



NATIONAL
URBAN
FELLOWS

Leadership for a Changing America

NATIONAL URBAN FELLOWS, INC.
Financial Statements
December 31, 2019 and 2018
With Independent Auditor's Report

National Urban Fellows, Inc.
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December 31, 2019 and 2018

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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, 2019 and 2018, 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 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, 2019 and 2018, 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

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 an increase in net deficit during 2019 of approximately \$100,000, has a net deficit without donor restrictions of approximately \$979,000 and a total net deficit of approximately \$158,000 as of December 31, 2019. 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, 2019. These conditions raise substantial doubt about its ability to continue as a going concern. Since 2020, NUF has reversed the net deficits noted as of December 31, 2019 and significantly improved its working capital position. Some notable measures taken to reposition the Organization include: 1) the Organization did not take on a fellowship class in the 2020 calendar year but focused on reorganization; 2) in 2020, NUF significantly reorganized the board of directors and brought on new leadership to spearhead the repositioning of the Organization with efforts focused on fundraising, settling legacy obligations, and updating the business model; 3) in 2020/2021, NUF secured one-time funding that included a commitment to waive tuition liability by the host institution (Georgetown University) and new unrestricted revenue, allowing NUF to offset its fiscal liabilities; and 4) in 2021, NUF revised its mentor contribution, increasing the per fellow investment by approximately 14% over 2019 rates, resulting in a significant increase in mentor contribution pledges in 2021. 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".

January 13, 2022

National Urban Fellows, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 56,102	\$ 118,265
Pledges and other receivables, net		
Mentors	90,002	261,667
Other receivables	82,236	42,708
Prepaid expenses and other current assets	<u>-</u>	<u>6,404</u>
Total current assets	228,340	429,044
Other non-current assets	<u>7,363</u>	<u>7,363</u>
Total assets	<u>\$ 235,703</u>	<u>\$ 436,407</u>
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	\$ 293,571	\$ 394,496
Line of credit payable	<u>99,921</u>	<u>99,921</u>
Total liabilities	<u>393,492</u>	<u>494,417</u>
Net assets (deficit)		
Without donor restrictions	(978,683)	(738,720)
With donor restrictions	<u>820,894</u>	<u>680,710</u>
Total net deficit	<u>(157,789)</u>	<u>(58,010)</u>
Total liabilities and net deficit	<u>\$ 235,703</u>	<u>\$ 436,407</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and reclassifications						
Support						
Mentors	\$ -	\$ 1,592,000	\$ 1,592,000	\$ -	\$ 1,370,000	\$ 1,370,000
Foundations	-	55,000	55,000	159,000	15,750	174,750
Corporations	23,000	25,000	48,000	32,803	10,000	42,803
Individual contributions	20,718	69,000	89,718	19,816	750	20,566
Fellow contributions	286,100	-	286,100	177,500	-	177,500
Alumni contributions	-	-	-	28,173	2,500	30,673
Board of director contributions	12,165	-	12,165	15,375	-	15,375
	<u>341,983</u>	<u>1,741,000</u>	<u>2,082,983</u>	<u>432,667</u>	<u>1,399,000</u>	<u>1,831,667</u>
Revenue						
Application fees	3,750	-	3,750	3,300	-	3,300
Registration fees	14,000	-	14,000	12,500	-	12,500
Other revenue	1,862	-	1,862	18,935	-	18,935
	<u>19,612</u>	<u>-</u>	<u>19,612</u>	<u>34,735</u>	<u>-</u>	<u>34,735</u>
Reclassifications						
Net assets released from restrictions	1,600,816	(1,600,816)	-	1,806,403	(1,806,403)	-
	<u>1,962,411</u>	<u>140,184</u>	<u>2,102,595</u>	<u>2,273,805</u>	<u>(407,403)</u>	<u>1,866,402</u>
Program, general and administrative and fundraising						
Program expenses						
Fellowship	1,990,776	-	1,990,776	1,436,830	-	1,436,830
Strategic	-	-	-	233,143	-	233,143
General and administrative	197,785	-	197,785	340,349	-	340,349
Fundraising	13,813	-	13,813	18,608	-	18,608
	<u>2,202,374</u>	<u>-</u>	<u>2,202,374</u>	<u>2,028,930</u>	<u>-</u>	<u>2,028,930</u>
Changes in net assets (deficit)	(239,963)	140,184	(99,779)	244,875	(407,403)	(162,528)
Net assets (deficit)						
Beginning 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>
End of year	\$ <u>(978,683)</u>	\$ <u>820,894</u>	\$ <u>(157,789)</u>	\$ <u>(738,720)</u>	\$ <u>680,710</u>	\$ <u>(58,010)</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net deficit	\$ (99,779)	\$ (162,528)
Adjustments to reconcile changes in net deficit to net cash and cash equivalents used in operating activities		
Changes in		
Pledges and other receivables	132,137	88,983
Prepaid expenses and other current assets	6,404	27,474
Accounts payable and accrued expenses	<u>(100,925)</u>	<u>25,291</u>
Net cash and cash equivalents used in operating activities	<u>(62,163)</u>	<u>(20,780)</u>
 Net change in cash and cash equivalents	 (62,163)	 (20,780)
 Cash and cash equivalents		
Beginning of year	<u>118,265</u>	<u>139,045</u>
 End of year	 <u>\$ 56,102</u>	 <u>\$ 118,265</u>
 Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 7,454</u>	<u>\$ 8,266</u>

The Notes to Financial Statements are an integral part of this statement.

National Urban Fellows, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Programs		Supporting Services		Total
	Fellowships	Strategic Programs	General & Admin	Fund Raising	
Fellowship expenses					
Stipends	\$ 622,400	\$ -	\$ -	\$ -	\$ 622,400
Institutional tuition fees	736,359	-	-	-	736,359
Fellows health insurance	51,436	-	-	-	51,436
Fellows travel expenses	20,751	-	150	-	20,901
Other fellows expenses	18,725	-	617	-	19,342
	<u>1,449,671</u>	<u>-</u>	<u>767</u>	<u>-</u>	<u>1,450,438</u>
Other expenses					
Personnel costs	195,511	-	155,685	10,862	362,058
Occupancy costs	52,172	-	8,593	614	61,379
Professional fees	70,302	-	10,791	770	81,863
Media and publications	26,949	-	2,651	189	29,789
Staff travel and meetings	159,758	-	14,124	1,008	174,890
Business insurance	11,163	-	1,839	131	13,133
Office expenses	5,455	-	898	64	6,417
Equipment rental/repairs	2,777	-	457	33	3,267
Graduation	4,968	-	464	33	5,465
Interest	6,336	-	1,044	74	7,454
Miscellaneous	5,714	-	472	35	6,221
	<u>541,105</u>	<u>-</u>	<u>197,018</u>	<u>13,813</u>	<u>751,936</u>
	<u>\$ 1,990,776</u>	<u>\$ -</u>	<u>\$ 197,785</u>	<u>\$ 13,813</u>	<u>\$ 2,202,374</u>

The Notes to Financial Statements are an integral part of this statement.

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 this statement.

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

1. NATURE OF ORGANIZATION AND 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, 2019 and 2018

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, 2019 and 2018, 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 an increase in net deficit during 2019 of approximately \$100,000, has a net deficit without donor restrictions of approximately \$979,000 and a total net deficit of approximately \$158,000 as of December 31, 2019. 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, 2019. These conditions raise substantial doubt about its ability to continue as a going concern. Since 2020, NUF has reversed the net deficits noted as of December 31, 2019 and significantly improved its working capital position. Some notable measures taken to reposition the Organization include: 1) the Organization did not take on a fellowship class in the 2020 calendar year but focused on reorganization; 2) in 2020, NUF significantly reorganized the board of directors and brought on new leadership to spearhead the repositioning of the Organization with efforts focused on fundraising, settling legacy obligations, and updating the business model; 3) in 2020/2021, NUF secured one-time funding that included a commitment to waive tuition liability by the host institution (Georgetown University) and new unrestricted revenue, allowing NUF to offset its fiscal liabilities; and 4) in 2021, NUF revised its mentor contribution, increasing the per fellow investment by approximately 14% over 2019 rates, resulting in a significant increase in mentor contribution pledges in 2021.

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, 2019 and 2018

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, 2019 and 2018.

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 Mentors accounted for approximately 100% of mentor pledges receivable as of December 31, 2019. Three Mentors accounted for approximately 84% of mentor pledges receivable as of December 31, 2018.

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 changes in net assets (deficit).

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) and statements of functional expenses 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, 2019 and 2018, the Organization charged \$-0- to bad debt expense for Mentor and other receivables. As of December 31, 2019, management deemed all receivables to be fully collectible.

Reclassifications

Certain amounts in the December 31, 2018 financial statements have been reclassified to conform to the December 31, 2019 financial statement presentation. These changes had no effect on previously reported changes in net assets (deficit).

New Accounting Pronouncements Adopted in Current Year

Revenue Recognition – Contributions Made and Received

During 2020, NUF adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-for-profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transaction or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The adoption of this ASU had no impact on current or prior periods ending net assets or changes in net assets.

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 June 30, 2020. The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted.

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, 2021.

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

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2019 and 2018, NUF's liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 56,102	\$ 118,265
Pledges and other receivables, net	<u>172,238</u>	<u>304,375</u>
	228,340	422,640
Less: Net assets with donor restrictions	<u>820,894</u>	<u>680,710</u>
Total financial assets and liquidity resources available within one year	<u>\$ -</u>	<u>\$ -</u>

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

3. 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, 2019 and 2018.

4. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued expenses as of December 31, 2019 is \$102,000 payable to the former President and CEO.

5. 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, 2019 and 2018 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 \$99,921 has been reflected as a current liability on the statements of financial position as of each of the years ended December 31, 2019 and 2018. The interest rate at December 31, 2019 and 2018 was 5.95% and 8.20%, respectively. Interest expense for the year ended December 31, 2019 and 2018 amounted to \$7,454 and \$8,266, respectively.

National Urban Fellows, Inc.
Notes to Financial Statements
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6. COMMITMENTS AND CONTINGENCIES

Rent expense amounted to \$61,379 and \$76,882 for the years ended December 31, 2019 and 2018, respectively, and includes certain other occupancy costs. This lease agreement is on a month-to-month basis.

Equipment rentals amounted to \$3,268 and \$2,477 for the years ended December 31, 2019 and 2018, respectively, and include various month-to-month leases.

NUF is committed, subject to continued participation by Fellows in the programs, to disburse fellowship stipends amounting to approximately \$337,500 and education costs of approximately \$377,000 ratably over its programs in the 2020 fiscal year. Future education costs have been estimated using current rates; however, they are subject to possible increases during fiscal year 2020.

Risks Related to Contagious Diseases

The current outbreak of a novel strain of Coronavirus (“COVID-19”) is significantly impacting businesses across the world. While the duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time, financial results may be adversely affected throughout 2022. The extent to which Coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the Coronavirus and actions taken to contain the virus or its impact, among others.

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% 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 \$-0- and \$1,500 in each of the fiscal years 2019 and 2018, respectively.

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
National Urban Fellowship Program	\$ 820,894	\$ 651,710
50th Anniversary Leadership Conference	-	29,000
	<u>\$ 820,894</u>	<u>\$ 680,710</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>2019</u>	<u>2018</u>
National Urban Fellowship Program	\$ 1,422,816	\$ 1,605,083
50th Anniversary Leadership Conference	178,000	-
Diverse Leadership Development (RWJ)	-	201,320
	<u>\$ 1,600,816</u>	<u>\$ 1,806,403</u>

National Urban Fellows, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of January 13, 2022, 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, other than the following:

On April 24, 2020, in connection with the COVID-19 pandemic, the Organization issued an unsecured promissory note (the "PPP Loan") for \$67,262 through the Paycheck Protection Program ("PPP") established under the CARES Act, and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements. The PPP Loan was made through JPMorgan Chase Bank, N.A. (the "Lender"), has a two-year term, bears interest at 1.00% per annum, and matures on April 24, 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until six months after the end of the covered period.

During August 2021, the Organization received full forgiveness of \$67,262 for the PPP Loan. The Organization concluded that the PPP Loan should be accounted for as a government grant. Under the provisions of ASC 958-605, the PPP Loan represents, in substance, a grant that is expected to be forgiven (a conditional contribution). The conditional contribution is recognized as grant income at a point in time once the conditions of release have been met or explicitly waived; or over a period of time as it incurs qualifying PPP expenses. Accordingly, the Organization will recognize grant income in 2020 for the full amount of the PPP Loan as grant funding in the accompanying statement of activities and changes in net assets (deficit), and no liability for the PPP Loan will be reflected in the accompanying statement of financial position as of December 31, 2020.

In April 2021, the Organization issued another unsecured promissory note for \$47,705 through the Paycheck Protection Program. The PPP Loan was made through the Lender, will have a two-year term, bearing interest at 1.00% per annum, and matures in April 2023. The Organization is in the process of filing its application for full forgiveness of the PPP Loan during 2021, at which time the loan is expected to be recognized as grant income. There is no certainty that any or all of the PPP Loan will be forgiven.