



NATIONAL
URBAN
FELLOWS

Leadership for a Changing America

Financial Statements

December 31, 2017 and 2016

With Independent Auditors' Report

National Urban Fellows, Inc.
Table of Contents
December 31, 2017 and 2016

Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10
Supplementary Information	
Schedules of Functional Expenses	11-12

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of National Urban Fellows, Inc. which comprise the balance sheet as of December 31, 2017 and 2016, and the related statements of activities and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditors' 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Withum Smith & Brown, PC

February 25, 2019

National Urban Fellows, Inc.
Statements of Financial Position
December 31, 2017 and 2016

Assets

	2017	2016
Current assets		
Cash and cash equivalents	\$ 139,045	\$ 181
Pledges and other receivables, net		
Mentors	313,750	32,500
Corporation/foundation	52,083	147,083
Other receivables	27,525	37,509
Prepaid expenses and other current assets	<u>33,878</u>	<u>23,245</u>
Total current assets	566,281	240,518
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>\$ 573,644</u>	<u>\$ 247,881</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 369,205	\$ 496,483
Line of credit payable	<u>99,921</u>	<u>99,921</u>
Total liabilities	469,126	596,404
Net assets		
Unrestricted	(983,595)	(900,061)
Temporarily restricted	<u>1,088,113</u>	<u>551,538</u>
Total net assets	<u>104,518</u>	<u>(348,523)</u>
Total liabilities and net assets	<u>\$ 573,644</u>	<u>\$ 247,881</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
Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, revenue and reclassifications						
Support						
Mentors	\$ --	\$ 1,566,167	\$ 1,566,167	\$ --	\$ 1,041,332	\$ 1,041,332
Foundations	199,483	270,833	470,316	90,750	174,583	265,333
Corporations	--	--	--	69,900	--	69,900
Individual contributions	--	--	--	1,480	--	1,480
Fellow contributions	191,400	--	191,400	118,509	--	118,509
Alumni contributions	57,012	--	57,012	56,548	--	56,548
Board of director contributions	17,261	--	17,261	13,100	--	13,100
	<u>465,156</u>	<u>1,837,000</u>	<u>2,302,156</u>	<u>350,287</u>	<u>1,215,915</u>	<u>1,566,202</u>
Revenue						
Application fees	3,300	--	3,300	6,480	--	6,480
Investment income (loss), net						
Unrealized and realized loss, net	--	--	--	(23,750)	--	(23,750)
Registration fees	11,910	--	11,910	9,050	--	9,050
	<u>15,210</u>	<u>--</u>	<u>15,210</u>	<u>(8,220)</u>	<u>--</u>	<u>(8,220)</u>
Reclassifications						
Net assets released from restrictions	1,300,425	(1,300,425)	--	1,409,246	(1,409,246)	--
	<u>1,780,791</u>	<u>536,575</u>	<u>2,317,366</u>	<u>1,751,313</u>	<u>(193,331)</u>	<u>1,557,982</u>
Program, general and administrative and fundraising						
Program expenses						
Fellowship	1,358,748	--	1,358,748	1,286,166	--	1,286,166
Strategic	295,058	--	295,058	167,213	--	167,213
General and administrative	180,475	--	180,475	254,426	--	254,426
Fundraising	30,044	--	30,044	57,993	--	57,993
	<u>1,864,325</u>	<u>--</u>	<u>1,864,325</u>	<u>1,765,798</u>	<u>--</u>	<u>1,765,798</u>
Change in net assets	(83,534)	536,575	453,041	(14,485)	(193,331)	(207,816)
Net assets, beginning of period	<u>(900,061)</u>	<u>551,538</u>	<u>(348,523)</u>	<u>(885,576)</u>	<u>744,869</u>	<u>(140,707)</u>
Net assets, end of period	<u>\$ (983,595)</u>	<u>\$ 1,088,113</u>	<u>\$ 104,518</u>	<u>\$ (900,061)</u>	<u>\$ 551,538</u>	<u>\$ (348,523)</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, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 453,041	\$ (207,816)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	--	3,374
Unrealized loss on investment	--	23,750
Deferred rent	--	(11,262)
Changes in		
Pledges and other receivables	(176,266)	283,571
Prepaid expenses and other current assets	(10,633)	(406)
Accounts payable and accrued expenses	<u>(127,278)</u>	<u>(219,175)</u>
Net cash provided (used) by operating activities	138,864	(127,964)
 Net change in cash and cash equivalents	 138,864	 (127,964)
 Cash and cash equivalents		
Beginning of period	<u>181</u>	<u>128,145</u>
End of period	<u>\$ 139,045</u>	<u>\$ 181</u>
 Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 6,242	\$ 9,048

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

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Liquidity

By March 15, 2017 after the semi-final rounds in New York City, the organization selected 27 individuals from around the country as Fellows for the Class of 2018 cohort beginning Summer 1 on June 1, 2017. During the 2017 fellowship period, two Fellows with excellent academic performance withdrew permanently from the program citing serious health concerns. Both fellows had paid their co-investment payments of \$7,500 to the program before their departure. One of the two fellows departed in November 2017, triggering a pro-rated refund of \$55,000 to the mentor, St. Luke’s Foundation.

National Urban Fellows successfully navigated the graduation of the remaining 25 Fellows for the Class of 2018. The Class of 2018 achieved the highest cumulative GPA (3.725) of any NUF cohort in Baruch history. Twenty-three of twenty-five Fellows were inducted by Baruch College into Pi Alpha Alpha (Public Administration Honor Society) Chapter. National Urban Fellows secured 24 Fellows for the Class of 2019 which is consistent with the Class of 2018, and a large increase over the smallest cohort of 16 Fellows for the Class of 2018. Additionally, the education component move to Georgetown University’s McCourt School of Public Policy beginning with the Class of 2020 including 30 Fellows will result in expanded fellows’ benefits. The Organization projects that cohort size will increase by three individuals during the first five years of this new relationship expanding our social justice mission and national brand from the nation’s capital Washington, DC.

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

The Organization believes these factors will not only increase annual revenue and support, decrease annual education costs, but also improve brand awareness and recruitment efforts.

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.

Fund Accounting and Net Asset Classification

To ensure compliance with restrictions placed on the resources available to the Organization, NUF's accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into net assets established according to their nature and purpose. In financial statements, net assets that have similar characteristics have been combined into two relevant net asset categories - unrestricted and temporarily restricted. Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Temporarily restricted assets contain donor-imposed restrictions that permit NUF to use or expend the assets only as specified. The restrictions are satisfied either by the passage of time or by actions of NUF. At December 31, 2017 and 2016, the Organization had no net assets which were subject to permanent restrictions.

Revenue Recognition

All unconditional promises to give are recorded as revenues as soon as the promise is made. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. NUF records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities 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. The Organization does not accrue interest on unpaid receivables. Mentor account balances with pledges over ninety days old are reviewed for delinquency.

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 period ended December 31, 2017 and 2016.

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 statement of financial position.

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.

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement 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:

Description	Estimated Life (Years)
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.

Allocation of Expenses

Salaries, fringe benefits, staff travel and other expenses are allocated to program, general and administrative and fundraising expense categories 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.

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 the years ended December 31, 2017 and 2016, the Organization charged \$-0- to bad debt expense for Mentor and other receivables.

2. Property, Equipment and Website Development

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

	2017	2016
Furniture, fixtures and equipment	\$ 13,360	\$ 13,360
Computer hardware	150,382	150,382
Website development	<u>27,250</u>	<u>27,250</u>
	190,992	190,992
Less: Accumulated depreciation and amortization	<u>190,992</u>	<u>190,992</u>
Property, equipment and website development, net	<u>\$ --</u>	<u>\$ --</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 amounted to \$-0- and \$3,374, respectively.

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

3. 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, 2017 and 2016, the Board did not approve withdrawals from the investment fund.

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

	2017	2016
Mutual funds, at fair value (Level 1)	\$ 1,313	\$ 1,313
Excess of fair value over cost	<u> --</u>	<u> --</u>
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, 2017 and 2016.

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).

4. 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, 2017 and 2016.

5. Line of Credit Payable

The Organization has an outstanding line of credit in the amount of \$99,921 as of December 31, 2017 and 2016 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 Statement of Financial Position as of December 31, 2017 and 2016.

6. Commitments and Contingencies

Rent expense amounted to \$76,070 and \$64,197 for the years ended December 31, 2017 and 2016, and includes certain other occupancy costs.

In addition, NUF entered into various multi year leases for copying equipment which are set to expire in January 2018. Equipment rentals amounted to \$44,223 and \$22,804 for the years ended December 31, 2017 and 2016, and includes various month-to-month leases.

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

At December 31, 2017, future minimum lease payments were as follows:

Year	Amount
2018	\$ 2,530
Thereafter	--
	<u>\$ 2,530</u>

During September 2016 the Organization settled a lawsuit claiming breach of contract for approximately \$50,000.

NUF is committed, subject to continued participation by fellows in the programs, to disburse fellowship stipends amounting to approximately \$325,000 and education costs of approximately \$269,000 ratably over its programs in the 2018 fiscal year. Future education costs have been estimated using current rates, however, are subject to possible increases during fiscal year 2018.

7. 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 percent of an employee's annual salary and match 50 percent of an employee's voluntary contribution (to a maximum employee contribution of 6 percent). Total expense under the plan amounted to \$-0- in fiscal years 2017 and 2016, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of period end December 31:

	2017	2016
National Urban Fellowship Program	\$ 886,793	\$ 398,249
Diverse Leadership Development (RWJ)	<u>201,320</u>	<u>153,289</u>
	<u>\$ 1,088,113</u>	<u>\$ 551,538</u>

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

	2017	2016
National Urban Fellowship Program	\$ 1,077,623	\$ 1,357,952
Diverse Leadership Development (RWJ)	<u>222,802</u>	<u>21,294</u>
	<u>\$ 1,300,425</u>	<u>\$ 1,409,246</u>

8. Subsequent Events

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of February 25, 2019, 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.

SUPPLEMENTARY INFORMATION

National Urban Fellows, Inc.
Schedule 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
Depreciation and amortization	--	--	--	--	--
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>

National Urban Fellows, Inc.
Schedule of Functional Expenses
Year Ended December 31, 2016

	Programs		Supporting Services		Total
	Fellowships	Strategic Programs	General & Admin	Fund Raising	
Fellowship expenses					
Stipends	\$ 499,500	\$ --	\$ --	\$ --	\$ 499,500
Institutional tuition fees	447,608	--	--	--	447,608
Fellows health insurance	55,647	--	--	--	55,647
Fellows travel expenses	34,067	--	--	--	34,067
Other fellows expenses	13,930	--	--	--	13,930
	<u>1,050,752</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,050,752</u>
Other expenses					
Personnel costs	111,443	18,820	95,246	28,931	254,440
Occupancy costs	35,308	7,980	11,729	9,180	64,197
Professional fees	37,830	60,359	82,971	9,836	190,996
Media and publications	595	694	7,643	--	8,932
Depreciation and amortization	--	--	3,374	--	3,374
Staff travel and meetings	27,508	77,381	18,024	5,479	128,392
Business insurance	1,934	217	2,483	503	5,137
Office expenses	2,649	282	2,315	650	5,896
Equipment rental / repairs	13,132	1,480	4,778	3,414	22,804
Graduation	3,515	--	--	--	3,515
Awards and grants	--	--	12,080	--	12,080
Interest	--	--	9,048	--	9,048
Miscellaneous	1,500	--	4,735	--	6,235
	<u>235,414</u>	<u>167,213</u>	<u>254,426</u>	<u>57,993</u>	<u>715,046</u>
	<u>\$ 1,286,166</u>	<u>\$ 167,213</u>	<u>\$ 254,426</u>	<u>\$ 57,993</u>	<u>\$ 1,765,798</u>