>	<u>104,518</u>
Total liabilities and net assets (deficit)	<u>\$ 436,407</u>	<u>\$ 573,644</u>

The Notes to Financial Statements are an integral part of these statements.

**National Urban Fellows, Inc.**  
**Statements of Activities and Changes in Net Assets (Deficit)**  
**Years Ended December 31, 2018 and 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and reclassifications						
Support						
Mentors	\$ -	\$ 1,370,000	\$ 1,370,000	\$ -	\$ 1,566,167	\$ 1,566,167
Foundations	159,000	15,750	174,750	199,483	270,833	470,316
Corporations	32,803	10,000	42,803	-	-	-
Individual contributions	19,816	750	20,566	-	-	-
Fellow contributions	177,500	-	177,500	191,400	-	191,400
Alumni contributions	28,173	2,500	30,673	57,012	-	57,012
Board of director contributions	15,375	-	15,375	17,261	-	17,261
	<u>432,667</u>	<u>1,399,000</u>	<u>1,831,667</u>	<u>465,156</u>	<u>1,837,000</u>	<u>2,302,156</u>
Revenue						
Application fees	3,300	-	3,300	3,300	-	3,300
Registration fees	12,500	-	12,500	11,910	-	11,910
Other revenue	18,935	-	18,935	-	-	-
	<u>34,735</u>	<u>-</u>	<u>34,735</u>	<u>15,210</u>	<u>-</u>	<u>15,210</u>
Reclassifications						
Net assets released from restrictions	1,806,403	(1,806,403)	--	1,300,425	(1,300,425)	--
	<u>2,273,805</u>	<u>(407,403)</u>	<u>1,866,402</u>	<u>1,780,791</u>	<u>536,575</u>	<u>2,317,366</u>
Program, general and administrative and fundraising						
Program expenses						
Fellowship	1,436,830	-	1,436,830	1,358,748	-	1,358,748
Strategic	233,143	-	233,143	295,058	-	295,058
General and administrative	340,349	-	340,349	180,475	-	180,475
Fundraising	18,608	-	18,608	30,044	-	30,044
	<u>2,028,930</u>	<u>-</u>	<u>2,028,930</u>	<u>1,864,325</u>	<u>-</u>	<u>1,864,325</u>
Changes in net assets (deficit)	244,875	(407,403)	(162,528)	(83,534)	536,575	453,041
Net assets (deficit)						
Beginning of year	(983,595)	1,088,113	104,518	(900,061)	551,538	(348,523)
End of year	<u>\$ (738,720)</u>	<u>\$ 680,710</u>	<u>\$ (58,010)</u>	<u>\$ (983,595)</u>	<u>\$ 1,088,113</u>	<u>\$ 104,518</u>

The Notes to Financial Statements are an integral part of these statements.

**National Urban Fellows, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

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	<u>2018</u>	<u>2017</u>
<b>Operating activities</b>		
Changes in net assets (deficit)	\$ (162,528)	\$ 453,041
Adjustments to reconcile changes in net assets (deficit) to net cash provided in operating activities		
Changes in		
Pledges and other receivables	88,983	(176,266)
Prepaid expenses and other current assets	27,474	(10,633)
Accounts payable and accrued expenses	<u>25,291</u>	<u>(127,278)</u>
Net cash provided in operating activities	<u>(20,780)</u>	<u>138,864</u>
Net change in cash and cash equivalents	(20,780)	138,864
<b>Cash and cash equivalents</b>		
Beginning of year	<u>139,045</u>	<u>181</u>
End of year	<u>\$ 118,265</u>	<u>\$ 139,045</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 8,266</u>	<u>\$ 6,242</u>

The Notes to Financial Statements are an integral part of these statements.

**National Urban Fellows, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

	Programs		Supporting Services		Total
	Fellowships	Strategic Programs	General & Admin	Fund Raising	
Fellowship expenses					
Stipends	\$ 584,900	\$ -	\$ -	\$ -	\$ 584,900
Institutional tuition fees	519,726	-	-	-	519,726
Fellows health insurance	63,869	-	-	-	63,869
Fellows travel expenses	20,375	-	-	-	20,375
Other fellows expenses	9,020	5,500	1,185	-	15,705
	<u>1,197,890</u>	<u>5,500</u>	<u>1,185</u>	<u>-</u>	<u>1,204,575</u>
Other expenses					
Personnel costs	124,346	97,523	174,430	13,667	409,966
Occupancy costs	23,841	27,327	23,094	2,620	76,882
Professional fees	13,552	44,326	43,422	1,822	103,122
Media and publications	2,683	4,000	30,962	-	37,645
Staff travel and meetings	48,749	51,379	42,814	-	142,942
Business insurance	1,532	-	4,118	168	5,818
Office expenses	6,323	-	5,116	331	11,770
Equipment rental/repairs	-	-	2,477	-	2,477
Graduation	11,696	-	-	-	11,696
Awards and grants	500	-	-	-	500
Interest	641	-	7,625	-	8,266
Miscellaneous	5,077	3,088	5,106	-	13,271
	<u>238,940</u>	<u>227,643</u>	<u>339,164</u>	<u>18,608</u>	<u>824,355</u>
	<u>\$ 1,436,830</u>	<u>\$ 233,143</u>	<u>\$ 340,349</u>	<u>\$ 18,608</u>	<u>\$ 2,028,930</u>

The Notes to Financial Statements are an integral part of these statements.

**National Urban Fellows, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2017**

	Programs		Supporting Services		Total
	Fellowships	Strategic Programs	General & Admin	Fund Raising	
Fellowship expenses					
Stipends	\$ 501,400	\$ -	\$ -	\$ -	\$ 501,400
Institutional tuition fees	421,701	-	-	-	421,701
Fellows health insurance	57,400	-	-	-	57,400
Fellows travel expenses	40,785	-	-	-	40,785
Other fellows expenses	11,950	4,250	-	-	16,200
	<u>1,033,236</u>	<u>4,250</u>	<u>-</u>	<u>-</u>	<u>1,037,486</u>
Other expenses					
Personnel costs	149,746	115,718	19,902	19,902	305,268
Occupancy costs	39,178	27,208	7,314	2,370	76,070
Professional fees	18,770	44,220	83,712	5,001	151,703
Media and publications	6,074	-	6,428	-	12,502
Staff travel and meetings	84,265	98,378	8,671	-	191,314
Business insurance	-	-	9,784	-	9,784
Office expenses	350	1,000	13,966	-	15,316
Equipment rental/repairs	22,787	4,284	12,740	2,771	42,582
Graduation	1,687	-	-	-	1,687
Awards and grants	750	-	-	-	750
Interest	-	-	6,242	-	6,242
Miscellaneous	1,905	-	11,716	-	13,621
	<u>325,512</u>	<u>290,808</u>	<u>180,475</u>	<u>30,044</u>	<u>826,839</u>
	<u>\$ 1,358,748</u>	<u>\$ 295,058</u>	<u>\$ 180,475</u>	<u>\$ 30,044</u>	<u>\$ 1,864,325</u>

The Notes to Financial Statements are an integral part of these statements.

**National Urban Fellows, Inc.  
Notes to Financial Statements  
December 31, 2018 and 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

National Urban Fellows, Inc. (“NUF” or the “Organization”) is an independent not-for-profit institution incorporated in 1974 under the laws of the State of Connecticut. NUF operates an administrative office in New York City.

Significant accounting policies followed by National Urban Fellows, Inc. in the preparation of the accompanying financial statements are summarized below.

**Mission Statement**

National Urban Fellows, Inc. develops accomplished and courageous professionals of all ethnic and racial backgrounds, particularly people of color and women, to be leaders and change agents in the public and non-profit sectors, with a strong commitment to social justice and equity.

**Vision Statement**

National Urban Fellows, Inc. will be a premier leadership development organization and voice of authority on leadership diversity in our country. We will develop people of color and women who are committed to public service. Our programs and network of Fellows, Mentors, Alumni, and Community Partners will impact our nation by inspiring excellence and diversity in public service leadership for a changing America, promoting social justice and equity.

**Program Descriptions**

NUF offers a fourteen-month postgraduate program, the National Urban Fellowship program, which consists of two summer educational sessions and a nine-month assignment as a Special Assistant to an urban administrator (a “Mentor”). NUF receives the major portion of its continuing support from Mentors, corporations, and foundations.

Other NUF programs and initiatives include the Executive Leadership Coaching Program (“ELCP”), a twelve-month program for MPA alumni and community leaders seeking to develop their leadership practice and promote advancement in their careers via a cohort model. NUF also carries out the NUFTalks series, an ongoing collaborative initiative with alumni chapters and partner organizations hosting events in cities around the country to stimulate alumni engagement and program brand awareness and advance leadership excellence and diversity in the public service sector.

**Basis of Accounting and Presentation**

The financial statements of NUF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets (deficit) without donor restrictions:** Net assets (deficit) that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of NUF. These net assets may be used at the discretion of NUF’s management and the board of directors.

**Net assets (deficit) with donor restrictions:** Net assets (deficit) subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NUF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**National Urban Fellows, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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Donor-restricted contributions are reported as increases in net assets (deficit) with donor restrictions. When a restriction expires, net assets (deficit) are reclassified from net assets (deficit) with donor restrictions to net assets (deficit) without donor restrictions in the statements of activities and changes in net assets (deficit).

At December 31, 2018 and 2017, NUF had no net assets which were subject to restrictions in perpetuity.

The financial statements of the Organization have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Organization experienced a decrease in net assets during 2018 of approximately \$163,000, has a net deficit without donor restrictions of approximately \$739,000 and a total net deficit of approximately \$58,000 as of December 31, 2018. In addition, the Organization has a net working capital deficit and an outstanding line of credit payable of approximately \$100,000 as of December 31, 2018. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans to address these matters primarily include increasing its donor development and fundraising efforts, as well as increasing fellows and fellow participation and reducing the cost of operating the fellowship program and various overhead costs.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

Revenue is derived principally from Mentors, corporations, foundations, and contributions from individuals, fellows, alumni and board of directors. Contributions are recognized as revenue when they are received or unconditionally pledged. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for use unless specifically restricted by the donor. NUF records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of activities and changes in net assets (deficit) as net assets released from restrictions.

Pledges are recognized as revenue in the period in which the pledge is made. Pledges for a period of time in excess of one year are discounted to net present value in the period in which the pledge is made.

**Mentor Pledges Receivable**

Mentor pledges receivable are uncollateralized Mentor obligations due under normal pledge terms requiring payment within thirty days from the pledge date. Corporation/foundation and other receivables are derived from contributions from corporations, foundations, individuals, fellows, alumni and board of directors on the date pledged which have not yet been received. The Organization does not accrue interest on unpaid receivables. Mentor account balances with pledges over ninety days old are reviewed for delinquency.

**National Urban Fellows, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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The carrying amount of Mentor pledges receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances with emphasis on balances that exceed ninety days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Based on this review, management has determined that no allowance for doubtful accounts was necessary for the periods ended December 31, 2018 and 2017.

The collectability of the entire Mentor receivable is dependent upon a fellow remaining with a Mentor for the entire mentorship period.

Pledges and other receivables expected to be received within one year are classified as current in the statements of financial position.

Three and four Mentors, accounted for approximately 84 percent of mentor pledges receivable for the years ended December 31, 2018 and 2017, respectively.

**Cash and Cash Equivalents**

For purposes of the statements of financial position, NUF considers all highly liquid investments purchased with a maturity of three months or less at the time of acquisition to be cash equivalents.

**Investments**

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation charges with respect to property and equipment have been made by the Organization using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture, fixtures and equipment	3-5
Computer hardware	3
Website development	3
Leasehold improvements	*

\* Estimated useful life of the assets or life of lease, whichever is shorter.

Expenditures for maintenance and repairs are charged to activities as incurred. Expenditures for betterments and major renewals that exceed \$5,000 are capitalized and, therefore, would be included in property and equipment.

**Functional Expense Allocation**

Salaries, fringe benefits, staff travel and other expenses are allocated to program, general and administrative and fundraising expense categories and have been summarized on a functional basis in the statements of activities and changes in net assets (deficit) in proportion to time worked and travel incurred in activities related to each category. The fundraising expense category includes resources expended associated with Mentor, corporation, and foundation revenue.

**National Urban Fellows, Inc.**  
**Notes to Financial Statements**  
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**Concentration of Credit Risk**

Financial instruments which potentially subject NUF to significant concentration of credit risk consist of receivables, cash and cash equivalents and its board designated investment fund. NUF maintains its cash and cash equivalents and its board designated investment fund in several financial institutions located in New York City, which at times, may exceed the federally insured limits. Management monitors the soundness of these institutions and considers the Organization’s risk negligible. Receivables are primarily comprised of Mentor, foundation and corporation revenue. During each of the years ended December 31, 2018 and 2017, the Organization charged \$-0- to bad debt expense for Mentor and other receivables.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to presentation in the current year financial statements.

**New Accounting Pronouncements Adopted in Current Year**

*Not-for-Profit Reporting*

During the year ended December 31, 2018, the Organization adopted ASU 2016-14 – *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, issued by the Financial Accounting Standards Board (“FASB”). This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and presentation of expenses by both their natural and functional classification.

A recap of the net asset reclassification driven by the adoption of ASU 2016-14 as of January 1, 2017 is as follows:

<b>Net Assets Classifications</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Assets</b>
As previously presented			
Unrestricted	\$ (900,061)	\$ -	\$ (900,061)
Temporarily restricted	-	551,538	551,538
Net assets (deficit) as previously presented	\$ (900,061)	\$ 551,538	\$ (348,523)

**New Accounting Pronouncements Issued Not Yet Effective**

*Revenue Recognition*

In May 2014, the Financial Accounting Standards Board issued accounting standards update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard also requires additional disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU, which was deferred by ASU 2015-14, is effective for annual periods and interim periods beginning after December 15, 2018. The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted.

**National Urban Fellows, Inc.**  
**Notes to Financial Statements**  
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*Contribution Revenue Recognition*

In June 2018, the FASB issued ASU 2018-08: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The FASB issued this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018.

*Leases*

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a “right of use” asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2020.

*Cash Flows*

In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows* (Topic 230), which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. Upon adoption, the Organization anticipates including its restricted cash within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows.

NUF is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

**2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2018, NUF’s liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

Financial Assets	
Cash and cash equivalents	\$ 118,265
Pledges and other receivables, net	<u>304,375</u>
	422,640
Less net assets with donor restrictions	<u>680,710</u>
Total financial assets and liquidity resources available within one year	<u>\$ -</u>

The financial assets and liquidity resources above are subject to donor restrictions, specifically NUF’s Fellowship program, and not available for general expenditures within one year of the statement of financial position date.

**National Urban Fellows, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**3. PROPERTY, EQUIPMENT AND WEBSITE DEVELOPMENT**

The major classifications of property, equipment and website development consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures and equipment	\$ -	\$ 13,360
Computer hardware	-	150,382
Website development	-	<u>27,250</u>
	-	190,992
Less: Accumulated depreciation and amortization	-	<u>190,992</u>
Property, equipment and website development, net	<u>\$ -</u>	<u>\$ -</u>

Depreciation and amortization expense for each of the years ended December 31, 2018 and 2017 amounted to \$-0-.

**4. BOARD DESIGNATED INVESTMENT FUND**

In 2000, the Board of Directors authorized the formation of a board designated investment fund. The fund was created to be a cash reserve and to earn investment returns not available in regular bank accounts. The funds can be utilized by NUF for cash flow needs. During years ended December 31, 2018 and 2017, the Board did not approve withdrawals from the investment fund.

The investment fund is comprised of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Mutual funds, at fair value (Level 1)	\$ 1,313	\$ 1,313
Excess of fair value over cost	-	-
Total cost	<u>\$ 1,313</u>	<u>\$ 1,313</u>

Pursuant to the requirements of accounting for fair value measurements, the Organization has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The mutual funds included in the investment fund are considered available for sale which are carried based on quoted prices in active markets as of December 31, 2018 and 2017.

For applicable assets and liabilities subject to this accounting standard, the Organization will value such assets and liabilities using quoted market prices in active markets (Level 1) for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Organization will next attempt to value such assets and liabilities using observable measurement criteria (Level 2), including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Organization will develop measurement criteria based on the best information available (Level 3).

**National Urban Fellows, Inc.**  
**Notes to Financial Statements**  
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**5. TAXES**

NUF is a Section 501(c)(3) organization exempt from federal income taxes under applicable provisions of the Internal Revenue Code and has been classified as a publicly supported charitable organization. As such, NUF qualifies for the maximum charitable contribution deduction by donors.

As a not-for-profit organization, NUF is also exempt from state and local income tax and is eligible for exemption from sales tax in certain states that offer such exemption. NUF is currently exempt from sales tax in New York State. The Organization has no income tax related penalties or interest for the years ended December 31, 2018 and 2017.

**6. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued expenses as of December 31, 2018 is \$102,000 payable to the President and CEO.

**7. LINE OF CREDIT PAYABLE**

The Organization has an outstanding line of credit in the amount of \$99,921 as of each of the years ended December 31, 2018 and 2017 which matured as of December 31, 2016. The Organization has made automatic interest payments since the initiation of the credit line and is currently working with the lender to restructure the terms of the line of credit. Accordingly, the balance due of \$99,021 has been reflected as a current liability on the statements of financial position as of each of the years ended December 31, 2018 and 2017.

**8. COMMITMENTS AND CONTINGENCIES**

Rent expense amounted to \$76,882 and \$76,070 for the years ended December 31, 2018 and 2017, respectively and includes certain other occupancy costs.

In addition, NUF entered into various multi year leases for copying equipment which expired in January 2018. Equipment rentals amounted to \$2,477 and \$42,582 for the years ended December 31, 2018 and 2017, respectively and includes various month-to-month leases.

NUF is committed, subject to continued participation by Fellows in the programs, to disburse fellowship stipends amounting to approximately \$300,000 and education costs of approximately \$257,000 ratably over its programs in the 2019 fiscal year. Future education costs have been estimated using current rates, however, they are subject to possible increases during fiscal year 2019.

**9. 403(B) PLAN**

NUF has established a thrift plan for the benefit of employees meeting certain eligibility requirements. NUF can elect to voluntarily contribute 2.5% of an employee's annual salary and match 50% of an employee's voluntary contribution (to a maximum employee contribution of 6%). Total expense under the plan amounted to \$1,5000- in each of the fiscal years 2018 and 2017.

**National Urban Fellows, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of the period ended December 31:

	<u>2018</u>	<u>2017</u>
National Urban Fellowship Program	\$ 651,710	\$ 886,793
50th Anniversary Leadership Conference	29,000	-
Diverse Leadership Development (RWJ)	<u>-</u>	<u>201,320</u>
	<u>\$ 680,710</u>	<u>\$ 1,088,113</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended December 31 as follows:

	<u>2018</u>	<u>2017</u>
National Urban Fellowship Program	\$ 1,605,083	\$ 1,077,623
Diverse Leadership Development (RWJ)	<u>201,320</u>	<u>222,802</u>
	<u>\$ 1,806,403</u>	<u>\$ 1,300,425</u>

**11. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of February 4, 2020, which is the date the financial statements were available to be issued. Based on that evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in the financial statements.