

URBAN AFFAIRS COALITION
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**URBAN AFFAIRS COALITION
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YEARS ENDED JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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.

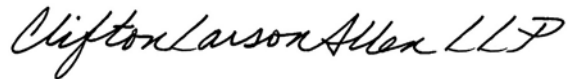
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as June 30, 2018 and 2017, 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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 24, 2018

**URBAN AFFAIRS COALITION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 266,865	\$ 4,101,678
Grants and Contracts Receivable	8,223,687	7,182,100
Pledges Receivable	23,650	100,300
Reserve for Unemployment Claims	274,771	237,479
Notes Receivable	9,289	9,288
Prepaid Expenses and Other Assets	258,892	729,898
Total Current Assets	9,057,154	12,360,743
PROPERTY AND EQUIPMENT	261,150	60,805
OTHER ASSETS		
Investment	68,914	68,914
Restricted Investment Account	4,012,664	-
Deposits	217,202	217,202
Total Other Assets	4,298,780	286,116
Total Assets	\$ 13,617,084	\$ 12,707,664
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Outstanding Checks	\$ 431,469	\$ -
Lines of Credit	2,725,929	1,148,978
Due to Congreso de Latino Unidos, Current Portion	-	50,000
Accounts Payable and Accrued Expenses	2,722,997	1,995,819
Accrued Payroll and Payroll Taxes	416,700	443,896
Unemployment Liability Payable	66,468	143,526
Deferred Revenue	56,875	50,036
Total Current Liabilities	6,420,438	3,832,255
LONG-TERM LIABILITIES		
WCEF Contingent Liability	6,450,526	-
Deferred Rent	2,275	39,151
Total Long-Term Liabilities	6,452,801	39,151
Total Liabilities	12,873,239	3,871,406
NET ASSETS (DEFICIT)		
Unrestricted (Deficit)	(1,787,553)	(1,277,516)
Temporarily Restricted	2,531,398	10,113,774
Total Net Assets (Deficit)	743,845	8,836,258
Total Liabilities and Net Assets (Deficit)	\$ 13,617,084	\$ 12,707,664

See accompanying Notes to Financial Statements.

**URBAN AFFAIRS COALITION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and Contracts	\$ 29,114,600	\$ -	\$ 29,114,600
Contributions	375,092	3,229,648	3,604,740
Consulting Fees	977,189	-	977,189
Other Revenues	222,161	-	222,161
Donated Services	2,352	-	2,352
Total	<u>30,691,394</u>	<u>3,229,648</u>	<u>33,921,042</u>
Net Assets Released from Restrictions	<u>10,812,024</u>	<u>(10,812,024)</u>	<u>-</u>
Total Support and Revenue	41,503,418	(7,582,376)	33,921,042
EXPENSES			
Program Services:			
Community Intervention and Support	7,371,122	-	7,371,122
Homelessness	9,164,006	-	9,164,006
Economic Development	1,671,452	-	1,671,452
Education	17,383,913	-	17,383,913
AIDS Services	1,420,359	-	1,420,359
Employment Training	977,325	-	977,325
Healthcare	164,511	-	164,511
Research and Evaluation	94,455	-	94,455
Financial Literacy and Tax Services	566	-	566
Total Program Services	<u>38,247,709</u>	<u>-</u>	<u>38,247,709</u>
Supporting Services:			
General and Administrative	3,558,367	-	3,558,367
Fundraising	207,379	-	207,379
Total Supporting Services	<u>3,765,746</u>	<u>-</u>	<u>3,765,746</u>
Total Expenses	<u>42,013,455</u>	<u>-</u>	<u>42,013,455</u>
CHANGE IN NET ASSETS	(510,037)	(7,582,376)	(8,092,413)
Net Assets (Deficit) - Beginning of Year	<u>(1,277,516)</u>	<u>10,113,774</u>	<u>8,836,258</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (1,787,553)</u>	<u>\$ 2,531,398</u>	<u>\$ 743,845</u>

See accompanying Notes to Financial Statements.

**URBAN AFFAIRS COALITION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and Contracts	\$ 24,175,797	\$ -	\$ 24,175,797
Contributions	596,416	2,026,776	2,623,192
Consulting Fees	1,009,822	-	1,009,822
Other Revenues	172,835	-	172,835
Donated Services	3,302	-	3,302
Total	<u>25,958,172</u>	<u>2,026,776</u>	<u>27,984,948</u>
 Net Assets Released from Restrictions	 <u>1,710,263</u>	 <u>(1,710,263)</u>	 <u>-</u>
Total Support and Revenue	27,668,435	316,513	27,984,948
 EXPENSES			
Program Services:			
Community Intervention and Support	4,143,375	-	4,143,375
Homelessness	6,849,616	-	6,849,616
Economic Development	1,460,515	-	1,460,515
Education	5,043,815	-	5,043,815
AIDS Services	1,557,915	-	1,557,915
Employment Training	4,040,247	-	4,040,247
Healthcare	1,552,621	-	1,552,621
Research and Evaluation	79,814	-	79,814
Financial Literacy and Tax Services	80,649	-	80,649
Total Program Services	<u>24,808,567</u>	<u>-</u>	<u>24,808,567</u>
Supporting Services:			
General and Administrative	2,525,327	-	2,525,327
Fundraising	285,501	-	285,501
Total Supporting Services	<u>2,810,828</u>	<u>-</u>	<u>2,810,828</u>
Total Expenses	<u>27,619,395</u>	<u>-</u>	<u>27,619,395</u>
 CHANGE IN NET ASSETS	 49,040	 316,513	 365,553
Net Assets (Deficit) - Beginning of Year	<u>(1,326,556)</u>	<u>9,797,261</u>	<u>8,470,705</u>
 NET ASSETS (DEFICIT) - END OF YEAR	 <u>\$ (1,277,516)</u>	 <u>\$ 10,113,774</u>	 <u>\$ 8,836,258</u>

See accompanying Notes to Financial Statements.

**URBAN AFFAIRS COALITION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (8,092,413)	\$ 365,553
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	88,101	38,753
Provision for Allowance for Doubtful Accounts	20,248	217,775
Net Cash from WCEF Funds	2,437,862	-
(Increase) Decrease in Assets:		
Grants and Contracts Receivable	(1,061,836)	(3,733,322)
Pledges Receivable	76,650	(1,300)
Prepaid Expenses	471,006	(712,315)
Reserve for Unemployment Claims	(37,292)	(132,997)
Deposits	-	(33,738)
Increase (Decrease) in Liabilities:		
Outstanding Checks	431,469	-
Accounts Payable and Accrued Expenses	727,178	(320,299)
Accrued Payroll and Payroll Taxes	(27,196)	170,962
Deferred Rent Obligation	(36,876)	(127,738)
Unemployment Liability Payable	(77,058)	(124,320)
Due to Congreso de Latinos Unidos	(50,000)	(25,000)
Deferred Revenue	6,839	37,431
Net Cash Used by Operating Activities	(5,123,318)	(4,380,555)
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayments of Notes Receivable	-	4,495
Purchases of Furniture and Equipment	(288,446)	(65,325)
Net Cash Used by Investing Activities	(288,446)	(60,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit	(23,613,494)	(4,381,620)
Proceeds from Line of Credit	25,190,445	4,134,208
Net Cash Provided (Used) by Financing Activities	1,576,951	(247,412)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,834,813)	(4,688,797)
Cash and Cash Equivalents - Beginning of Year	4,101,678	8,790,475
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 266,865	\$ 4,101,678
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 110,521	\$ 3,936
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Contingent Liability	\$ 6,450,526	\$ -
Less Restricted Cash Available for Repayment	(4,012,664)	-
Net Cash from WCEF Funds	\$ 2,437,862	\$ -

See accompanying Notes to Financial Statements.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 450 employees, 70 partner organizations and 3 community projects, 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, 2018, 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, 2018 AND 2017**

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, 2018 and 2017.

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, 2018 and 2017, the Coalition had \$2,531,398 and \$10,113,774, respectively, in temporarily restricted net assets.

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, 2018 AND 2017**

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 payors.

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.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Coalition for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

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.

Property and Equipment

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. 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. Depreciation is computed on a straight-line basis over the estimated useful lives.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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

Furniture and Fixtures	5 Years
Leasehold Improvements	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 nonprofit 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, 2018 AND 2017**

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 24, 2018, the date the financial statements were available to be issued.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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>2018</u>	<u>2017</u>
Federal Programs	\$ 344,533	\$ 341,215
City of Philadelphia	3,994,408	2,829,503
Commonwealth of Pennsylvania	1,281	56,633
Public Health Management Corporation	1,888,793	2,528,188
Philadelphia Youth Network	317,429	332,100
Foundations	843,983	859,762
Corporations	500,000	-
Other	449,862	331,052
Total	<u>8,340,289</u>	<u>7,278,453</u>
Less: Allowance for Doubtful Accounts	<u>116,602</u>	<u>96,353</u>
Total Grants and Contracts	<u>\$ 8,223,687</u>	<u>\$ 7,182,100</u>

NOTE 3 NOTES RECEIVABLE

As of June 30, 2018, the Coalition had three 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 2019. Interest earned on notes receivable was \$279 for the year ended June 30, 2018 and 2017, respectively.

At June 30, 2018, 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	\$ 78,129	\$ 68,840	\$ 9,289
Receivable in One to Five Years	-	-	-
Total Notes Receivable	<u>\$ 78,129</u>	<u>\$ 68,840</u>	<u>\$ 9,289</u>

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

At June 30, 2017, 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	\$ 78,129	\$ 68,841	\$ 9,288
Receivable in One to Five Years	-	-	-
Total Notes Receivable	<u>\$ 78,129</u>	<u>\$ 68,841</u>	<u>\$ 9,288</u>

NOTE 4 PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Furniture and Equipment	\$ 397,962	\$ 197,421
Leasehold Improvements	87,904	-
Subtotal	485,866	197,421
Less: Accumulated Depreciation	224,716	136,616
Total Property and Equipment	<u>\$ 261,150</u>	<u>\$ 60,805</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$88,101 and \$38,753, respectively.

NOTE 5 INVESTMENT

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

	June 30, 2018		June 30, 2017	
	Cost	Fair Value	Cost	Fair Value
Investment in United Bank of Philadelphia	<u>\$ 475,000</u>	<u>\$ 68,914</u>	<u>\$ 475,000</u>	<u>\$ 68,914</u>

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, 2018 are:

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

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis as of June 30, 2017 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 table 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, 2018 and 2017, respectively:

Beginning Balance - July 1, 2017	\$ 68,914
Unrealized Loss on Investments Held as of June 30, 2018	-
Ending Balance - June 30, 2018	<u>\$ 68,914</u>
Beginning Balance - July 1, 2016	\$ 68,914
Unrealized Loss on Investments Held as of June 30, 2017	-
Ending Balance - June 30, 2017	<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.

NOTE 7 LINE OF CREDIT

On April 21, 2015, the Coalition executed an agreement with Valley Green Bank, a Division of Uninvest 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.

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.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 LINE OF CREDIT (CONTINUED)

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.

On April 25, 2017, the Coalition executed an agreement with Valley Green Bank, a Division of Univest Bank and Trust Company, for a \$5,000,000 revolving line of credit. This renewable demand note was scheduled for renewal on March 31, 2018. Collateral under this agreement is 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 4.00%. The Coalition can borrow up to 80% of the eligible accounts receivable, not to exceed \$5,000,000. As part of this agreement, the Coalition has agreed to maintain a minimum debt service coverage ratio of 1.25x as measured at fiscal year-end. For the year ended June 30, 2018, the bank has waived this covenant requirement. The Coalition is in compliance with all other covenants contained in its agreement with Valley Green Bank.

On August 25, 2017, the Coalition modified its revolving line of credit agreement with Valley Green bank to increase its total borrowings from \$2,000,000 to \$5,000,000. This additional amount available was used to support additional business brought on by the Coalition in 2018.

On March 28, 2018, The Coalition modified its revolving line of credit agreement to increase its total borrowings from \$5,000,000 to \$7,500,000. This additional amount will be used to fund and support the growth from additional government contracts and new programs projected by the Coalition in fiscal 2019.

In 2019, the maturity date of the line of credit is March 28, 2019. The Coalition is required to pay monthly interest payments on the line of credit with the principal due on demand.

UAC's Univest Operating account is a sweep account attached to the line of credit. At the end of the day, any balance remaining in the operating account is swept against the line of credit; therefore, the operating account balance is usually zero at the end of the day.

For the years ended June 30, 2018 and 2017, the balance outstanding on this line of credit agreement was \$2,725,929 and \$1,148,978, respectively.

Interest expense on the lines of credit was \$110,521 and \$3,936 for the years ended June 30, 2018 and 2017, respectively.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 nonprofit agency, in the amount of \$175,000. Under the terms of this agreement, the Coalition was required to make semi-annual, noninterest 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. Due to the timing of payments, the Coalition made the final payment to Congreso on July 1, 2017.

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. On March 16, 2017, this lease was amended to release the 4th-floor 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. The Coalition also leases spaces for its Colours, Inc. program partner on 1211 Chestnut Street, Philadelphia, Pennsylvania expiring January 31, 2022. The Coalition also leases space at 1305 Susquehanna Avenue, 1238 W. Erie Avenue, 1303 Susquehanna Avenue, 1307 Susquehanna Avenue, 1447 Cayuga Street, 2326 Park Avenue, and 2120 W. Tioga Street, all in Philadelphia, Pennsylvania for the Self, Inc. programs expiring on June 30, 2022. The Coalition has additional lease agreements for its programs which are month to month and determined by need throughout the city of Philadelphia.

The minimum annual rental for all operating leases as of June 30, 2018 is as follows:

<u>Year Ending June 30,</u>	<u>Building</u>	<u>Copiers</u>	<u>Total</u>
2019	\$ 1,216,397	\$ 29,484	\$ 1,245,881
2020	460,612	19,656	480,268
2021	409,588	-	409,588
2022	411,368	-	411,368
2023	109,187	-	109,187
Total	<u>\$ 2,607,152</u>	<u>\$ 49,140</u>	<u>\$ 2,656,292</u>

For the years ended June 30, 2018 and 2017, rent expense was \$2,518,420 and \$2,326,691, respectively.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Community Intervention and Support	\$ 2,092,720	\$ 9,646,931
AIDS Services	54,722	48,476
Economic Development	58,894	88,688
Education	325,062	304,129
Employment Training	-	11,920
Health Care	-	9,800
Homelessness	-	3,830
Total	<u>\$ 2,531,398</u>	<u>\$ 10,113,774</u>

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 \$69,365 and \$65,021 for the years ended June 30, 2018 and 2017, respectively.

Contributions accrued but unpaid as of June 30, 2018 and 2017 totaled \$119,989 and \$105,464, respectively.

NOTE 12 SIGNIFICANT CONCENTRATIONS AND RISKS

The Coalition received approximately 86% of its support and revenue from grants and contracts with government and nongovernment agencies for both the years ended June 30, 2018 and 2017.

NOTE 13 DONATED SERVICES

The Coalition received \$2,352 and \$3,302 in donated legal services provided to the Coalition, for the years ended June 30, 2018 and 2017, 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, 2018 AND 2017**

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, 2018 and 2017, the activities within the Coalition's proprietary reserve account are as follows:

	2018	2017
Beginning Balance	\$ 237,479	\$ 104,482
Add:		
Coalition Contributions Made	178,862	245,739
Less:		
Claims Paid and Accrued	(141,570)	(112,742)
Ending Balance	<u>\$ 274,771</u>	<u>\$ 237,479</u>

The Coalition's unemployment claim administrator had determined, through actuarial data unemployment claims 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, 2018 and 2017, the Coalition had recorded an estimated liability of \$66,468 and \$143,526, respectively, to cover these projected claims.

NOTE 15 WORLD COMMUNICATION EDUCATION FOUNDATION CONTINGENT LIABILITY

In June, 2016, as a result of the decision of World Communications Charter School (WCCS) to close its charter school and wind up its affairs, the Coalition received an \$8,421,112 purpose-restricted contribution from WCCS to create the World Communications Education Foundation (WCEF) to be administered by the Coalition in order to provide scholarships to WCCS students and to fund projects consistent with the goals of WCCS. This contribution was recorded by the Coalition as temporarily restricted revenue for the year ended June 30, 2016.

In 2017, the Coalition became aware that the Attorney General of the Commonwealth Pennsylvania, acting as *parens patriae*, was reviewing the WCCS contribution in order to ensure that assets that were committed to WCCS are administered in a manner consistent with that organization's charitable purpose and the Charter School Law.

During the period July through December 2017, the Coalition released \$1,898,000 of the WCEF funds to WCCS in order to fund the payment of WCCS's final year operating expenses and the winding up of the Charter School's operations.

**URBAN AFFAIRS COALITION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**NOTE 15 WORLD COMMUNICATION EDUCATION FOUNDATION CONTINGENT LIABILITY
(CONTINUED)**

During 2018, the Coalition engaged in conversations with representatives of the Attorney General directed toward an amicable resolution of the Attorney General's proposal that any portion of the original WCCS contribution to the Coalition not yet expended by the Coalition be transferred to another educational entity. Management believes that, subject to further discussions with the Attorney General and the satisfactory completion of appropriate procedures, those discussions will likely result in the Coalition transferring \$6,450,526, representing the unexpended balance of WCEF funds, to another educational entity.

As of December, 2018, no finalized arrangement regarding this asset transfer has been negotiated. However, management believes that negotiations will be finalized by the summer of 2019, with asset transfers to commence in fiscal year 2020.

Under Generally Accepted Accounting Principles Standards in the United States of America for accounting for loss contingencies, (FASB ASC 450-20-20), the estimated loss from a loss contingency should be accrued when information available before the financial statements are to be issued indicates that it is probable that a loss has been incurred as of the financial statement date and the amount of the loss can be reasonably estimated. Accordingly, as of June 30, 2018, the Coalition recorded a \$6,450,526 noncurrent liability and WCEF assets are reflected as noncurrent assets on the statement of financial position. The statement of activities for the year ended June 30, 2018 reflects the release of \$6,450,526 from temporary (purpose) restrictions as a component of Education Program Expense.

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

Expenses	Community Intervention and Support	AIDS Services	Economic Development	Education	Employment Training
Personnel	\$ 4,346,656	\$ 1,042,627	\$ 781,695	\$ 626,860	\$ 824,939
Consultants and Contract Services	709,611	42,285	607,167	8,110,676	34,280
Program Grants	2,500	-	20,000	8,328,526	-
Facilities	955,745	136,150	120,646	56,434	23,632
Travel and Conferences	185,820	28,104	8,344	9,946	14,656
Supplies	59,612	12,056	22,890	14,256	17,033
Bad Debt	15,374	-	6,354	-	-
Advertising	15,600	-	-	-	-
Telephone	184,678	17,722	30,194	28,818	7,133
Printing	7,981	6,488	4,554	4,641	12,276
Insurance	207,782	20,923	20,473	25,052	13,461
Professional Fees	5,400	-	587	15,412	-
Program Activities and Services	453,263	101,787	116	40,055	5,102
Postage and Delivery	13,987	971	1,787	207	1,438
Training	6,234	-	5,350	21,955	11,597
Computer	141,655	5,091	32,011	2,730	11,693
Miscellaneous	58,858	6,084	9,284	7,389	85
Interest and Bank Fees	366	71	-	90,956	-
Shelter	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Expenses	<u>\$ 7,371,122</u>	<u>\$ 1,420,359</u>	<u>\$ 1,671,452</u>	<u>\$ 17,383,913</u>	<u>\$ 977,325</u>

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Expenses	<u>Homelessness</u>	<u>Financial Education Literacy and Tax Services</u>	<u>Healthcare</u>	<u>Research and Evaluation</u>	<u>Total Program</u>
Personnel	\$ 5,902,096	\$ 566	\$ 125,921	\$ 54,586	\$ 13,705,946
Consultants and Contract Services	146,092	-	4,600	32,476	9,687,187
Program Grants	-	-	-	-	8,351,026
Facilities	1,655,123	-	8,541	-	2,956,271
Travel and Conferences	51,016	-	3,368	4,681	305,935
Supplies	31,027	-	500	70	157,444
Bad Debt	3,075	-	-	-	24,803
Advertising	-	-	-	-	15,600
Telephone	133,235	-	1,957	6	403,743
Printing	-	-	-	1	35,941
Insurance	396,133	-	2,447	1,524	687,795
Professional Fees	54,245	-	-	-	75,644
Program Activities and Services	31,105	-	13,159	617	645,204
Postage and Delivery	-	-	27	-	18,417
Training	23,988	-	721	-	69,845
Computer	312,004	-	800	-	505,984
Miscellaneous	113,156	-	2,470	483	197,809
Interest and Bank Fees	289	-	-	11	91,693
Shelter	311,422	-	-	-	311,422
Depreciation	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 9,164,006</u>	<u>\$ 566</u>	<u>\$ 164,511</u>	<u>\$ 94,455</u>	<u>\$ 38,247,709</u>

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Expenses	General and Administration	Fundraising	Total
Personnel	\$ 2,323,339	\$ 28,791	\$ 16,058,076
Consultants and Contract Services	219,634	165,678	10,072,499
Program Grants	-	-	8,351,026
Facilities	290,287	-	3,246,558
Travel and Conferences	27,830	2,544	336,309
Supplies	30,178	498	188,120
Bad Debt	66,106	-	90,909
Advertising	18	-	15,618
Telephone	23,012	-	426,755
Printing	29,022	806	65,769
Insurance	37,801	1,572	727,168
Professional Fees	82,993	-	158,637
Program Activities and Services	14,853	906	660,963
Postage and Delivery	3,681	8	22,106
Training	84,057	338	154,240
Computer	25,165	190	531,339
Miscellaneous	171,793	4,673	374,275
Interest and Bank Fees	40,497	1,375	133,565
Shelter	-	-	311,422
Depreciation	88,101	-	88,101
	<u>88,101</u>	<u>-</u>	<u>88,101</u>
Total Expenses	<u>\$ 3,558,367</u>	<u>\$ 207,379</u>	<u>\$ 42,013,455</u>

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

Expenses	Community Intervention and Support	AIDS Services	Economic Development	Education	Employment Training
Personnel	\$ 2,107,267	\$ 1,140,013	\$ 787,748	\$ 216,839	\$ 3,126,789
Consultants and Contract Services	500,124	39,298	323,786	4,533,535	80,647
Program Grants	4,500	-	12,000	-	-
Facilities	694,952	145,602	111,857	69,312	236,586
Travel and Conferences	115,979	26,512	6,114	16,824	65,619
Supplies	40,240	12,097	19,590	8,990	24,540
Bad Debt	36,581	-	74,365	32,261	-
Advertising	17,819	-	-	-	-
Telephone	43,409	31,826	24,997	12,326	158,498
Printing	21,621	11,513	8,344	2,920	9,596
Insurance	55,104	25,981	23,421	10,543	186,350
Professional Fees	39,093	14,040	18,919	28,294	36,511
Program Activities and Services	366,101	98,737	-	40,863	52,128
Postage and Delivery	3,441	242	1,420	1,630	2,291
Training	1,927	-	6,066	19	6,377
Computer	55,577	6,292	6,115	49,646	51,315
Miscellaneous	39,640	5,756	16,401	19,670	3,000
Interest and Bank Fees	-	6	-	143	-
Shelter	-	-	-	-	-
Depreciation	-	-	19,372	-	-
Total Expenses	<u>\$ 4,143,375</u>	<u>\$ 1,557,915</u>	<u>\$ 1,460,515</u>	<u>\$ 5,043,815</u>	<u>\$ 4,040,247</u>

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Expenses	<u>Homelessness</u>	<u>Financial Education Literacy and Tax Services</u>	<u>Healthcare</u>	<u>Research and Evaluation</u>	<u>Total Program</u>
Personnel	\$ 4,565,716	\$ 35,545	\$ 872,143	\$ 50,050	\$ 12,902,110
Consultants and Contract Services	76,603	3,750	47,190	18,714	5,623,647
Program Grants	-	-	-	-	16,500
Facilities	1,135,466	6,021	290,774	-	2,690,570
Travel and Conferences	5,833	625	55,563	4,031	297,100
Supplies	20,875	-	5,283	26	131,641
Bad Debt	-	-	-	-	143,207
Advertising	-	-	-	-	17,819
Telephone	78,778	874	46,032	664	397,404
Printing	-	-	-	-	53,994
Insurance	337,989	-	79,039	1,164	719,591
Professional Fees	107,997	-	17,384	761	262,999
Program Activities and Services	4,645	-	42,491	2,303	607,268
Postage and Delivery	345	3	-	-	9,372
Training	15,302	-	16,827	-	46,518
Computer	201,390	-	30,775	259	401,369
Miscellaneous	17,058	33,831	49,120	1,800	186,276
Interest and Bank Fees	122	-	-	42	313
Shelter	281,497	-	-	-	281,497
Depreciation	-	-	-	-	19,372
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 6,849,616</u>	<u>\$ 80,649</u>	<u>\$ 1,552,621</u>	<u>\$ 79,814</u>	<u>\$ 24,808,567</u>

**URBAN AFFAIRS COALITION
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Expenses	General and Administration	Fundraising	Total
Personnel	\$ 1,975,016	\$ 48,064	\$ 14,925,190
Consultants and Contract Services	37,777	124,887	5,786,311
Program Grants	-	-	16,500
Facilities	212,200	-	2,902,770
Travel and Conferences	15,212	788	313,100
Supplies	10,539	930	143,110
Bad Debt	74,568	-	217,775
Advertising	-	-	17,819
Telephone	17,218	465	415,087
Printing	14,567	2,086	70,647
Insurance	3,467	556	723,614
Professional Fees	20,579	1,217	284,795
Program Activities and Services	2,122	48,051	657,441
Postage and Delivery	1,427	77	10,876
Training	21,999	53,515	122,032
Computer	24,643	970	426,982
Miscellaneous	54,016	1,437	241,729
Interest and Bank Fees	20,596	2,458	23,367
Shelter	-	-	281,497
Depreciation	19,381	-	38,753
	<u>19,381</u>	<u>-</u>	<u>38,753</u>
Total Expenses	<u>\$ 2,525,327</u>	<u>\$ 285,501</u>	<u>\$ 27,619,395</u>



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