

URBAN AFFAIRS COALITION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

**URBAN AFFAIRS COALITION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Urban Affairs Coalition
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Urban Affairs Coalition (the "Coalition"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Urban Affairs Coalition as June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were 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 are 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 audits 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 22, 2016

URBAN AFFAIRS COALITION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 8,790,475	\$ 446,707
Grants and Contracts Receivable	3,474,146	3,389,246
Pledges Receivable	148,200	54,325
Reserve for Unemployment Claims	104,482	171,174
Notes Receivable	156,990	210,517
Prepaid Expenses and Other Assets	17,583	123,521
Total Current Assets	12,691,876	4,395,490
FURNITURE AND EQUIPMENT	34,233	17,170
OTHER ASSETS		
Investment	68,914	68,914
Deposits	183,464	183,464
Total Other Assets	252,378	252,378
Total Assets	\$ 12,978,487	\$ 4,665,038
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Lines of Credit	\$ 1,396,390	\$ 1,606,390
Due to Congreso de Latino Unidos, Current Portion	75,000	50,000
Accounts Payable and Accrued Expenses	2,316,118	2,397,108
Accrued Payroll and Payroll Taxes	272,934	278,500
Unemployment Liability Payable	267,846	294,709
Deferred Revenue	12,605	-
Total Current Liabilities	4,340,893	4,626,707
LONG-TERM LIABILITIES		
Due to Congreso de Latino Unidos, Net of Current Portion	-	75,000
Deferred Rent	166,889	202,252
Total Long-Term Liabilities	166,889	277,252
Total Liabilities	4,507,782	4,903,959
NET ASSETS (DEFICIT)		
Unrestricted (Deficit)	(1,326,556)	(1,944,595)
Temporarily Restricted	9,797,261	1,705,674
Total Net Assets (Deficit)	8,470,705	(238,921)
Total Liabilities and Net Assets (Deficit)	\$ 12,978,487	\$ 4,665,038

See accompanying Notes to Financial Statements

**URBAN AFFAIRS COALITION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and Contracts	\$ 15,651,309	\$ -	\$ 15,651,309
Contributions	1,027,995	10,122,653	11,150,648
Consulting Fees	1,019,485	-	1,019,485
Other Revenues	233,344	-	233,344
Donated Services	<u>3,461</u>	<u>-</u>	<u>3,461</u>
Total	17,935,594	10,122,653	28,058,247
 Net Assets Release from Restrictions	 <u>2,031,066</u>	 <u>(2,031,066)</u>	 <u>-</u>
 Total Support and Revenue	 19,966,660	 8,091,587	 28,058,247
 EXPENSES			
Program Services:			
Community Intervention and Support	8,471,949	-	8,471,949
Homelessness	2,682,833	-	2,682,833
Economic Development	1,514,408	-	1,514,408
Education	426,909	-	426,909
AIDS Services	1,422,410	-	1,422,410
Employment Training	794,578	-	794,578
Heathcare	41,775	-	41,775
Research and Evaluation	107,617	-	107,617
Financial Literacy and Tax Services	<u>866,956</u>	<u>-</u>	<u>866,956</u>
Total Program Services	16,329,435	-	16,329,435
Supporting Services:			
General and Administrative	2,763,735	-	2,763,735
Fundraising	<u>255,451</u>	<u>-</u>	<u>255,451</u>
Total Supporting Services	<u>3,019,186</u>	<u>-</u>	<u>3,019,186</u>
 Total Expenses	 <u>19,348,621</u>	 <u>-</u>	 <u>19,348,621</u>
 CHANGE IN NET ASSETS	 618,039	 8,091,587	 8,709,626
 Net Assets (Deficit) - Beginning of Year	 <u>(1,944,595)</u>	 <u>1,705,674</u>	 <u>(238,921)</u>
 NET ASSETS (DEFICIT) - END OF YEAR	 <u>\$ (1,326,556)</u>	 <u>\$ 9,797,261</u>	 <u>\$ 8,470,705</u>

See accompanying Notes to Financial Statements

**URBAN AFFAIRS COALITION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and Contracts	\$ 17,020,778	\$ -	\$ 17,020,778
Contributions	568,470	2,093,990	2,662,460
Consulting Fees	904,955	-	904,955
Other Revenues	498,379	-	498,379
Donated Services	19,269	-	19,269
Interest Income	7,104	-	7,104
Total	19,018,955	2,093,990	21,112,945
 Net Assets Release from Restrictions	 2,706,385	 (2,706,385)	 -
Total Support and Revenue	21,725,340	(612,395)	21,112,945
 EXPENSES			
Program Services:			
Community Intervention and Support	7,958,121	-	7,958,121
Homelessness	4,385,168	-	4,385,168
Economic Development	1,727,808	-	1,727,808
Education	1,200,214	-	1,200,214
AIDS Services	886,200	-	886,200
Employment Training	740,720	-	740,720
Financial Literacy and Tax Services	789,923	-	789,923
Total Program Services	17,688,153	-	17,688,153
Supporting Services:			
General and Administrative	3,161,035	-	3,161,035
Fundraising	229,406	-	229,406
Total Supporting Services	3,390,442	-	3,390,442
Total Expenses	21,078,595	-	21,078,595
 CHANGE IN NET ASSETS	 646,745	 (612,395)	 34,350
Net Assets (Deficit) - Beginning of Year	(2,591,340)	2,318,069	(273,271)
 NET ASSETS (DEFICIT) - END OF YEAR	 \$ (1,944,595)	 \$ 1,705,674	 \$ (238,921)

See accompanying Notes to Financial Statements

**URBAN AFFAIRS COALITION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,709,626	\$ 34,350
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	14,997	8,584
Provision for Allowance for Doubtful Accounts	45,984	4,596
(Increase) Decrease in:		
Grants and Contracts Receivable	(130,884)	237,937
Pledges Receivable	(93,875)	(54,325)
Prepaid Expenses	105,938	22,035
Reserve for Unemployment Claims	66,692	160,269
Deposits	-	(169,393)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(80,990)	303,301
Accrued Payroll and Payroll Taxes	(5,566)	74,643
Deferred Rent Obligation	(35,363)	8,076
Unemployment Liability Payable	(26,863)	(193,651)
Due to Congreso de Latinos Unidos	(50,000)	(50,000)
Deferred Revenue	12,605	(921,901)
Net Cash Provided (Used) by Operating Activities	8,532,301	(535,479)
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayments of Notes Receivable	53,527	106,122
Purchase of Furniture and Equipment	(32,060)	(25,754)
Net Cash Provided by Investing Activities	21,467	80,368
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit	(9,294,576)	(1,600,000)
Proceeds from Line of Credit	9,084,576	1,606,390
Net Cash Provided (Used) by Financing Activities	(210,000)	6,390
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,343,768	(448,721)
Cash and Cash Equivalents - Beginning of Year	446,707	895,428
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,790,475	\$ 446,707
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 99,449	\$ 76,702

See accompanying Notes to Financial Statements.

URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Urban Affairs Coalition (“UAC” or “the Coalition”) is a nonprofit organization which unites government, business, neighborhoods, and individual initiatives to improve the quality of life in the region, build wealth in urban communities, and solve emerging issues.

As a Home for Nonprofits, the Coalition provides back office support, fiscal sponsorship and shared services to emerging and established community-based organizations and special projects. UAC’s fiscal sponsorship structure saves partner organizations time and money.

UAC is a Coalition of 317 employees and 70 partner organizations, large and small, working on diverse issues. UAC works to strengthen nonprofit organizations through fiscal sponsorship, capacity building, and program evaluation. UAC’s diverse programs strive to improve life chances for youth and young adults; and provide economic opportunity to low-income households, working families, and disadvantaged businesses.

During the year ended June 30, 2016, UAC programs served more than 175,000 children, youth and adults through a variety of programming, including:

- Free tax services to families and individuals
- Youth development
- Adult education
- Digital literacy
- Job training
- Small business development
- Anti-predatory lending; economic inclusion
- HIV/AIDS prevention
- Transitional housing

The Coalition’s work is sponsored by government grants and direct support from corporations, foundations, and individuals.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Classification of Net Assets

Resources in the accompanying financial statements are classified for accounting and reporting purposes into three classes of net assets according to the existence or absence of donor-imposed restrictions as follows:

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Permanently Restricted Net Assets

Net assets are subject to donor-imposed restrictions that are to be maintained permanently by the Coalition or used to account for funds and split-interest agreements which have been accepted with donor stipulations that principal be maintained intact in perpetuity. There are no permanently restricted net assets as of June 30, 2016 and 2015.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions, which are to be used for future program expenditures either by actions of the Coalition and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. At June 30, 2016 and 2015, the Coalition had \$9,797,261 and \$1,705,674 in temporarily restricted net assets, respectively.

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions.

The Coalition considers all government awards to be exchange transactions in which each party receives and sacrifices commensurate value. Accordingly, government awards do not affect temporarily restricted or permanently restricted net assets, and funds received in advance are deferred revenue, and funds disbursed and not reimbursed represent receivables.

Use of Estimates

The preparation of financial statements in accordance 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 report period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less. The Coalition maintains its primary depository accounts with a commercial bank. During the year, the Coalition may have cash balances on deposit in excess of the federally insured limit.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts and Grants Receivable

The Coalition has contracts and grants agreements with various agencies within the federal government, Commonwealth of Pennsylvania and local governments, as well as corporations, foundations and nonprofit organizations. Amounts are recorded as receivables at the time the Coalition incurs expenditures under each grant award. The Coalition carries these receivables at the invoice amount, appropriately reduced for any contractual allowances, and less allowance for doubtful accounts. On a periodic basis, management evaluates its contracts and grants receivable and establishes an allowance for doubtful accounts, based on communications with the payers.

The Coalition's policy is to review the aging for both individual accounts and the government agency and follow up with the payor for receivables over 90 days old. Accounts are written-off as uncollectible if no payments are received after the Coalition has exhausted all efforts to collect the receivable.

Notes Receivable

Notes receivable are reported net of an allowance for doubtful accounts. The Coalition provides an allowance for doubtful accounts based on historical experience and specifically identified risks. Notes receivable are considered delinquent when payment is not received when due and are charged off against the allowance when management ceases its collection efforts.

Investments

Investments are stated at fair value.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially change the amounts reported in the statement of financial position.

Furniture and Equipment and Depreciation

Assets purchased are stated at cost and depreciated over the estimated useful lives of the related assets. It is the Coalition's policy to capitalize furniture and equipment over \$5,000. Depreciation is computed over the estimated useful lives. Maintenance and repairs are charged to the operations when incurred. Significant betterments and renewals are capitalized. When furniture and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment and Depreciation (Continued)

The useful lives of furniture and fixtures and equipment for purposes of computing depreciation are:

Furniture and Fixtures	5 Years
Office Equipment	3 Years

Deferred Revenue

Deferred revenue represents amounts advanced for which the Coalition may have an obligation to perform additional services or may be required to pay back the residual balance, at the request of the funder.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future use or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. These contributions consist of funds received from corporations, foundations and other nonprofit organizations for various philanthropic activities provided by the Coalition.

Donated Services

The Coalition records contributed professional and volunteer services only if the services require specialized skills, and provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing the Coalition's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses, which cannot be directly identified with specific functions, are allocated based on estimates of staff hours devoted to various functions.

Income Taxes

The Coalition is a non-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, there is no provision for income taxes. The Coalition is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Coalition follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard had no impact on the Coalition's financial statements.

The Coalition's income tax returns are subject to review and examination by federal, state and local authorities

Fair Value of Financial Instruments

The Coalition measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Coalition has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent Events

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through December 22, 2016, the date the financial statements were available to be issued.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable represent funds due for expenditures incurred by the Coalition to provide services in accordance with grant or contract provisions, as follows:

	<u>2016</u>	<u>2015</u>
Federal Programs	\$ 277,364	\$ 290,756
City of Philadelphia	1,596,081	1,565,324
Commonwealth of Pennsylvania	633,226	924,002
Public Health Management Corporation	41,540	18,308
Philadelphia Youth Network	227,994	334,578
Foundations	483,002	75,652
Other	<u>285,923</u>	<u>205,626</u>
Total	3,545,130	3,414,246
Less: Allowance for Doubtful Accounts	<u>70,984</u>	<u>25,000</u>
Total Grants and Contracts	<u>\$ 3,474,146</u>	<u>\$ 3,389,246</u>

NOTE 3 NOTES RECEIVABLE

As of June 30, 2016, the Coalition had four notes receivable agreements with nonprofit organizations for repayment of monies borrowed by these organizations to support operations of programs these Organizations operate on behalf of the Coalition. Interest is charged on these notes at a rate of 3% per annum. The notes receivable are unsecured and due at various times through 2017. Interest earned on notes receivable was \$5,601 and \$6,316 for the years ended June 30, 2016 and 2015, respectively.

At June 30, 2016, notes receivable, net of allowance for doubtful accounts, are as follows:

	Gross Notes Receivable	Less: Allowance for Doubtful Accounts	Total Notes Receivable
Receivable in Less than One Year	\$ 343,688	\$ 186,698	\$ 156,990
Receivable in One to Five Years	-	-	-
Total Notes Receivable	<u>\$ 343,688</u>	<u>\$ 186,698</u>	<u>\$ 156,990</u>

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

At June 30, 2015, notes receivable, net of allowance for doubtful accounts, are as follows:

	Gross Notes Receivable	Less: Allowance for Doubtful Accounts	Total Notes Receivable
Receivable in Less than One Year	\$ 397,215	\$ 186,698	\$ 210,517
Receivable in One to Five Years	-	-	-
Total Notes Receivable	<u>\$ 397,215</u>	<u>\$ 186,698</u>	<u>\$ 210,517</u>

NOTE 4 FURNITURE AND EQUIPMENT

As of June 30, 2016 and 2015, furniture and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 132,096	\$ 261,928
Less: Accumulated Depreciation	<u>97,863</u>	<u>244,758</u>
Total Furniture and Equipment	<u>\$ 34,233</u>	<u>\$ 17,170</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$14,997 and \$8,584, respectively.

NOTE 5 INVESTMENT

The Coalition's investment is recorded at fair value as follows:

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in United Bank of Philadelphia	<u>\$ 475,000</u>	<u>\$ 68,914</u>	<u>\$ 475,000</u>	<u>\$ 68,914</u>

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 6 FAIR VALUE MEASUREMENTS

The Coalition uses fair value measurements to record fair value adjustments to certain assets. For additional information on how the Coalition values all other assets refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis as of June 30, 2016 are:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in United Bank of Philadelphia	<u>\$ 68,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,914</u>

Assets measured at fair value on a recurring basis as of June 30, 2015 are:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in United Bank of Philadelphia	<u>\$ 68,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,914</u>

Level 3 Assets

The following tables represents a summary of changes in the fair value of the Coalition’s level 3 assets (the investment in United Bank of Philadelphia) for the years ended June 30, 2016 and 2015, respectively:

Beginning Balance at July 1, 2015	\$ 68,914
Unrealized Loss on Investments Held as of June 30, 2016	<u>-</u>
Ending Balance at June 30, 2016	<u>\$ 68,914</u>

Beginning Balance at July 1, 2014	\$ 68,914
Unrealized Loss on Investments Held as of June 30, 2015	<u>-</u>
Ending Balance at June 30, 2015	<u>\$ 68,914</u>

The estimate of fair value is based upon the Coalition’s evaluation of the financial statements of United Bank of Philadelphia, stock trading activity (if any), press reports concerning the bank and industry specific financial performance metrics.

URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 LINE OF CREDIT

On April 21, 2015, the Coalition executed an agreement with Valley Green Bank, a Division of Univest Bank and Trust Company, for a \$2,000,000 revolving line of credit. This renewable demand note was scheduled to mature on June 30, 2016. Collateral under this agreement are all of the assets of the Coalition. Borrowings under this line of credit bear interest at the rate of the Wall Street Journal U.S. Prime Rate plus 1%, but never less than 4.95%. The Coalition can borrow up to 75% of the eligible accounts receivable, not to exceed \$2,000,000. Upon the execution of this agreement, the Coalition immediately paid the outstanding balance of the Citizens Bank line of credit, \$1,435,000 and associated fees, and closed the line of credit with Citizens Bank. As part of this agreement, the Coalition has agreed to maintain a minimum debt service coverage ratio of 1.20x as measured at fiscal year-end. The Coalition is not aware of any instances of non-compliance with the covenants contained in its agreement with Valley Green Bank.

On August 25, 2015, the Coalition modified its revolving line of credit agreement with Valley Green bank to increase its total borrowings from \$2,000,000 to \$2,400,000. This additional amount available was used to support ongoing working capital financing during the Commonwealth of Pennsylvania FY 2016 budget negotiations. Upon passage of the Commonwealth of Pennsylvania FY 2016 budget, the line was reduced to its original amount of \$2,000,000.

In 2016, the maturity date of the line of credit was extended to May 31, 2017. The Coalition is required to pay monthly interest payments on the line of credit with the principal due on demand.

For the year ended June 30, 2016 and 2015, the balance outstanding on this line of credit agreement was \$1,396,390 and \$1,606,390, respectively.

Interest expense on the lines of credit was \$74,877 and \$67,828 for the years ended June 30, 2016 and 2015, respectively.

NOTE 8 DUE TO CONGRESO DE LATINOS UNIDOS

In August 2014, the Coalition had entered into a settlement agreement with Congreso de Latinos Unidos ("Congreso"), a not-for-profit agency, in the amount of \$175,000. Under the terms of this agreement, the Coalition is required to make semi-annual non-interest bearing payments of \$25,000 on December 31 and June 30 of each year commencing December 31, 2014, with a final payment of \$50,000 due June 30, 2017.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 DUE TO CONGRESO DE LATINOS UNIDOS (CONTINUED)

Future minimum principal payments on amounts Due to Congreso as of June 30, 2016 were as follows:

Year Ending June 30	Amount
2017	\$ 75,000
	\$ 75,000

NOTE 9 OPERATING LEASES

The Coalition leases a building at 1207 Chestnut Street, Philadelphia, Pennsylvania for its main office under an agreement with an unrelated party. This lease was amended in July 2009 to include an extension for ten years expiring May 31, 2019. In June 2012, this lease agreement was amended again to release the 2nd floor portion of the premises. On February 1, 2015, this lease agreement was amended again for the release of the 3rd floor portion of the premise. The Coalition also leases space for its Achieving Reunification Center (ARC) program, on 714 Market Street, Philadelphia, Pennsylvania, expiring October 31, 2018. The Coalition also leases space for its Center for Hope Program on 900 North Broad Street, Philadelphia Pennsylvania, expiring August 31, 2019

Each year, the Coalition will lease space in locations throughout the City of Philadelphia to provide tax services as part of its Campaign for Working Families program for the period January through April. These leases are month to month and will be renewed based on community participation within the Coalition's program.

The minimum annual rental for all operating leases as of June 30, 2016 is as follows:

Year Ending June 30	Building	Equipment	Total
2017	\$ 1,517,455	\$ 10,084	\$ 1,527,539
2018	1,430,059	29,484	1,459,543
2019	974,761	29,484	1,004,245
2020	64,229	19,656	83,885
	\$ 3,986,504	\$ 88,708	\$ 4,075,212

For the years ended June 30, 2016 and 2015, rent expense was \$2,039,095 and \$1,942,573 respectively.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, temporarily restricted net assets are available for the following purposes:

	2016	2015
Community Intervention and Support	\$ 9,630,204	\$ 1,287,902
AIDS Services	33,479	92,043
Economic Development	103,031	213,002
Education	30,547	112,727
Total	\$ 9,797,261	\$ 1,705,674

NOTE 11 BENEFIT PLAN

The Coalition maintains a 403(b) retirement plan which covers all employees who are employed by the Coalition. The Coalition may make matching contributions equal to a discretionary percentage, determined by the Board, of each participant's salary. Matching contribution expense was \$58,438 and \$66,777 for the years ended June 30, 2016 and 2015, respectively.

Contributions accrued but unpaid as of June 30, 2016 and 2015 totaled \$95,862 and \$98,963, respectively.

NOTE 12 SIGNIFICANT CONCENTRATIONS AND RISKS

The Coalition received approximately 56% and 81% of its support and revenue from grants and contracts with government and non-government agencies for the years ended June 30, 2016 and 2015, respectively. For the year ended June 30, 2016, the Coalition had received a temporarily restricted contribution which was approximately 90% of the total contributions received and reported on the statement of activities of the Coalition.

NOTE 13 DONATED SERVICES

The Coalition received \$3,461 and \$19,269 in donated legal services provided to the Coalition, for the years ended June 30, 2016 and 2015, respectively. These amounts were included as part of support and revenue and expenses on the statements of activities.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 14 UNEMPLOYMENT CLAIMS

The Coalition is primarily self-insured for certain unemployment costs. The unemployment claims are administered by Equifax. The Coalition has an interest bearing proprietary reserve account held by First Non-Profit, to cover all unemployment claims that have been submitted to and processed by the Commonwealth of Pennsylvania for former Coalition employees, as well as estimated incurred, but not reported claims. On a monthly basis the Coalition is required to deposit funds into this account to cover potential future claims.

For the years ended June 30, 2016 and 2015, the activities within the Coalition’s proprietary reserve account are as follows:

	2016	2015
Beginning Balance	\$ 171,174	\$ 331,443
Add:		
Coalition Contributions Made	181,421	16,936
Less:		
Claims Paid and Accrued	(177,851)	(177,205)
Refund of funds to the Coalition	(70,262)	-
Ending Balance	\$ 104,482	\$ 171,174

The Coalition’s unemployment claim administrator had determined, through actuarial data unemployment claims of which have been incurred but not yet reported “IBNR”. Since the administrator knows neither how many of these losses have occurred nor the severity of each loss, the administrator is required to estimate the potential liability of these claims. As of June 30, 2016 and 2015, the Coalition had recorded an estimated liability of \$267,846 and \$294,709, respectively, to cover these projected claims.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 15 SUBSEQUENT EVENT

During FY 2015, The Coalition developed and its Board approved a strategic plan for FY 2015-2020 with a focus on growth. During FY 2015 and 2016, The Coalition implemented this strategic plan which positioned the Coalition to secure three significant contracts that were under negotiations during the last quarter of FY 2016 and first quarter of FY 2017, which are as follows:

- (a) An agreement with Self, Inc. to manage their Office of Homeless Services and Office of Addiction Services contracts, totaling approximately \$4.1 million for FY 2017
- (b) Successfully won a bid to manage a contract with Philadelphia Works, Inc. for \$1.4 million
- (c) Secured a contract jointly with Public Health Management Corporation for the City of Philadelphia Pre-K Initiative, totaling approximately \$4.3 million for FY 2017.

The Coalition will experience an increase in contract revenue of approximately \$9.8 million for FY 2017 with the new contracts under management.

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	<u>Community Intervention and Support</u>	<u>AIDS Services</u>	<u>Economic Development</u>	<u>Education</u>	<u>Employment Training</u>
Expenses					
Personnel	\$ 5,067,672	\$ 1,032,562	\$ 822,640	\$ 133,368	\$ 570,032
Consultants and Contract Services	530,583	28,667	385,722	191,024	114,599
Program Grants	15,000	-	72,333	-	-
Facilities	1,163,277	118,508	111,698	34,333	26,495
Travel and Conferences	138,877	28,363	7,257	569	13,743
Supplies	43,725	24,885	6,400	5,394	12,885
Bad Debt	45,984	-	-	-	-
Advertising	13,000	51	115	330	-
Telephone	201,826	25,914	26,249	1,897	8,631
Printing	21,363	16,637	2,285	7,941	11,096
Insurance	276,420	15,923	23,026	7,654	8,321
Professional Fees	49,133	13,481	21,073	31,867	7,522
Program Activities and Services	620,861	109,194	2,501	9,956	1,872
Postage and delivery	23,475	740	3,665	296	137
Training	12,206	1,245	10,654	-	18,191
Computer	174,614	2,850	13,640	-	54
Miscellaneous	71,420	3,390	5,112	2,063	1,000
Interest and Bank Fees	2,513	-	38	217	-
Shelter	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Expenses	<u>\$ 8,471,949</u>	<u>\$ 1,422,410</u>	<u>\$ 1,514,408</u>	<u>\$ 426,909</u>	<u>\$ 794,578</u>

URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2016

	<u>Homelessness</u>	<u>Financial Education Literacy and Tax Services</u>	<u>Healthcare</u>	<u>Research and Evaluation</u>	<u>Total Program</u>
Expenses					
Personnel	\$ 1,651,456	\$ 380,192	\$ 34,644	\$ 47,186	\$ 9,739,752
Consultants and Contract	37,019	302,238	-	51,530	1,641,382
Program Grants	-	-	-	-	87,333
Facilities	598,238	72,420	3,131	-	2,128,100
Travel and Conferences	3,057	11,367	203	2,733	206,169
Supplies	16,052	22,046	-	82	131,469
Bad Debt	-	-	-	-	45,984
Advertising	-	140	-	-	13,636
Telephone	17,518	18,334	383	97	300,849
Printing	-	15,534	-	1	74,857
Insurance	44,017	13,305	224	1,557	390,447
Professional Fees	30,831	9,900	206	1,211	165,224
Program Activities and Services	3,958	12,801	2,984	750	764,877
Postage and delivery	-	4,248	-	34	32,595
Training	33,887	353	-	-	76,536
Computer	153,864	4,078	-	233	349,333
Miscellaneous	7,408	-	-	2,188	92,581
Interest and Bank Fees	153	-	-	15	2,936
Shelter	85,375	-	-	-	85,375
Depreciation	-	-	-	-	-
Total Expenses	<u>\$ 2,682,833</u>	<u>\$ 866,956</u>	<u>\$ 41,775</u>	<u>\$ 107,617</u>	<u>\$ 16,329,435</u>

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2016**

	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Expenses			
Personnel	\$ 1,897,297	\$ 74,459	\$ 11,711,508
Consultants and Contract	176,565	34,448	1,852,395
Program Grants	-	-	87,333
Facilities	320,196	34,679	2,482,975
Travel and Conferences	19,470	1,733	227,372
Supplies	9,293	2,676	143,438
Bad Debt	-	-	45,984
Advertising	-	-	13,636
Telephone	5,153	5,283	311,285
Printing	18,650	5,963	99,470
Insurance	18,360	2,502	411,309
Professional Fees	3,461	2,110	170,795
Program Activities and Services	114,913	33,176	912,966
Postage and delivery	2,748	47	35,390
Training	14,318	54,373	145,227
Computer	23,553	-	372,886
Miscellaneous	3,199	2,991	98,771
Interest and Bank Fees	121,562	1,011	125,509
Shelter	-	-	85,375
Depreciation	14,997	-	14,997
Total Expenses	<u>\$ 2,763,735</u>	<u>\$ 255,451</u>	<u>\$ 19,348,621</u>

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	<u>Community Intervention and Support</u>	<u>AIDS Services</u>	<u>Economic Development</u>	<u>Education</u>	<u>Employment Training</u>
Expenses					
Personnel	\$ 4,871,102	\$ 595,254	\$ 840,993	\$ 817,808	\$ 513,456
Consultants and Contract Services	925,118	6,424	423,626	54,522	93,528
Program Grants	4,000	-	82,973	11,000	-
Facilities	897,375	113,487	108,561	84,587	31,827
Travel and Conferences	156,669	15,412	14,443	50,539	25,004
Supplies	49,278	10,538	139,675	19,822	12,452
Bad Debt	-	-	-	-	-
Advertising	30,445	-	115	4,492	-
Telephone	116,807	17,440	25,983	27,590	9,287
Printing	2,249	2,623	3,680	15,252	10,130
Insurance	192,504	5,665	20,053	16,212	9,829
Professional Fees	42,373	10,574	19,792	12,585	9,829
Program Activities and Services	441,799	101,930	24	55,824	20,968
Postage and delivery	4,368	117	1,556	11,108	915
Training	17,953	3,224	8,018	235	357
Computer	174,650	3,414	21,365	8,142	3,138
Miscellaneous	30,505	42	16,951	9,168	-
Interest and Bank Fees	926	57	-	1,328	-
Depreciation	-	-	-	-	-
Total Expenses	<u>\$ 7,958,121</u>	<u>\$ 886,200</u>	<u>\$ 1,727,808</u>	<u>\$ 1,200,214</u>	<u>\$ 740,720</u>

URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2015

	<u>Homelessness</u>	<u>Financial Education and Tax Services</u>	<u>Total Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Expenses						
Personnel	\$ 2,890,595	\$ 318,264	\$ 10,847,470	\$ 1,926,710	\$ -	\$ 12,774,180
Consultants and Contract Services	30,828	260,484	1,794,530	645,246	150,302	2,590,079
Program Grants	-	-	97,973	4,500	-	102,473
Facilities	894,867	90,250	2,220,953	89,922	8,084	2,318,959
Travel and Conferences	39,769	14,434	316,271	12,528	-	328,799
Supplies	32,911	17,217	281,893	5,928	559	288,379
Bad Debt	-	-	-	6,009	-	6,009
Advertising	-	1,757	36,809	-	-	36,809
Telephone	63,474	15,103	275,686	-	1,905	277,591
Printing	5,904	11,233	51,070	4,780	9,847	65,697
Insurance	80,652	9,882	334,797	76,995	-	411,792
Professional Fees	42,672	7,430	145,255	-	35	145,290
Program Activities and Services	199,723	10,911	831,179	184,485	21,107	1,036,770
Postage and delivery	746	5,440	24,250	561	17	24,828
Training	12,639	240	42,665	4,759	32,201	79,626
Computer	72,245	9,279	292,233	32,844	1,754	326,830
Miscellaneous	17,998	18,000	92,663	32,858	2,125	127,645
Interest and Bank Fees	145	-	2,456	124,328	1,472	128,256
Depreciation	-	-	-	8,584	-	8,584
Total Expenses	<u>\$ 4,385,168</u>	<u>\$ 789,923</u>	<u>\$ 17,688,153</u>	<u>\$ 3,161,035</u>	<u>\$ 229,406</u>	<u>\$ 21,078,595</u>