NATIONAL URBAN LEAGUE, INC.

Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

NATIONAL URBAN LEAGUE, INC.
Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National Urban League, Inc.

We have audited the accompanying consolidated financial statements of the National Urban League, Inc. (the League or NUL), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Urban League, Inc. at December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 2 to the consolidated financial statements, in 2019, the League adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Mitchell & Titus, LLP

May 26, 2020

NATIONAL URBAN LEAGUE, INC.
Consolidated Statements of Financial Position
As of December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash, cash equivalents and restricted cash	$ 14,378,394	$ 12,018,989
Grants and pledges receivable, net	9,331,880	13,585,689
Franchise fees receivable, net	641,802	816,604
Prepaid expenses and other assets	543,905	568,718
Investments	21,786,438	19,314,874
Interest rate swap agreement	111,246	38,616
Operating lease right of use assets	2,820,846	4,200,394
Property and equipment, net	11,569,150	12,836,474
Total assets	$ 61,183,661	$ 63,380,358
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	$ -	$ 1,500,000
Accounts payable and accrued expenses	3,431,302	4,222,414
Accrued payroll and vacation benefits	486,745	536,154
Accrued defined contribution costs	492,903	725,009
Contract advances and other deposits	212,834	220,708
Bonds payable (net of debt issuance cost of $124,968 in 2019 and $130,734 in 2018)	3,863,954	3,976,355
Operating lease liability	3,850,085	5,743,652
Accrued pension benefit costs	6,077,795	6,657,207
Total liabilities	18,415,618	23,581,499
Net assets (deficit)		
Without donor restrictions		
Undesignated	6,110,924	5,283,647
Pension related	(9,390,347)	(10,207,828)
Total without donor restrictions	(3,279,423)	(4,924,181)
With donor restrictions	46,047,466	44,723,040
Total net assets	42,768,043	39,798,859
Total liabilities and net assets	$ 61,183,661	$ 63,380,358

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue, gains, and other support			
Government grants and contracts	$ 19,392,704	$ -	$ 19,392,704
Donated materials and services	7,251,319	-	7,251,319
Contributions	8,010,914	13,338,125	21,349,039
Legacies and bequests	31,123	-	31,123
Special events	1,431,772	-	1,431,772
Program service fees	5,959,296	-	5,959,296
Franchise fees	902,500	-	902,500
Net investment return designated for current operations	1,093,274	-	1,093,274
Sale of publications	24,142	-	24,142
Other	434,785	-	434,785
Net assets released from restrictions			
Satisfaction of restrictions	14,557,776	(14,557,776)	-
Total revenue, gains, and other support	59,089,605	(1,219,651)	57,869,954
Operating expenses			
Program services			
Economic empowerment	24,360,830	-	24,360,830
Education and youth empowerment	4,832,048	-	4,832,048
Civic engagement and leadership empowerment	13,459,961	-	13,459,961
Technical assistance to affiliates	2,495,585	-	2,495,585
Health and quality of life empowerment	664,995	-	664,995
Civil rights and racial justice empowerment	278,169	-	278,169
Urban empowerment	300,573	-	300,573
Total program services	46,392,161	-	46,392,161
Supporting services			
Management and general	7,931,801	-	7,931,801
Fundraising	4,010,996	-	4,010,996
Total expenses	58,334,958	-	58,334,958
Changes in net assets from operations	754,647	(1,219,651)	(465,004)
NON-OPERATING ACTIVITIES			
Net investment return net of amount designated for current operations	-	2,544,077	2,544,077
Gain in fair value of interest rate swap obligation	72,630	-	72,630
Pension-related changes other than net periodic pension costs	817,481	-	817,481
Total non-operating activities	890,111	2,544,077	3,434,188
Changes in net assets	1,644,758	1,324,426	2,969,184
Net assets (deficit), beginning of year	(4,924,181)	44,723,040	39,798,859
Net assets (deficit), end of year	$ (3,279,423)	$ 46,047,466	$ 42,768,043

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue, gains, and other support			
Government grants and contracts	$ 21,498,708	$ -	$ 21,498,708
Donated materials and services	7,754,079	-	7,754,079
Contributions	7,139,071	10,419,295	17,558,366
Legacies and bequests	42,314	-	42,314
Special events	1,513,529	-	1,513,529
Program service fees	6,834,751	-	6,834,751
Franchise fees	907,500	-	907,500
Net investment return designated for current operations	1,129,890	-	1,129,890
Sale of publications	4,464	-	4,464
Other	831,010	-	831,010
Net assets released from restrictions			
Satisfaction of restrictions	16,802,184	(16,802,184)	-
Total revenue, gains, and other support	64,457,500	(6,382,889)	58,074,611
Operating expenses			
Program services			
Economic empowerment	27,675,253	-	27,675,253
Education and youth empowerment	5,580,760	-	5,580,760
Civic engagement and leadership empowerment	15,561,133	-	15,561,133
Technical assistance to affiliates	2,672,040	-	2,672,040
Health and quality of life empowerment	1,030,588	-	1,030,588
Civil rights and racial justice empowerment	319,068	-	319,068
Urban empowerment	410,823	-	410,823
Total program services	53,249,665	-	53,249,665
Supporting services			
Management and general	8,372,237	-	8,372,237
Fundraising	3,930,079	-	3,930,079
Total expenses	65,551,981	-	65,551,981
Changes in net assets from operations	(1,094,481)	(6,382,889)	(7,477,370)
NON-OPERATING ACTIVITIES			
Net investment return net of amount designated for current operations	-	(1,798,262)	(1,798,262)
Gain in fair value of interest rate swap obligation	21,560	-	21,560
Pension-related changes other than net periodic pension costs	(493,415)	-	(493,415)
Total non-operating activities	(471,855)	(1,798,262)	(2,270,117)
Changes in net assets	(1,566,336)	(8,181,151)	(9,747,487)
Net assets (deficit), beginning of year	(3,357,845)	52,904,191	49,546,346
Net assets (deficit), end of year	$ (4,924,181)	$ 44,723,040	$ 39,798,859

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,969,184	$ (9,747,487)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Pension-related changes other than net periodic pension costs	(817,481)	493,415
Depreciation	1,599,949	1,590,864
Amortization of debt issuance costs	5,767	5,767
Adjustment of construction in progress	-	645,000
Realized loss on write-off of fixed assets	14,183	34,493
Realized (gain) on sales of investments	(1,875,516)	(875,461)
Provision of uncollectible receivables	1,178,264	231,510
Unrealized (appreciation)/depreciation of investments	(1,379,738)	2,151,916
Unrealized gain on interest rate swap agreement	(72,630)	(21,560)
Changes in operating assets and liabilities		
Change in grants and pledges receivable	3,475,545	4,314,551
Change in franchise fees receivable	(225,198)	(136,289)
Change in prepaid expenses and other assets	24,813	(56,836)
Change in operating lease right use asset, net	1,379,548	1,104,289
Change in accounts payable and accrued expenses	(791,112)	(1,778,385)
Change in accrued payroll and vacation benefits	(49,409)	33,478
Change in operating lease liability	(1,893,567)	(1,651,413)
Change in accrued pension benefit cost	238,069	299,746
Change in accrued defined contribution costs	(232,106)	134,431
Change in contract advances and other deposits	(7,874)	(95,397)
Net cash provided by (used in) operating activities	3,540,691	(3,323,368)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(346,808)	(561,398)
Sales of investments	22,613,190	7,436,807
Purchases of investments	(21,829,500)	(4,885,681)
Net cash provided by investing activities	436,882	1,989,728
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of revenue bonds	(118,168)	(114,510)
Repayment of line of credit	(1,500,000)	-
Net cash used in financing activities	(1,618,168)	(114,510)
Net increase (decrease) in cash, restricted cash and cash equivalents	2,359,405	(1,448,150)
Cash, cash equivalents and restricted cash, beginning of year	12,018,989	13,467,139
Cash, cash equivalents and restricted cash, end of year	$ 14,378,394	$ 12,018,989
SUPPLEMENTAL INFORMATION		
Interest paid	$ 179,083	$ 208,431

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services								Supporting Services		
	Economic Empowerment	Education and Youth Empowerment	Civic Engagement and Leadership Empowerment	Technical Assistance to Affiliates	Health and Quality of Life Empowerment	Civil Rights and Racial Justice Empowerment	Urban Empowerment Fund	Total	Management and General	Fundraising	Total
Salaries	$ 2,315,102	$ 986,754	$ 1,654,312	$ 869,632	$ 260,319	$ 110,581	$ 240,361	$ 6,437,061	$ 3,185,700	$ 1,364,481	$ 10,987,242
Payroll taxes and related benefits	811,948	339,159	533,530	298,308	87,182	33,362	19,954	2,123,443	1,080,917	476,270	3,680,630
Subcontract payments	17,283,528	2,063,659	300,000	237,500	92,000	-	30,000	20,006,687	-	-	20,006,687
Donated materials and services	1,739,762	-	5,360,557	-	-	-	-	7,100,319	151,000	15,500	7,266,819
Professional contract services	702,969	400,450	3,016,007	344,353	59,995	43,082	6,641	4,573,497	450,502	1,167,182	6,191,181
Supplies	32,422	27,703	108,409	14,598	7,365	1,516	-	192,013	41,372	17,162	250,547
Telephone	79,884	36,041	74,262	34,046	9,795	5,003	-	239,031	129,392	44,806	413,229
Occupancy	310,028	132,609	232,199	116,636	33,119	13,115	-	837,706	415,861	186,089	1,439,656
Commercial insurance	39,945	16,876	28,469	14,842	4,260	1,660	-	106,052	52,386	23,696	182,134
Postage and shipping	6,053	10,595	34,145	2,752	1,794	1,444	84	56,867	16,139	6,463	79,469
Printing, duplication, and artwork	14,205	131,847	62,779	11,506	858	747	-	221,942	11,464	10,881	244,287
Travel, conferences, and conventioi	485,256	424,316	1,393,383	322,594	48,273	40,340	1,201	2,715,363	292,000	378,424	3,385,787
Subscription and publication	14,496	16,381	145,583	11,372	1,531	912	-	190,275	24,085	34,161	248,521
Furniture and equipment	76,026	36,285	59,164	29,488	10,468	5,813	-	217,244	107,564	44,690	369,498
Awards and grants	-	3,000	15,000	-	-	-	-	18,000	1,000	-	19,000
Bad debt	-	-	-	-	-	-	-	-	1,178,264	-	1,178,264
Interest expense	39,993	16,896	28,503	14,860	4,265	1,662	-	106,179	54,946	23,725	184,850
Miscellaneous	63,063	43,234	166,953	44,481	6,852	4,548	2,332	331,463	263,625	12,120	607,208
Depreciation and amortization	346,150	146,243	246,706	128,617	36,919	14,384	-	919,019	475,584	205,346	1,599,949
Total expenses	$ 24,360,830	$ 4,832,048	$ 13,459,961	$ 2,495,585	$ 664,995	$ 278,169	$ 300,573	$ 46,392,161	$ 7,931,801	$ 4,010,996	$ 58,334,958

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Services								Supporting Services		
	Economic Empowerment	**Education and Youth Empowerment**	**Civic Engagement and Leadership Empowerment**	**Technical Assistance to Affiliates**	**Health and Quality of Life Empowerment**	**Civil Rights and Racial Justice Empowerment**	**Urban Empowerment Fund**	**Total**	**Management and General**	**Fundraising**	**Total**
Salaries	$ 2,441,169	$ 1,009,125	$ 2,220,520	$ 961,995	$ 370,775	$ 138,680	$ 225,865	$ 7,368,129	$ 3,538,050	$ 1,502,856	$ 12,409,035
Payroll taxes and related benefits	830,922	333,735	751,223	317,616	113,877	33,955	39,298	2,420,626	1,160,604	517,787	4,099,017
Subcontract payments	19,687,159	2,018,182	31,000	25,577	208,500	-	30,000	22,000,418	-	-	22,000,418
Donated materials and services	1,932,081	-	5,821,998	-	-	-	-	7,754,079	-	18,000	7,772,079
Professional contract services	1,109,661	426,724	3,680,397	458,316	82,914	46,141	104,445	5,908,598	1,507,331	825,314	8,241,243
Supplies	51,009	42,067	97,712	25,319	14,961	2,243	-	233,311	76,172	28,970	338,453
Telephone	55,185	26,600	68,500	24,990	9,866	4,827	-	189,968	95,583	30,563	316,114
Occupancy	276,593	111,328	260,920	106,886	37,967	11,416	-	805,110	394,175	174,085	1,373,370
Commercial insurance	36,769	14,839	33,390	14,117	5,063	1,509	-	105,687	51,742	23,014	180,443
Postage and shipping	6,242	7,828	32,124	11,511	2,180	1,555	37	61,477	17,208	6,766	85,451
Printing, duplication, and artwork	22,310	140,306	125,780	8,675	16,873	2,600	14	316,558	30,454	16,794	363,806
Travel, conferences, and conventioı	682,259	1,193,808	1,755,982	527,600	91,361	49,570	7,936	4,308,516	418,400	451,249	5,178,165
Subscription and publication	15,922	26,689	75,728	11,640	3,421	1,002	-	134,402	27,011	34,193	195,606
Furniture and equipment	99,585	41,856	91,024	39,855	15,981	6,609	-	294,910	141,715	61,186	497,811
Awards and grants	-	6,000	10,000	-	-	-	-	16,000	1,000	-	17,000
Bad debt	-	-	-	-	-	-	-	-	231,510	-	231,510
Interest expense	43,122	17,403	39,159	16,556	5,938	1,770	-	123,948	63,264	26,991	214,203
Miscellaneous	64,809	34,942	174,669	-	6,781	4,037	3,228	288,466	147,195	11,732	447,393
Depreciation and amortization	320,456	129,328	291,007	121,387	44,130	13,154	-	919,462	470,823	200,579	1,590,864
Total expenses	$ 27,675,253	$ 5,580,760	$ 15,561,133	$ 2,672,040	$ 1,030,588	$ 319,068	$ 410,823	$ 53,249,665	$ 8,372,237	$ 3,930,079	$ 65,551,981

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 ORGANIZATION

National Urban League, Inc. (the League or NUL) is a non-profit organization incorporated in the State of New York in 1910. The League is substantially funded through grants and contracts awarded by government agencies, foundations, and corporations.

The Urban Empowerment Fund (UEF) is a tax-exempt community development financial institution that was incorporated in July 2011. The League obtained a controlling financial interest in UEF in March 2013. UEF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC Sections 509(a)(1) and 170(b)(A)(vi). UEF received its determination letter from the Internal Revenue Service dated November 7, 2013. The net assets of UEF are not available for distribution to NUL.

The Urban League Empowerment Center, LLC (ULEC) is in business solely to (a) own a leasehold interest in the property located at 121 West 125th Street, New York, New York, (b) hold, manage, maintain, operate, improve, develop, construct, exchange, lease, sublease, convey, encumber, subdivide into condominium units, finance and otherwise use the leasehold interest and its rights in the underlying property and (c) do any and all other acts that may be necessary or incidental to carry on the business of ULEC. The League is the sole managing member of ULEC.

The League is exempt from Federal income taxes under Section 501(c)(3) of the IRC and has been classified as a publicly supported organization as described in IRC Sections 509(a)(1) and 170(b)(A)(vi).

The League, a non-partisan, civil rights, and community-based movement, serves over two million people each year, providing direct services, research, and policy advocacy to assist individuals and communities attain their fullest potential. The League's network of 90 professionally staffed affiliates in 37 states and the District of Columbia work principally with African Americans and other disadvantaged urban communities to diligently close equality gaps for people at all economic levels and stages of life, thereby creating an opportunity for citizens to give back as volunteers. In pursuit of its mission–helping African Americans and other underserved urban residents to secure economic self-reliance, parity, power, and civil rights–the League's five-point approach to empowerment consists of:

Economic Empowerment invests in the financial literacy and employability of adults through job training, homeownership counseling, and entrepreneurship support.

Education and Youth Empowerment ensures that all children receive an education by providing access to early childhood literacy, afterschool programs, and college preparation.

NOTE 1 ORGANIZATION *(continued)*

Civic Engagement and Leadership Empowerment encourages all people to take an active role in improving their quality of life through participation in community service projects, and public policy initiatives.

Health and Quality of Life Empowerment encourages all people to take an active role in improving their wellness and quality of life through participation in preventative measures, health literacy programs, community service projects, and public policy initiatives.

Civil Rights and Racial Justice Empowerment guarantees equal participation in all facets of American society through proactive public policies and community-based programs.

Technical Assistance to Affiliates–NUL's affiliates offer services in 36 states and the District of Columbia to over 350 communities across the country. These professionally staffed offices fulfill NUL's services: where people and their neighborhoods grow, change, and are strengthened. The League's Affiliate Services Department's goal is to provide information and training to affiliate CEOs, Boards of Directors, staff, and volunteers to increase their understanding of the League's mission, and to enhance their professional skills and effectiveness.

UEF, a Community Development Financial Institution (CDFI), is focused on providing financial products (loans) and services to minority business enterprises (MBEs) located primarily in select urban League affiliate markets. The mission of UEF is to help MBEs gain access to capital, survive, prosper, grow, create jobs, and generate individual and community wealth. UEF works to achieve its mission by focusing on the development of MBEs, which requires a comprehensive set of services to address the primary barriers that inhibit their growth. These services include:

- Providing business advisory services to address the business knowledge deficits (competence)
- Offering a range of small business loan products ranging from $50,000-$250,000 (capital)
- Providing policy advocacy to improve the business climate for MBEs (customers)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidated Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the consolidated financial statements include the accounts of the League, UEF, and ULEC. All material intercompany transactions have been eliminated during consolidation.

NUL is required to report information regarding its financial position and activities according to two net asset classes: net assets without donor restrictions and net assets with donor restrictions as applicable, which are defined as:

Net Assets Without Donor Restrictions–Net assets without donor restrictions are available for us at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the securing NUL's long-term financial viability. not subject to donor-imposed restrictions.

See Note 17 for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions–Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and /or purpose restrictions.

NUL reports gifts of cash and other assets as revenue with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting NUL to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

See Notes 15 and 16 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively. Donor-imposed stipulations may be fulfilled by an action of the League to satisfy the stipulations or become unrestricted at the date specified by the donor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash, Cash Equivalents and Restricted Cash

For purposes of the presentation of the consolidated financial statements, the League considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2019 and 2018 were $4,079,628 and $2,059,577, respectively, and consisted of money market funds and certificates of deposit.

Cash and cash equivalents reported in the consolidated financial statements include restricted cash. In accordance with its agreement with Branch Banking and Trust Company (BB&T), the League is required to maintain minimum cash balances in a deposit account with BBT until certain bond obligations are fully repaid. At December 31, 2019 and 2018, restricted cash was $500,000 and $250,000, respectively.

The League maintains its cash and cash equivalent balances in financial institutions, which occasionally exceed the Federal Deposit Insurance Corporation limit and subject the League to concentration of credit risk. However, the League monitors this risk on a regular basis.

Investments

Investments are stated at the fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (*i.e.*, an exit price). The following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds: Recorded at fair value, which approximates amortized cost.

Equity securities: Recorded at fair value based on the quoted market prices and broker prices. Consists of common stock, mutual funds and other exchange traded funds.

Fixed-income securities: Recorded at fair value based on the quoted market prices and broker prices. Consists of mutual funds and other exchange-traded funds.

Private Equity Limited Partnership Fund: The fund consists of a diversified portfolio of venture capital, growth equity and other private equity assets. The General Partner is responsible for establishing valuation processes and procedures to ensure that the valuation techniques for investments are fair and consistent. A market approach is used in determining the fair market value determined based on the underlying investments in the fund. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Fund's results of operations. Redemptions are not permitted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

The League's Investment Committee is responsible for determining the valuation policies and analyzing information provided by the investment custodians and issuers, which is used to determine the fair value of the League's investments. The Investment Committee is a sub-committee of the League's Board.

The Board has adopted a "spending formula," whereby a specified percentage of the rolling average balance of the League's long-term reserves is used to support current operations. All investment income over this amount is retained to support operational needs in future years and offset potential market declines.

The League targets a 60/40 ratio between equities and fixed-income securities for its endowment portfolio (a long-term investment).

Interest and dividend income are recognized when earned and are reflected within the net investment return as operating revenue in the consolidated statements of activities based on NUL's spending formula.

Realized gains and losses and unrealized appreciation and depreciation are reflected within the net investment returns in the consolidated statements of activities. For purposes of determining the gain or loss on sales, the cost of securities sold is based on the average costs of all shares of those securities sold.

Receivables

Allowance for doubtful accounts

The carrying value of grants receivable and contributions receivable is reduced by an appropriate allowance for uncollectible accounts, which approximates net realizable value. NUL determines its allowance by considering several factors, including the length of time receivables are past due, NUL's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole.

Receivables outstanding longer than the payment terms are considered past due. NUL writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

Grants and pledges receivable

Grants and pledges receivable consist of amounts due from government agencies and unconditional promises received from donors, respectively. Grants receivable are recorded at their net realizable value. Unconditional promises are valued at fair value. Fair values are measured based on the present value of future cash flows, with consideration given to expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. Fair value measurements also include consideration of donors' credit risk.

Franchise fees are annual fees charged to the League's affiliates. The League has agreements with several affiliates for payment of fees in arrears. The agreements provide for installment payments over periods varying from one to five years.

Property and Equipment

Building, furniture and fixtures, equipment, and leasehold improvements are stated at cost, less accumulated depreciation or amortization computed by the straight-line method over the lease term or the following useful lives:

	Years
Building	40
Leasehold improvements	5–20
Furniture and fixtures	10
Equipment	3–7
Computer software	5–7

The League capitalizes all expenditures for property and equipment in excess of $1,000. Donated property and equipment are recorded at their estimated fair value on the date of donation in accordance with the League's capitalization policies.

Beginning in 2013 and continuing through 2018, the League incurred and paid expenses related to the "future home" for its New York office. The League classified these expenses, which were considered pre-construction costs, as construction in progress within property and equipment on the consolidated statements of financial position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment Loss of Long-Lived Assets

NUL's management reviews its investment in long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property is not recoverable. Recoverability is measured by comparing the carrying amount of the property to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There was no impairment loss recognized in 2019 and 2018.

Pension Costs

The League is required to disclose the over- or under-funded status of its defined benefit plan as an asset or liability in its consolidated statements of financial position, and also to recognize changes in the funded status of the plan in net assets without donor restrictions as a non-operating activity in the year that the changes occur. As of December 31, 2019 and 2018, the under-funded status of the plan is a deficit of the fair value of plan assets over the projected benefit obligation, which amounted to $6,077,795 and $6,657,207, respectively.

Revenue Recognition

Contributions

Unconditional contributions are recognized as revenue when received and recorded as without donor restriction or with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor-restricted net assets are reclassified to without donor restriction net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Gifts and grants that have donor-imposed conditions as to a specified or unspecified future event are not recognized until such conditions have been met. Conditional grants that have not been recorded as of December 31, 2019, because such conditions have not been met totaled approximately $5,714,396.

Government Grants

Federal, state, and other grant awards received for specific purposes are recognized as support to the extent that the related expenses incurred are in compliance with the specific grant terms. The unexpended funds are reported as contract advances.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

Program Service Fees

Program service fees are recorded as earned income generated from different conference activities that occur during the year.

Franchise Fees

Franchise fees are recorded as earned annual fees when billed and are based on the budget size of each affiliate.

Credit and Financial Risk

Substantially all pledges receivable are derived from individual, corporate, or foundation donors. All of these receivables are made on an unsecured basis.

The League maintains its cash and cash equivalents in bank deposit and money market accounts, which may exceed federally insured limits. The League believes it is not exposed to any significant credit risk on cash balances.

The League's investments are exposed to numerous risks such as interest rate, market, and credit. Due to this level of risk and the level of uncertainty related to changes in the value of such investments, it is reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Donated Materials and Services

Donated materials and services that meet the requirements for recognition are recorded as revenue and expenses in the accompanying consolidated statements of activities at their fair values. Donated materials and services were in the form of donated media services. The fair values of the donated media are determined based on consideration of cash payments typically made by buyers for similar advertising and media, standard discounts given for similarly placed media, the media type and placement and other considerations.

In-kind contributions are the value of non-cash contributions provided by affiliates. They are often required in the provisions of public grants. They may be in the form of real and personal property, as well as the value of goods and services that directly benefit a project. For the League, in-kind contributions consist mainly of the cost associated with the supervision of program participants that is not directly charged to a project and the costs of materials and training spaces.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited and are determined by management in accordance with grant provisions. The expenses that are allocated include depreciation, interest, occupancy, office and other expenses, which are allocated based on salaries.

Advertising Expenses

The League recognizes advertising expenses at the time of invoice and payment terms. Advertising may be for multiple future dates and used as both video and print advertising. The vendor (in most cases) will invoice the League for the cost of all runnings of a specific advertisement. Advertising expenses of $583,015 and $482,006 in 2019 and 2018, respectively, are reported as part of the professional contract services expense in the consolidated statements of functional expenses.

Measure of Operations

The League uses a “change in net assets from operations” as the measure of net assets that are available to support services in future periods. Measure of operations excludes gains or losses on interest rate swaps, certain pension-related changes, and the results of the League’s endowment spending policy (both positive and negative).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The League is exempt from Federal income taxes under Section 509(a)(1) and is classified as a Section 501(c)(3) of the IRC. Accordingly, no provision for Federal or state income taxes has been made in the accompanying consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes *(continued)*

UEF is exempt from Federal income taxes under Section 509(a)(1) and classified as a Section 501(c)(3) of the IRC. Accordingly, no provision for Federal or state income taxes has been made in the accompanying consolidated financial statements. UEF is subject to routine audits by taxing jurisdictions. UEF's initial filing year was 2013. There are no audits for any tax periods are currently in progress.

Management has analyzed the tax positions taken by the League and has concluded that as of December 31, 2019 and 2018, there are no uncertain tax positions taken or are to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying consolidated financial statements.

The League is subject to routine audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that the League is no longer subject to such income tax examinations for years prior to 2015.

Debt Issuance Costs

Debt issuance costs related to the revenue bonds are presented in the consolidated statements of financial position as a reduction to the carrying value of long-term debt and are amortized over the period the revenue bonds are outstanding using the straight-line method, which approximates the effective interest method (see Note 8 – Long-Term Debt).

Interest Rate Swap Agreement

The interest rate swap agreement is stated at fair value. Its fair value is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Boad (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The ASU requires an entity to recognize all lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The League adopted this ASU in 2019. The provisions have been applied retrospectively to the presentation of the consolidated financial statements for the year ended December 31, 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Pronouncements *(continued)*

In June 2018, the FASB issued ASU No. 2018-08, *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is in response to the diversity and difficulty with regards to distinguishing contributions from exchange transactions and unconditional from conditional contributions. The effective date of the ASU for the League is January 1, 2019. The League has adopted this ASU and there was no material impact to the financial results.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The effective date is January 1, 2020, with early adoption of the entire standard permitted or only the provisions that eliminate or modify disclosure requirements. The League is currently evaluating the impact of this update on the League's consolidated financial statements.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current year presentation.

NOTE 3 INVESTMENTS

Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, investment assets and liabilities as of December 31, 2019 and 2018:

	Assets at Fair Value as of December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents				
Interest-bearing cash deposits	$ 3,637,670	$ 3,637,670	$ -	$ -
Certificates of deposit	441,958	441,958	-	-
Total cash and cash equivalents	4,079,628	4,079,628	-	-
Investments				
Money market funds	422,251	422,251	-	-
Equity securities	14,297,035	14,297,035	-	-
Fixed-income securties	6,881,810	6,881,810	-	-
Partnership investment at fair value	185,342	-	-	185,342
Total investments	21,786,438	21,601,096	-	185,342
Interest rate swap agreement	111,246	-	111,246	-
Total assets at fair value	$ 25,977,312	$ 25,680,724	$ 111,246	$ 185,342

	Assets at Fair Value as of December 31, 2018		
	Total	**Level 1**	**Level 2**
Cash and cash equivalents			
Interest-bearing cash deposits	$ 1,621,590	$ 1,621,590	$ -
Certificates of deposit	437,987	437,987	-
Total cash and cash equivalents	2,059,577	2,059,577	-
Investments			
Money market funds	405,119	405,119	-
Equity securities	11,996,009	11,996,009	-
Fixed-income securties	6,913,746	6,913,746	-
Total investments	19,314,874	19,314,874	-
Interest rate swap agreement	38,616	-	38,616
Total assets at fair value	$ 21,413,067	$ 21,374,451	$ 38,616

The measurement of fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (*i.e.*, an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Fair value measurement establishes a three-level valuation hierarchy based upon observable and non-observable inputs.

NOTE 3 INVESTMENTS *(continued)*

Fair Value on a Recurring Basis *(continued)*

Assets and liabilities recorded at fair value in the consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The three levels of inputs defined by ASC 820 are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology 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.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The League's interest rate swap is observable at commonly quoted intervals for the full term of the swap and is, therefore, categorized as a Level 2 investment. For the interest swap to be in an asset position, the credit standing of the counterparty is analyzed and factored into the fair value measurement of the asset.

During 2019, the League invested in Auldbrass Partners Secondary Opportunity Fund II, L.P, a private equity fund (Fund), which is considered a Level 3 investment within the fair value hierarchy. The League's has an unfunded capital commitment of approximately $700,000.

The following table includes a rollforward of the amounts for the year ended December 31, 2019 for investments classified within Level 3. The classification of an investment within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

	Fair Value Measurements Using Level 3 Inputs
Balance at beginning of year	$ -
Purchases	285,896
Net investment income	41,067
Return of capital	(141,621)
Balance, at end of year	$ 185,342

NOTE 3 INVESTMENTS *(continued)*

Fair Value on a Recurring Basis *(continued)*

All net realized and unrealized gains and losses in the table are reflected in the accompanying consolidated statements of activities.

The following schedule summarizes the investment return and its classification in the consolidated statements of activities:

	2019	2018
Dividends and interest income	$ 382,097	$ 608,083
Net realized gains on sales of investments	1,875,516	875,461
Unrealized appreciation/(depreciation) of investments	1,379,738	(2,151,916)
Total investment return	$ 3,637,351	$ (668,372)
Current operations	$ 1,093,274	$ 1,129,890
Non-operating activity	2,544,077	(1,798,262)
Total investment return	$ 3,637,351	$ (668,372)

The dividends and interest income above are net of investment fees of $189,013 and $117,718 in 2019 and 2018, respectively.

Under the League's endowment spending policy in 2019 and 2018, 5% of the 12-month rolling average fair value of its long-term reserves was used to support current operations. The following schedule summarizes the classification of the investment return in the consolidated statements of activities in accordance with this policy:

	2019	2018
Gain on non-long-term reserves	$ 20,396	$ 13,191
Board-designated for current operations	1,072,878	1,116,699
Total designated for current operations	1,093,274	1,129,890
Investment return on long-term reserves	3,616,955	(681,563)
Board-designated for current operations	(1,072,878)	(1,116,699)
Non-operating investment return	2,544,077	(1,798,262)
Total investment return	$ 3,637,351	$ (668,372)

NOTE 4 GRANTS AND PLEDGES RECEIVABLE

The discount rate applied to contributions receivable in excess of one year consisted of the application of a current two-year Treasury bill rate at that time. Amounts due in more than one year were adjusted to fair value using present value techniques that assumed a discount rate of 1.58% in 2019. There were no receivables due in excess of one year in 2018. Grants and pledges receivable at December 31 are comprised of the following:

	2019	2018
Grant and contract receivables		
Less than one year	$ 5,371,232	$ 9,135,265
One to five years	2,175,000	-
Less: Fair value adjustment	(79,209)	-
Pledges receivable		
Pledges due in less than one year	1,964,857	4,550,424
	9,431,880	13,685,689
Less: Allowance for doubtful amounts	(100,000)	(100,000)
Total grants and pledges receivable, net	$ 9,331,880	$13,585,689

NOTE 5 FRANCHISE FEES RECEIVABLE

The League has agreements with several of its affiliates for the payment of fees in arrears. The agreements provide for installment payments over periods varying from one to three years.

	2019	2018
Gross franchise fees receivable	$ 2,091,802	$ 1,866,604
Less : Allowance for doubtful amounts	(1,450,000)	(1,050,000)
Net franchise fees receivable	$ 641,802	$ 816,604

NOTE 6 PROPERTY AND EQUIPMENT

At December 31, 2019 and 2018, property and equipment consisted of the following:

	2019		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Leasehold improvements	$ 4,090,468	$ 2,144,746	$ 1,945,722
Building	4,109,068	248,267	3,860,801
Furniture and fixtures	900,854	224,475	676,379
Equipment	725,157	586,319	138,838
Computer software	2,264,870	1,413,157	851,713
	12,090,417	4,616,964	7,473,453
Construction in progress	4,095,697	-	4,095,697
Total	$ 16,186,114	$ 4,616,964	$ 11,569,150

	2018		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Leasehold improvements	$ 4,047,648	$ 1,189,901	$ 2,857,747
Building	4,109,068	145,535	3,963,533
Furniture and fixtures	936,925	177,556	759,369
Equipment	854,240	543,137	311,103
Computer software	2,328,954	1,479,679	849,275
	12,276,835	3,535,808	8,741,027
Construction in progress	4,095,447	-	4,095,447
Total	$ 16,372,282	$ 3,535,808	$ 12,836,474

Depreciation and amortization expenses for 2019 and 2018 were $1,599,949 and $1,590,864, respectively.

NOTE 7 ACCRUED PENSION BENEFITS

The League sponsors a non-contributory defined contribution plan (the plan) and a defined benefit plan covering substantially all of its employees. The defined benefit plan was frozen to new entrants in 2002.

Contributions to the defined contribution plan are based on employees' annual compensation; expenses for 2019 and 2018 were $492,903 and $709,373, respectively.

The defined benefit plan provides benefits based on participants' earnings and years of service. Net periodic pension costs are determined using the projected-unit credit method in accordance with the provisions of financial accounting standards.

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

The following tables provide a reconciliation of benefit obligations, plan assets, and funded status of the plan:

	2019	2018
Change in benefit obligations		
Projected benefit obligations, beginning of year	$ 21,053,356	$ 22,310,239
Service cost	110,241	145,615
Interest cost	808,334	731,348
Actuarial (gain) loss	1,864,315	(888,152)
Benefit payments and settlements	(1,332,064)	(1,245,694)
Projected benefit obligations, end of year	22,504,182	21,053,356
Change in plan assets		
Fair value of plan assets, beginning of year	14,396,149	16,446,193
Actual return on plan assets (net of expenses)	2,884,885	(1,092,479)
Employer contributions	477,418	288,129
Benefit payments and settlements	(1,332,065)	(1,245,694)
Fair value of plan assets, end of year	16,426,387	14,396,149
Funded status	$ (6,077,795)	$ (6,657,207)

	2019	2018
Reconciliation of funded status		
Funded status	$ 6,077,795	$ 6,657,207
Actuarial (loss)	(9,390,347)	(10,207,828)
Accrued benefit (gain)	$ (3,312,552)	$ (3,550,621)

An employer is required to recognize the funded status of a benefit plan in its statement of financial position. Additionally, the gains or losses and prior service costs or credits that arise during the period, but are not recognized as components of net periodic benefit cost, must be recognized. Additional information about certain effects on net periodic benefit cost for the next fiscal year arising from the delayed recognition of the gains or losses, and transition assets or obligations must be disclosed in the notes to the consolidated financial statements.

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

In addition, the League's consolidated statement of financial position as of December 31, 2019 required a reduction of its liability associated with the defined benefit plan of $817,481 (actuarial gains or losses and prior service costs or credits that arise during 2019 but are not recognized as components of net periodic benefit cost). This decrease in liability was reflected as a decrease in the accrued pension cost and resulted in a corresponding increase in net assets without donor restrictions. The League's consolidated statement of financial position as of December 31, 2018 required an additional of its liability associated with the defined benefit plan of $493,415 (actuarial gains or losses and prior service costs or credits that arise during 2018 but are not recognized as components of net periodic benefit cost). This increase in liability was reflected as an increase in the accrued pension cost and resulted in a corresponding decrease in net assets without donor restrictions.

The accumulated benefit obligations for the defined benefit pension plan were $22,323,062 and $20,705,047 at December 31, 2019 and 2018, respectively.

	2019	2018
Components of net periodic benefit cost		
Service cost	$ 110,241	$ 145,614
Interest cost	808,334	731,348
Expected return on plan assets	(700,480)	(734,265)
Amortization of net obligation at transition		
Amortization of net actuarial loss	497,391	445,175
Net periodic benefit cost	$ 715,486	$ 587,872

Weighted-average assumptions used to determine benefit obligations as of December 31 are as follows:

	2019	2018
Additional information		
Discount rate	3.00%	4.00%
Rate of compensation increase	1.00%	2.00%

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

Weighted-average assumptions used to determine net periodic pension cost for the year ended December 31 are as follows:

	2019	**2018**
Discount rate	4.00%	3.40%
Expected return on plan assets	6.25%	5.75%
Rate of compensation increase	2.00%	2.00%

The League based its expected return on plan assets on a building block approach, determining risk-free asset return assumptions, and applying a weighted-average methodology to the proportion of plan assets in each applicable asset class.

The League's pension plan's weighted-average asset allocations at December 31, 2019 and 2018, by asset category, are as follows:

	2019	**2018**
Asset category		
Stocks and equity securities	52%	53%
Bonds	43	42
Insurance contracts	5	5
Total	100%	100%

Cash Flows

Pension Contributions – The League expects to contribute approximately $1,508,389 to its pension plan in 2020.

Estimated Future Pension Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	**Amount**
2020	$ 1,760,000
2021	1,630,000
2022	1,580,000
2023	1,530,000
2024	1,530,000
2025-2029	7,140,000

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

Plan Assets

The following table provides the fair value hierarchy of the plan's assets as of December 31, 2019:

	Assets at Fair Value as of December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Group pension contracts				
Insurance contracts	$ 763,167	$ -	$ -	$ 763,167
Investments at NAV				
Pooled separate accounts	15,663,220			
Total	$ 16,426,387			

The following table provides the fair value hierarchy of the Plan's assets as of December 31, 2018:

	Assets at Fair Value as of December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Group pension contracts				
Insurance contracts	$ 791,297	$ -	$ -	$ 791,297
Investments at NAV				
Pooled separate accounts	13,604,852			
Total	$ 14,396,149			

The following tables set forth a summary of changes in the value of the Plan's Level 3 investments for the years ended December 31, 2019 and 2018:

Group pension contracts - 2019	
Balance, at December 31, 2018	$ 791,297
Investment income	78,538
Payments and settlements	(106,668)
Balance, at December 31, 2019	$ 763,167

Group pension contracts - 2018	
Balance, at December 31, 2017	$ 940,103
Investment income	(41,128)
Payments and settlements	(107,678)
Balance, at December 31, 2018	$ 791,297

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

Plan Assets *(continued)*

The following is a description of the valuation techniques and inputs used for each major class of investments at fair value.

Commingled pooled separate accounts: The League opted to use the net asset value per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in pooled separate accounts. Assets within the separate accounts include various types of mutual funds, fixed maturity securities, equity securities, mortgage loans, derivatives, hedge funds, other limited partnerships interests, short-term investments, and cash and cash equivalents. There were no unfunded commitments on redemption restrictions associated with these investments.

Group pension contracts: Group pension contract funds are maintained at book value in investment year generations. The generations consist of "new money," which is equal to funds received in that calendar year, investment income credited for that year, minus disbursements from the account made during that year. Each generation is associated with investments made during that year. To determine the fair value of a generation, all of the investments held in that generation must be brought to the current value. Fair value is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Once the current value of the securities in each generation is determined, the percentage of the generation attributable to the contract is determined. The value of that percentage is the fair value. The total of all of the generations equals the fair market value of the entire contract fund.

NOTE 8 LONG-TERM DEBT

In August 2017, BB&T issued $4,250,000 in Revenue Bonds Series 2017 (2017 Bonds). The 2017 Bonds are tax exempt and bear interest, which is payable monthly at a rate of 3.3%. The 2017 Bonds mature on September 1, 2042.

Long-term debt consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Revenue bonds (gross)	$ 3,988,922	$ 4,107,089
Unamortized debt issuance costs	(124,968)	(130,734)
Long-term debt (net)	$ 3,863,954	$ 3,976,355

NOTE 8 LONG-TERM DEBT *(continued)*

The aggregate amounts of principal maturities for the next five years are as follows:

Year	Amount
2020	$ 121,950
2021	125,844
2022	129,861
2023	134,010
2024	138,294
2025-2042	3,338,963
Total	$ 3,988,922

Interest expense, including interest rate swap interest, was $154,672 and $151,126 for the years ended December 31, 2019 and 2018, respectively.

Amortization of debt issuance costs is included as an addition to interest expense on the consolidated statements of activities. The amortization of debt issuance costs was $5,767 for each of the years ended December 31, 2019 and 2018.

NOTE 9 INTEREST RATE SWAP AGREEMENT

The League has entered into an interest rate swap agreement with BB&T. Under the agreement, the League's original notional amount was $4,250,000, which equated to approximately 100% of the obligation under the 2017 Bonds. The notional amount at December 31, 2019 and 2018 was $3,988,922 and $4,107,089, respectively. Under the terms of the agreement, the floating rate was swapped into a fixed rate of 3.8125%, with a termination date of September 1, 2025. This mechanism is intended to allow the League to realize the potential benefit of a lower fixed rate. At December 31, 2019 and 2018, the agreement's estimated fair value was in an asset position of $111,246 and $38,616, respectively.

The League's intent is to reduce overall interest expense while maintaining an acceptance level of risk exposure to increases in interest rates. The League follows the Derivatives and Hedging Topic of the FASB ASC, which requires the League to recognize all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for the change in fair value (*i.e.,* gain or loss) of the derivative instrument is recognized in the consolidated statements of activities.

NOTE 9 INTEREST RATE SWAP AGREEMENT *(continued)*

Activity for the year ended December 31, 2019, for the interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	$ 38,616
Unrealized gain on interest rate swap	72,630
Fair value of interest rate swap asset, end of year	$ 111,246

Activity for the year ended December 31, 2018, for the interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	$ 17,056
Unrealized gain on interest rate swap	21,560
Fair value of interest rate swap asset, end of year	$ 38,616

NOTE 10 LINE OF CREDIT

In August 2017, the League entered into a loan agreement (the Agreement) with BB&T, whereby the bank provided the League with a revolving line of credit in the amount of $2,000,000. The loan bears an interest rate of 3.8125%. The line of credit is secured by all personal property of League, as defined in the Agreement.

The loan balance at December 31, 2019 and 2018 amounted to zero and $1,500,000, respectively. Interest expense in 2019 and 2018 amounted to $24,411 and $57,305, respectively.

The League is in compliance with the terms of the Agreement.

NOTE 11 DONATED SERVICES AND MATERIALS

NUL received total donated materials and services valued at $7,251,319 and $7,754,079 in 2019 and 2018, respectively. Included in the donated materials and services are $5,360,557 and $5,821,998 for its television airtime in 2019 and 2018, respectively; $151,000 for its airline fares in 2019; and $1,739,762 and $1,932,081 from affiliates for donated time for programmatic initiatives for 2019 and 2018, respectively.

NOTE 12 SPECIAL EVENTS

The League sponsored one special event: The Equal Opportunity Day Dinner in November.

For the years ended December 31, 2019 and 2018, total revenue and expenses related to the events were as follows:

	2019	2018
Special event-revenues (gross)	$ 1,431,772	$ 1,513,529
Special event-expenses (gross)	(462,729)	(500,043)
Net special event-revenue	$ 969,043	$ 1,013,486

Special events revenue and expenses are shown on the consolidated statements of activities as gross amounts.

NOTE 13 LEASES

Adoption of ASC Topic 842, *Leases*

In 2019, the Company adopted ASC Topic 842, *Leases* (Topic 842). The provisions were retroactively applied to 2018. There was no impact on beginning net assets or changes in net assets for the year ended December 31, 2018. As a result of the adoption, the League recognized as of December 31, 2019 and 2018 a lease liability of $3,850,085 and $5,743,652, respectively, which represents the present value of the remaining lease payments of $3,942,609 and $5,948,787, respectively, discounted using the League's estimated incremental borrowing of 2.4% per year and a right of use asset of $2,820,846 and $4,200,396, respectively, which represents the lease liability of $3,850,085 and $5,743,652, respectively, adjusted for deferred rent credit of $1,029,239 and $1,543,256, respectively.

Lease Recognition

The League determines if an arrangement is a lease or contains a lease at inception. The League has operating leases for office space and equipment with remaining lease terms of three years to five years. For leases with renewal options, the lease term is extended to reflect renewal options the League is reasonably certain to exercise. Operating lease assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. As most of the League's leases do not provide an implicit rate, the League estimates its incremental borrowing rate based on information available at the commencement date in determining the present value of future payments. Lease expense for net present value of payments is recognized on a straight-line basis over the lease term.

Lease expense of $1,124,978 and $1,064,569 in 2019 and 2018, respectively, is included in the consolidated statements of functional expenses.

NOTE 13 LEASES *(continued)*

Lease Recognition *(continued)*

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases - 2019	$ 1,638,997
Operating cash flows from operating leases - 2018	$ 1,611,963

Supplemental weighted information related to leases were as follows:

Operating leases weighted average remaining lease term in years - 2019	2 years
Operating leases weighted average remaining lease term in years - 2018	3 years
Operating leases weighted-average discount rate – 2019 and 2018	2.4%

Maturities of lease liabilities as of December 31, 2019 were as follows:

Year	Amount
2020	$ 1,994,482
2021	1,930,576
2022	17,551
Total lease payments	3,942,609
Less: Imputed interest	(92,524)
Total	$ 3,850,085

Operating Lease

In December 2016, NUL entered into a new lease for the New York office space, 80 Pine Street, from January 2017 until December 2021. The balance of $309,128 and $463,688 in deferred rent credits represents the unamortized balance of the rent waivers as of December 31, 2019 and 2018, respectively.

For the New York office, 80 Pine Street, annual future minimum rental payments and income under the lease and sublease with the United Negro College Fund are as follows:

Year	Rental Expense	Sublease Income
2020	$ 1,545,615	$ 135,000
2021	1,545,615	135,000

The New York office, 80 Pine Street, net rental expense for the years ended December 31, 2019 and 2018 was $1,031,592 and $998,490, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Contingencies

NUL is involved in several legal proceedings arising from the ordinary course of its business. Management believes that these legal proceedings will not have a material adverse effect on NUL's financial position, changes in net assets, or cash flows.

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follow:

	2019	2018
Subject to expenditures for a specific purpose		
Economic Empowerment	$ 3,981,242	$ 3,491,794
Building Fund	10,136,799	10,504,998
Education and Youth Empowerment	1,684,147	5,200,293
Civic Engagement/Leadership Empowerment	1,139,608	1,239,910
Health and Quality of Life Empowerment	26,155	80,221
Urban Empowerment Fund	-	108,345
Total purpose restricted	16,967,951	20,625,561
Subject to the passage of time		
Future periods	6,131,182	3,693,223
Endowment funds	2,950,268	406,191
Subtotal	26,049,401	24,724,975
Restrictions permanent in nature		
Permanent Development Fund	4,956,505	4,956,505
Breakthrough Campaign	14,762,433	14,762,433
Other	279,127	279,127
Subtotal	19,998,065	19,998,065
Total	$ 46,047,466	$ 44,723,040

Amounts subject to expenditures for specific purposes will be spent on activities or items prescribed by each donor.

NUL's endowment consists of funds received through separate fundraising campaigns established for several purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence, if any, of donor-imposed restrictions.

NOTE 16 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passages of time or other events specified by donors and/or the Board. The net assets released from restrictions are as follows:

	2019	2018
Specific passage of time		
Economic empowerment	$ 4,730,756	$ 6,152,728
Building fund	268,200	864,000
Education and Youth Empowerment	4,624,159	5,152,595
Civic Engagement/Leadership Empowerment	1,372,214	1,293,793
Health and Quality of Life Empowerment	196,003	582,538
Urban Empowerment Fund	300,573	410,823
Passage of time	3,065,871	2,195,707
Endowment funds	-	150,000
Total	$ 14,557,776	$ 16,802,184

NOTE 17 NET ASSETS WITHOUT DONOR RESTRICTIONS

During 2019, the League generated operating income without donor restrictions of $754,647. The net results of these activities increased the unrestricted undesignated net assets to $6,110,924. The League is also required to recognize net actuarial gain of $817,481 that came from its defined benefit pension plan during 2019 but were not recognized as components of net periodic pension cost. As a result, this caused the pension-related cost balance to be $(9,390,347) as of December 31, 2019.

During 2018, the League generated an operating loss without donor restrictions of $(1,094,481). The net results of these activities decreased the undesignated net assets without donor restrictions to $5,283,647. The League is also required to recognize net actuarial losses of $493,415 that came from its defined benefit pension plan during 2018 but were not recognized as components of net periodic pension cost. As a result, this caused the pension-related cost balance to be $(10,207,828) as of December 31, 2018.

NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES

The League's financial assets available within one year of the consolidated statements of financial position date for general expenditures, such as operating expenses, debt service and capital construction costs not financed with debt, were as follows:

	2019
Financial assets	
Cash and cash equivalents	$ 14,378,394
Investments	21,786,438
Grants and pledges receivable, net	9,331,880
Franchise fees receivable, net	641,802
Total financial assets available within one year	46,138,514
Liquidity resources	
Bank line of credit available	2,000,000
Total financial assets and liquidity resources available within one year	48,138,514
Less:	
Amounts unavailable for general expenditures within one year, due to	
Restricted by donors with purpose restrictions	(26,049,401)
Restricted by donors in perpetuity	(19,998,065)
Total amounts unavailable for general expenditures within one year	(46,047,466)
Net financial assets and liquidity resources available within one year	$ 2,091,048

As part of the League's liquidity management plan, the League structures its assets to be available as general expenditures, liabilities and other obligations become due. In addition, the League anticipates collecting sufficient revenue, averaging approximately $1,710,000 monthly, to cover general expenditures not covered by donor-restricted resources.

NOTE 19 ENDOWMENTS

NUL's endowments consist of funds received through separate fundraising campaigns established for several purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, the net assets associated with endowment funds are classified and reported based on the existence, if any, of donor-imposed restrictions.

NOTE 19 ENDOWMENTS *(continued)*

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which superseded the Statement of New York Uniform Management of Institutional Funds Act. NUL's Board of Directors has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NUL classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions until those amounts are appropriated for expenditure by NUL. NUL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;

(2) The purposes of the organization and the donor-restricted endowment fund;

(3) General economic conditions;

(4) The possible effect of inflation and deflation;

(5) The expected total return of income and the appreciation of investments;

(6) Other resources of the organization; and

(7) The investment policies of the organization.

NOTE 19 ENDOWMENTS *(continued)*

Endowment Net Asset Composition by Type of Fund

Changes in endowment net assets for the fiscal years ended December 31, 2019 and 2018 are as follows:

	2019 With Donor Restrictions	2018 With Donor Restrictions
Endowment net assets, beginning of year	$ 20,437,000	$ 22,385,260
Contributions	-	-
Investment return		
Investment income—		
Interest and dividends	361,701	594,894
Net appreciation (depreciation) of investments	3,255,254	(1,276,455)
Released from restriction-board approval	-	(150,000)
Board-approved appropriations		
Appropriation of endowment assets to current operations	(1,072,878)	(1,116,699)
Endowment net assets, end of year	$ 22,981,077	$ 20,437,000

Return Objectives and Risk Parameters

NUL has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that NUL must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board, the endowment assets will be diversified so as to minimize the risk of large losses, unless under particular circumstances it would prove unwise. Over the long term, the entire portfolio should increase the purchasing power of the assets and be organized to take into consideration the cash flow requirements and administration of NUL. Safety should be evaluated on an overall basis rather than for each individual investment.

A long-term investment objective has been set for a real return of at least 5% per year, net of fees, over inflation as measured by the Consumer Price Index. NUL seeks a total investment rate of return in excess of the rate of return of an investment in representative indices in the target allocation of the fund. The representative indices shall be as follows: The S&P 500 Stock Index for Large Cap Domestic Equity; the Russell 2000 for the Small Cap Domestic Equity; the MSCI All Country World Ex—U.S. Index for International Equities; and the Lehman Government/Credit Bond Index for fixed-income investments.

NOTE 19 ENDOWMENTS *(continued)*

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, NUL relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NUL targets a diversified asset allocation, placing a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

NUL has a policy of appropriating for distribution a percentage set each year of its endowment fund's average fair value over the prior 12 quarters through the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, NUL considered the long-term expected return on its endowment. Over the long term, NUL expects the current spending policy to allow its endowment to grow at an average of 5% annually. This policy is consistent with NUL's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as providing additional real growth through market results.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the endowment donors, in entirety or UPMIFA requires the League to retain as a fund of perpetual duration. Deficiencies of this nature exist for the entire endowment. As of December 31, 2018, the entire endowment had an original gift value of $19,998,065, a fair value of $19,314,874, and a deficiency of $683,191. This deficiency resulted from unfavorable market results that occurred in the 2018 calendar year. Continued appropriation for the annual
spending formula was deemed prudent by the Board. There was no such deficiency as of December 31, 2019.

NOTE 20 RELATED-PARTY TRANSACTIONS

Affiliates of the League are separately incorporated, non-profit organizations. Franchise fees are paid annually based on the budget size of the affiliates for an amount not to exceed $15,000. In 2019 and 2018, NUL recognized franchise fees of $902,500 and $907,500, respectively.

Subcontract payments are made by the League to affiliates for their services in carrying out specific projects. In 2019 and 2018, subcontract payments to affiliates totaled $20,006,687 and $22,000,418, respectively.

The League received $1,739,762 and $1,932,081 in donated services and materials from affiliates in 2019 and 2018, respectively.

NOTE 21 NEW MARKETS TAX CREDIT

On August 21, 2009, an agreement was signed between the League and Stonehenge Community Development LLC. The agreement enlists the consulting assistance of the League and its national network of affiliates in performing economic impact assessments for each Qualified Low-Income Community Investment (QLICI) under Stonehenge Community Development's New Market Tax Credits authority. For each QLICI, the League is paid an economic assessment consulting fee equal to 0.50% of the amount of each QLICI. The League received $21,427 and $350,354 in fees for the years ended December 31, 2019 and 2018, respectively.

NOTE 22 SUBSEQUENT EVENTS

The League evaluated its December 31, 2019 consolidated financial statements for subsequent events through the date the consolidated financial statements were available to be issued, which was on May 26, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, though such potential impact is unknown at this time. There were no other events that require recognition or additional disclosure in these financial statements.