

**NATIONAL URBAN LEAGUE, INC.**

**Consolidated Financial Statements  
For the Years Ended December 31, 2021 and 2020  
With Independent Auditor's Report**



**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER

**NATIONAL URBAN LEAGUE, INC.**  
Years Ended December 31, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
National Urban League, Inc.

### ***Opinion***

We have audited the consolidated financial statements of the National Urban League, Inc. and its affiliates (the League), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Urban League, Inc. and its affiliates as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the League, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

*Mitchell Titus, LLP*

June 30, 2022

**NATIONAL URBAN LEAGUE, INC.**  
Consolidated Statements of Financial Position  
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash, cash equivalents and restricted cash	\$ 61,625,604	\$ 32,292,228
Restricted cash deposit held in escrow	30,303,779	29,805,709
Funds held in escrow by others	1,950,744	13,825,976
Prepaid expenses and other assets	1,000,193	524,533
Grants and pledges receivable, net - current	27,880,314	18,733,694
Grants and pledges receivable, net - non-current	19,846,914	13,638,333
Franchise fees receivable, net	59,000	-
Investments	156,976,563	148,240,680
Loan receivable - NMTC	13,031,450	3,633,250
Loan receivable	250,000	-
Other assets	2,186,147	2,268,146
Interest rate swap agreement	125,913	279,747
Operating lease right of use assets	14,929,436	9,022,141
Property and equipment, net	33,908,134	15,101,250
<b>Total assets</b>	<u>\$ 364,074,191</u>	<u>\$ 287,365,687</u>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 8,419,523	\$ 4,821,169
Accrued payroll and vacation benefits	846,870	244,138
Accrued defined contribution costs	477,500	425,512
Contract advances and other deposits	1,148,823	344,570
Bonds payable (net of debt issuance costs of \$113,438 in 2021 and \$119,204 in 2020)	26,127,690	26,247,768
Loan payable - NMTC (net of debt issuance costs of \$1,749,587 in 2021 and \$634,143 in 2020)	16,400,413	4,365,857
Loan payable - bank (net of debt issuance costs of \$48,212 in 2021)	6,813,528	-
Loan payable-other	500,000	-
Operating lease liability	7,227,602	1,933,704
SBA loan, including interest of \$49,946	-	2,547,253
Accrued pension benefit costs	3,930,721	6,314,948
<b>Total liabilities</b>	<u>71,892,670</u>	<u>47,244,919</u>
<i>Net assets (deficit)</i>		
<i>Without donor restrictions</i>		
Undesignated	27,068,701	23,563,627
Board-designated	41,000,000	25,000,000
Pension-related	(8,617,110)	(10,616,602)
<b>Total without donor restrictions</b>	59,451,591	37,947,025
<b>With donor restrictions</b>	<u>232,729,930</u>	<u>202,173,743</u>
<b>Total net assets</b>	<u>292,181,521</u>	<u>240,120,768</u>
<b>Total liabilities and net assets</b>	<u>\$ 364,074,191</u>	<u>\$ 287,365,687</u>

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, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
<i>Revenue, gains, and other support</i>			
Government grants and contracts	\$ 22,656,858	\$ -	\$ 22,656,858
Donated materials, services and other assets	8,697,586	-	8,697,586
Contributions	4,884,119	57,189,316	62,073,435
Legacies and bequests	867,509	-	867,509
Special events	1,545,045	-	1,545,045
Program service fees	4,772,960	-	4,772,960
Franchise fees	202,000	-	202,000
Net investment return designated for current operations	1,082,162	-	1,082,162
Sale of publications	1,570	-	1,570
Other	488,731	125,486	614,217
<i>Net assets released from restrictions</i>			
Satisfaction of restrictions	29,460,313	(29,460,313)	-
Total revenue, gains, and other support	<u>74,658,853</u>	<u>27,854,489</u>	<u>102,513,342</u>
<b>OPERATING EXPENSES</b>			
<i>Program services</i>			
Economic empowerment	28,092,794	-	28,092,794
Education and youth empowerment	6,128,261	-	6,128,261
Civic engagement and leadership empowerment	14,912,875	-	14,912,875
Technical assistance to affiliates	3,334,793	-	3,334,793
Health and quality of life empowerment	7,141,656	-	7,141,656
Civil rights and racial justice empowerment	356,793	-	356,793
Urban empowerment	5,868	-	5,868
Total program services	<u>59,973,040</u>	<u>-</u>	<u>59,973,040</u>
<i>Supporting services</i>			
Management and general	8,468,927	-	8,468,927
Fundraising	5,105,231	-	5,105,231
Total expenses	<u>73,547,198</u>	<u>-</u>	<u>73,547,198</u>
Changes in net assets from operations	<u>1,111,655</u>	<u>27,854,489</u>	<u>28,966,144</u>
<b>NON-OPERATING ACTIVITIES</b>			
Board-designated contributions	9,720,531	-	9,720,531
PPP loan forgiveness	2,547,253	-	2,547,253
Net investment return net of amount designated for current operations	6,279,469	2,701,698	8,981,167
Loss in fair value of interest rate swap obligation	(153,834)	-	(153,834)
Pension-related changes other than net periodic pension costs	1,999,492	-	1,999,492
Total non-operating activities	<u>20,392,911</u>	<u>2,701,698</u>	<u>23,094,609</u>
Changes in net assets	21,504,566	30,556,187	52,060,753
Net assets, beginning of year	<u>37,947,025</u>	<u>202,173,743</u>	<u>240,120,768</u>
<b>Net assets, end of year</b>	<u>\$ 59,451,591</u>	<u>\$ 232,729,930</u>	<u>\$ 292,181,521</u>

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, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
<i>Revenue, gains, and other support</i>			
Government grants and contracts	\$ 16,293,891	\$ -	\$ 16,293,891
Donated materials and services	6,554,736	-	6,554,736
Contributions	7,074,922	175,301,771	182,376,693
Legacies and bequests	447,861	-	447,861
Special events	1,372,072	-	1,372,072
Program service fees	873,909	-	873,909
Franchise fees	-	-	-
Net investment return designated for current operations	1,671,893	-	1,671,893
Sale of publications	2,222	-	2,222
Other	282,164	-	282,164
<i>Net assets released from restrictions</i>			
Satisfaction of restrictions	20,022,124	(20,022,124)	-
Total revenue, gains, and other support	<u>54,595,794</u>	<u>155,279,647</u>	<u>209,875,441</u>
<b>OPERATING EXPENSES</b>			
<i>Program services</i>			
Economic empowerment	25,050,452	-	25,050,452
Education and youth empowerment	3,685,086	-	3,685,086
Civic engagement and leadership empowerment	7,611,428	-	7,611,428
Technical assistance to affiliates	4,443,480	-	4,443,480
Health and quality of life empowerment	587,770	-	587,770
Civil rights and racial justice empowerment	325,293	-	325,293
Urban empowerment	-	-	-
Total program services	<u>41,703,509</u>	<u>-</u>	<u>41,703,509</u>
<i>Supporting services</i>			
Management and general	7,223,956	-	7,223,956
Fundraising	4,852,455	-	4,852,455
Total expenses	<u>53,779,920</u>	<u>-</u>	<u>53,779,920</u>
Changes in net assets from operations	<u>815,874</u>	<u>155,279,647</u>	<u>156,095,521</u>
<b>NON-OPERATING ACTIVITIES</b>			
Board-designated contributions	41,468,328	-	41,468,328
PPP loan forgiveness			-
Net investment return net of amount designated for current operations	-	846,630	846,630
Gain in fair value of interest rate swap obligation	168,501	-	168,501
Pension-related changes other than net periodic pension costs	(1,226,255)	-	(1,226,255)
Total non-operating activities	<u>40,410,574</u>	<u>846,630</u>	<u>41,257,204</u>
Changes in net assets	41,226,448	156,126,277	197,352,725
Net assets (deficit), beginning of year	(3,279,423)	46,047,466	42,768,043
<b>Net assets, end of year</b>	<u>\$ 37,947,025</u>	<u>\$ 202,173,743</u>	<u>\$ 240,120,768</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 52,060,753	\$ 197,352,725
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Pension-related changes other than net periodic pension costs	(1,999,492)	1,226,255
Depreciation and amortization	1,726,419	1,590,065
Change in value donated assets	(46,204)	(4,871,802)
Amortization of debt issuance costs	134,631	5,767
Realized loss on write-off of fixed assets	-	894
Realized gain on sales of investments	(2,481,841)	(2,541,477)
Provision of uncollectible receivables	200,000	634,388
Unrealized (appreciation) depreciation of investments	(5,705,678)	433,757
Unrealized (gain) loss on interest rate swap agreement	153,834	(168,501)
PPP loan forgiveness	(2,547,253)	-
<i>Changes in operating assets and liabilities</i>		
Change in grants and pledges receivable - current	(9,320,620)	(9,031,979)
Change in grants and pledges receivable - non-current	(6,234,581)	(14,117,393)
Change in franchise fees receivable	(59,000)	116,639
Change in prepaid expenses and other assets	(475,660)	19,372
Change in operating lease right use asset, net	(5,855,223)	(3,597,639)
Change in accounts payable and accrued expenses	3,598,354	299,708
Change in accrued payroll and vacation benefits	602,732	(242,607)
Change in operating lease liability	5,293,898	(1,916,381)
Change in accrued pension benefit cost	(384,735)	(989,102)
Change in accrued defined contribution costs	51,988	(67,391)
Change in contract advances and other deposits	804,253	131,736
Net cash provided by operating activities	<u>29,516,575</u>	<u>164,267,034</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(20,533,303)	(3,982,954)
Loan disbursement	(250,000)	-
Proceeds from sales of investments	89,805,498	12,976,528
Purchases of investments	(90,353,862)	(137,323,050)
Net cash used in investing activities	<u>(21,331,667)</u>	<u>(128,329,476)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of revenue bonds	(125,844)	(121,953)
Repayment of loan	(238,260)	-
SBA PPP loan proceeds	-	2,497,307
Bond proceeds	11,875,232	8,674,024
Loan proceeds - NMTC	13,150,000	5,000,000
Loan issuance costs - NMTC	(1,242,521)	(634,143)
Loan disbursement - NMTC	(9,398,200)	(3,633,250)
Loan proceeds - bank and other	7,600,000	-
Loan issuance costs	(50,000)	-
Loan proceeds from donated assets	76,131	-
Net cash provided by financing activities	<u>21,646,538</u>	<u>11,781,985</u>
Net increase in cash, cash equivalents and restricted cash	29,831,446	47,719,543
Cash, cash equivalents and restricted cash, beginning of year	<u>62,097,937</u>	<u>14,378,394</u>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<u>\$ 91,929,383</u>	<u>\$ 62,097,937</u>
<b>SUPPLEMENTAL INFORMATION</b>		
<b>Interest paid</b>	<u>\$ 919,498</u>	<u>\$ 391,082</u>

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, 2021**

	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	\$ 2,176,954	\$ 1,050,409	\$ 2,861,738	\$ 1,083,014	\$ 443,810	\$ 168,124	\$ -	\$ 7,784,049	\$ 3,943,737	\$ 1,602,930	\$ 13,330,716
Payroll taxes and related benefits	581,903	268,459	756,969	277,252	105,632	30,509	-	2,020,724	993,893	432,305	3,446,922
Subcontract payments	20,218,705	2,366,889	32,400	904,672	1,596,630	-	-	25,119,296	-	-	25,119,296
Payments to organizations	1,269,440	-	-	-	-	-	-	1,269,440	-	-	1,269,440
Donated materials and services	1,721,628	-	6,975,958	-	-	-	-	8,697,586	-	-	8,697,586
Professional contract services	1,030,679	1,891,415	2,581,851	519,874	4,784,514	56,932	-	10,865,265	1,209,255	2,229,157	14,303,677
Supplies	29,047	20,064	90,972	13,948	8,422	4,004	-	166,457	54,681	16,974	238,112
Telephone	100,814	48,256	132,848	50,803	20,516	7,723	-	360,960	183,637	73,363	617,960
Occupancy	248,084	114,304	329,802	118,048	45,743	12,990	-	868,971	422,092	268,359	1,559,422
Commercial insurance	29,487	13,832	39,003	14,285	5,403	1,572	-	103,582	51,746	22,274	177,602
Postage and shipping	4,910	4,034	12,554	4,004	3,197	2,965	-	31,664	26,901	2,204	60,769
Printing, duplication, and artwork	2,713	1,326	9,645	14,603	824	596	-	29,707	4,997	3,001	37,705
Travel, conferences, and convention	43,447	38,403	160,956	107,731	46,625	36,174	-	433,336	305,962	30,405	769,703
Subscription and publication	20,323	33,450	220,265	18,246	3,474	1,647	-	297,405	32,983	35,851	366,239
Furniture and equipment	38,478	23,015	50,188	20,156	8,842	4,128	-	144,807	73,594	27,409	245,810
Awards and grants	552	60,750	-	-	-	-	-	61,302	-	-	61,302
Bad debt	-	-	-	-	-	-	-	-	200,000	-	200,000
Interest expense	31,843	14,938	42,119	15,427	5,835	1,698	-	111,860	57,917	151,133	320,910
Miscellaneous	89,732	61,389	284,781	51,559	16,360	14,397	5,868	524,086	452,591	20,931	997,608
Depreciation and amortization	454,055	117,328	330,826	121,171	45,829	13,334	-	1,082,543	454,941	188,935	1,726,419
<b>Total expenses</b>	<b>\$ 28,092,794</b>	<b>\$ 6,128,261</b>	<b>\$ 14,912,875</b>	<b>\$ 3,334,793</b>	<b>\$ 7,141,656</b>	<b>\$ 356,793</b>	<b>\$ 5,868</b>	<b>\$ 59,973,040</b>	<b>\$ 8,468,927</b>	<b>\$ 5,105,231</b>	<b>\$ 73,547,198</b>

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, 2020**

	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	\$ 1,943,823	\$ 937,480	\$ 1,785,203	\$ 780,517	\$ 248,590	\$ 160,246	\$ -	\$ 5,855,859	\$ 3,288,392	\$ 1,280,878	\$ 10,425,129
Payroll taxes and related benefits	587,300	265,865	521,879	218,576	60,987	31,707	-	1,686,314	903,496	385,890	2,975,700
Subcontract payments	16,281,872	1,641,706	566,500	2,749,255	100,000	-	-	21,339,333	-	-	21,339,333
Donated materials and services	1,233,706	-	376,778	-	-	-	-	1,610,484	72,450	25,000	1,707,934
Professional contract services	3,897,257	226,233	2,658,610	287,453	49,502	44,000	-	7,163,055	574,974	2,268,188	10,006,217
Supplies	43,045	59,508	160,149	9,938	3,154	2,132	-	277,926	46,667	22,377	346,970
Telephone	99,097	48,139	115,088	41,592	14,376	10,461	-	328,753	173,495	61,247	563,495
Occupancy	258,090	130,823	283,576	108,094	31,213	18,277	-	830,073	474,775	185,475	1,490,323
Commercial insurance	33,857	17,037	54,572	12,366	3,300	1,794	-	122,926	52,300	29,579	204,805
Postage and shipping	6,297	2,888	21,903	3,183	2,284	2,249	-	38,804	19,101	1,615	59,520
Printing, duplication, and artwork	2,225	22,967	8,255	2,872	833	815	-	37,967	4,079	276	42,322
Travel, conferences, and convention	72,352	52,038	90,085	42,482	19,616	19,259	-	295,832	140,799	25,016	461,647
Subscription and publication	12,346	17,057	203,555	11,682	1,415	1,020	-	247,075	32,563	37,087	316,725
Furniture and equipment	50,004	24,526	55,384	20,664	7,575	5,401	-	163,554	86,750	31,518	281,822
Awards and grants	-	56,250	-	-	-	-	-	56,250	-	-	56,250
Bad debt	-	-	-	-	-	-	-	-	634,388	-	634,388
Interest expense	38,799	18,127	35,540	14,903	3,977	2,162	-	113,508	67,968	26,311	207,787
Miscellaneous	190,702	24,428	399,837	24,793	10,233	9,072	-	659,065	141,649	268,774	1,069,488
Depreciation and amortization	299,680	140,014	274,514	115,110	30,715	16,698	-	876,731	510,110	203,224	1,590,065
<b>Total expenses</b>	<b>\$ 25,050,452</b>	<b>\$ 3,685,086</b>	<b>\$ 7,611,428</b>	<b>\$ 4,443,480</b>	<b>\$ 587,770</b>	<b>\$ 325,293</b>	<b>\$ -</b>	<b>\$ 41,703,509</b>	<b>\$ 7,223,956</b>	<b>\$ 4,852,455</b>	<b>\$ 53,779,920</b>

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

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

**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.

ULEC, LLC is in business solely to (a) own a leasehold interest in the property located at 121 West 125<sup>th</sup> 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 other affiliated entities for this activity are: ULEC NUL HQ Local Development Corporation, ULEC Retail LLC, and ULEC NUL Harlem Revitalize Local Development Corporation (ULEC Development Affiliates) and ULEC Leverage Inc. (ULEC Leverage).

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.

**NOTE 1 ORGANIZATION** *(continued)*

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

*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.

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, ULEC, ULEC Development Affiliates and ULEC Leverage. 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 18 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.

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

Consolidated Financial Statement Presentation *(continued)*

See Notes 16 and 17 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.

Reclassifications

Certain prior-year (2020) amounts have been reclassified to conform with the current-year (2021) presentation.

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, 2021 and 2020, were \$47,197,259 and \$18,625,679, 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), now Truist, 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, 2021 and 2020, restricted cash was \$1,000,000 and 500,000, respectively. This amount is included in cash, cash equivalents and restricted cash in the consolidated financial statements.

Restricted cash also includes \$9,720,531 of board designated funds at December 31, 2021.

Cash contractually required to be held in a separate account, in connection with NUL's new homesite development project, of \$30,303,779 and \$29,805,709 is separately reported as restricted cash held in escrow at December 31, 2021 and 2020, respectively, in the consolidated financial statements.

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:

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

Investments *(continued)*

*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.

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.

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

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.

*Allowance for Doubtful Accounts (continued)*

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.

*Grants and Pledges Receivable*

Grants and pledges receivable consist of amounts due from government agencies and unconditional promises received from donors, respectively. Grants receivables 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. For the 2020 calendar year, there were no assessments of franchise fees. However, for the 2021 calendar year, the League resumed the annual franchise fees billing.

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:

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



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

Property and Equipment *(continued)*

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, the League incurred and paid expenses related to the "future home" for its New York office. The League classifies these costs as construction in progress within property and equipment on the consolidated statements of financial position. Included in these costs are capitalized interest, net of investment income, on financing bond, incurred during construction/pre-construction. These costs will be amortized over the estimated useful life of the property and equipment once placed in service.

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 2021 and 2020.

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, 2021 and 2020, 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 \$3,930,721 and \$6,314,948, respectively.

Support and 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.

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

Support and Revenue Recognition *(continued)*

*Contributions (continued)*

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 were not been recorded as of December 31, 2021 and 2020, because such conditions were not met totaled \$2,516,781 and \$6,493,860, respectively.

*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.

*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.

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

Donated Materials, Services, Rent, and Other Assets

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.

Contributed financial assets, other than cash, are recorded at fair value as the date of the donation. Additionally, contributed financial assets, other than cash, are recorded at fair value as the date of the donation.

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 expenses, 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 airings of a specific advertisement. Advertising expenses of \$48,358 and \$318,301 in 2021 and 2020, 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, the excess or deficit from the application of the League’s endowment spending policy rate, Board-designated contributions and income from debt forgiveness.

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

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. ULEC and ULEC Development Affiliates are considered disregarded entities for tax purposes. Accordingly, no provision for Federal or state income taxes has been made in the accompanying consolidated financial statements.

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 that are currently in progress.

Management has analyzed the tax positions taken by the League and has concluded that as of December 31, 2021 and 2020, 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 2018.

Debt Issuance Costs

Debt issuance costs related to the revenue bonds and New Markets Tax Credits (NTMC) loan payable 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 debt is outstanding using the straight-line method, which approximates the effective interest method (see Notes 9 and 22).

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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.

Recent Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU provides new presentation and disclosure requirements about contributed nonfinancial assets for Not-for-Profit Entities, including additional disclosure requirements for recognized contributed services. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption of this ASU is permitted. The League is currently evaluating the effect of ASU 2020-07 on the League's consolidated financial statements and accompanying notes.

**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, 2021 and 2020:

	Assets at Fair Value as of December 31, 2021			
	Total	Level 1	Level 2	Level 3
<i>Cash and cash equivalents</i>				
Interest-bearing cash deposits	\$ 46,752,707	\$ 46,752,707	\$ -	\$ -
Certificates of deposit	444,552	444,552	-	-
Total cash and cash equivalents	47,197,259	47,197,259	-	-
<i>Investments</i>				
Money market funds	5,858,713	5,858,713	-	-
Equity securities	38,734,661	38,734,661	-	-
Fixed-income securities	108,063,401	108,063,401	-	-
Partnership investment at fair value	4,319,788	-	-	4,319,788
Total investments	156,976,563	152,656,775	-	4,319,788
Interest rate swap agreement	125,913	-	125,913	-
<b>Total assets at fair value</b>	<b>\$ 157,102,476</b>	<b>\$ 152,656,775</b>	<b>\$ 125,913</b>	<b>\$ 4,319,788</b>

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

**NOTE 3 INVESTMENTS** *(continued)*

Fair Value on a Recurring Basis *(continued)*

	Assets at Fair Value as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
<i>Cash and cash equivalents</i>				
Interest-bearing cash deposits	\$ 18,181,203	\$ 18,181,203	\$ -	\$ -
Certificates of deposit	444,476	444,476	-	-
Total cash and cash equivalents	18,625,679	18,625,679	-	-
<i>Investments</i>				
Money market funds	8,739,164	8,739,164	-	-
Equity securities	32,369,678	32,369,678	-	-
Fixed-income securities	105,647,489	105,647,489	-	-
Partnership investment at fair value	1,484,349	-	-	1,484,349
Total investments	148,240,680	146,756,331	-	1,484,349
Interest rate swap agreement	279,747	-	279,747	-
<b>Total assets at fair value</b>	<b>\$ 148,520,427</b>	<b>\$ 146,756,331</b>	<b>\$ 279,747</b>	<b>\$ 1,484,349</b>

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.

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 Accounting Standards Codification (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 has an unfunded capital commitment of approximately \$166,871 as of December 31, 2021.

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

**NOTE 3 INVESTMENTS** *(continued)*

Fair Value on a Recurring Basis *(continued)*

During 2020, the League invested in Orangewood Partners II, L.P, a private equity fund (Fund), which is considered a Level 3 investment within the fair value hierarchy. The League has an unfunded capital commitment of approximately \$1,241,746 as of December 31, 2021.

During 2021, the League invested in Auldbrass Partners Secondary Opportunity Fund III, L.P, a private equity fund (Fund), which is considered a Level 3 investment within the fair value hierarchy. The League has an unfunded capital commitment of approximately \$1,739,207 as of December 31, 2021.

During 2021, the League invested in Metropolitan VII, a private equity fund (Fund), which is considered a Level 3 investment within the fair value hierarchy. The League has an unfunded capital commitment of approximately \$1,000,000 as of December 31, 2021.

During 2021, the League invested in NMS IV, a private equity fund (Fund), which is considered a Level 3 investment within the fair value hierarchy. The League has an unfunded capital commitment of approximately \$1,447,138 as of December 31, 2021.

The following table includes a roll-forward of the amounts for the year ended December 31, 2021, 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.

	<b>Private Equity Funds</b>	
	<b>2021</b>	<b>2020</b>
Balance of recurring Level 3 assets at January 1	\$ 1,484,349	\$ 185,342
Purchases	2,717,303	556,582
Unrealized (loss)/gain	(13,896)	500,190
Realized gain	714,413	541,317
Investment loss	(109,293)	(211,693)
Return of capital	(473,088)	(87,389)
<b>Balance of recurring Level 3 assets at December 31</b>	<b>\$ 4,319,788</b>	<b>\$ 1,484,349</b>

There were no transfers in and out of Level 3 assets.

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

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
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**NOTE 3 INVESTMENTS** *(continued)*

Fair Value on a Recurring Basis *(continued)*

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

	<u>2021</u>	<u>2020</u>
Dividends and interest income	\$ 1,875,810	\$ 410,803
Net realized gains on sales of investments	2,481,841	2,541,477
Unrealized appreciation/(depreciation) of investments	<u>5,705,678</u>	<u>(433,757)</u>
<b>Total investment return</b>	<b><u>\$ 10,063,329</u></b>	<b><u>\$ 2,518,523</u></b>
Current operations	\$ 1,082,162	\$ 1,671,893
Non-operating activity	<u>8,981,167</u>	<u>846,630</u>
<b>Total investment return</b>	<b><u>\$ 10,063,329</u></b>	<b><u>\$ 2,518,523</u></b>

The dividends and interest income above are net of investment fees of \$583,300 and \$194,817 in 2021 and 2020, respectively.

Under the League's endowment spending policy in 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Gain on non-long-term reserves	\$ 28,078	\$ 579,299
Board-designated for current operations	<u>1,054,084</u>	<u>1,092,594</u>
Total designated for current operations	<u>1,082,162</u>	<u>1,671,893</u>
Investment return on long-term reserves	10,035,251	1,939,224
Board-designated for current operations	<u>(1,054,084)</u>	<u>(1,092,594)</u>
Non-operating investment return	<u>8,981,167</u>	<u>846,630</u>
<b>Total investment return</b>	<b><u>\$ 10,063,329</u></b>	<b><u>\$ 2,518,523</u></b>



**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

**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 0.73% and 1.58% in 2021 and 2020, respectively. Grants and pledges receivable at December 31 are comprised of the following:

	<u>2021</u>	<u>2020</u>
<i>Grant and contract receivables</i>		
Less than one year	\$25,221,085	\$14,403,211
One to five years	20,291,667	13,638,333
Less: Fair value adjustment	(444,753)	-
<i>Pledges receivable</i>		
Pledges due in less than one year	<u>2,763,229</u>	<u>4,460,483</u>
	47,831,228	32,502,027
Less: Allowance for doubtful amounts	<u>(104,000)</u>	<u>(130,000)</u>
<b>Total grants and pledges receivable, net</b>	<u><u>\$47,727,228</u></u>	<u><u>\$32,372,027</u></u>

**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.

	<u>2021</u>	<u>2020</u>
Gross franchise fees receivable	\$ 82,500	\$ 1,975,163
Less : Allowance for doubtful amounts	<u>(23,500)</u>	<u>(1,975,163)</u>
<b>Net franchise fees receivable</b>	<u><u>\$ 59,000</u></u>	<u><u>\$ -</u></u>

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

**NOTE 6 PROPERTY AND EQUIPMENT**

At December 31, 2021 and 2020, property and equipment consisted of the following:

	<b>2021</b>		
	<b>Cost</b>	<b>Accumulated Depreciation and Amortization</b>	<b>Net Book Value</b>
Leasehold improvements	\$ 4,122,728	\$ 4,093,980	\$ 28,748
Building	4,109,068	453,716	3,655,352
Furniture and fixtures	966,648	411,370	555,278
Equipment	901,620	739,633	161,987
Computer software	3,106,417	2,206,151	900,266
	13,206,481	7,904,850	5,301,631
Construction in progress	28,606,503	-	28,606,503
<b>Total</b>	<b>\$ 41,812,984</b>	<b>\$ 7,904,850</b>	<b>\$ 33,908,134</b>

  

	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated Depreciation and Amortization</b>	<b>Net Book Value</b>
Leasehold improvements	\$ 4,121,133	\$ 3,124,435	\$ 996,698
Building	4,109,068	350,984	3,758,084
Furniture and fixtures	960,794	315,694	645,100
Equipment	747,938	699,488	48,450
Computer software	2,593,247	1,705,303	887,944
	12,532,180	6,195,904	6,336,276
Construction in progress	8,764,974	-	8,764,974
<b>Total</b>	<b>\$ 21,297,154</b>	<b>\$ 6,195,904</b>	<b>\$ 15,101,250</b>

Depreciation and amortization expenses for 2021 and 2020 were \$1,726,419 and \$1,590,065, respectively.

**NOTE 7 DEVELOPMENT PROJECT**

In 2020, the League (in conjunction with its ULEC Development Affiliates) entered into a development agreement with 125 W. 125 Developer LLC (125, LLC) to develop a New York State-owned parking garage in Harlem into a 414,000 square foot state-of-the-art mixed-use project totaling \$242 million. The development is comprised of the headquarters and conference center for the League, a Museum of Urban Civil Rights (the first Civil Rights museum in New York State), office space, retail, community facility space, and affordable housing. The League's headquarters, conference center and museum will be directly owned and operated by NUL or affiliates of NUL.

**NOTE 7      DEVELOPMENT PROJECT** *(continued)*

As part of the closing transaction, the League entered into a bridge loan agreement with Goldman Sachs to borrow, if needed, up to \$29,799,979 (the "Agreement") to finance a portion of actual costs of the project. These funds will be used to support construction and development costs for the project. This loan is collateralized by the assignment of certain leases and rents. Cash deposits held in escrow pursuant to the agreement totaled \$20,096,481 and \$25,434,852, as of December 31, 2021 and 2020, respectively. These amounts are included in restricted cash held in escrow in the consolidated statements of financial position.

The League entered into a ground lease with New York State Urban Development Corporation d/b/a Empire State Development (ESD), to lease the land upon with the mixed-use space will be developed. Construction began in 2020, and the League expects to occupy the new headquarters by 2025.

As part of the closing transaction, the New York Housing Finance Agency (NYHFA) provided, if needed, up to \$22,500,000 as proceeds from NYHFA-issued Section 501(c)(3) bonds to finance a portion of actual costs of the project. These funds will be used to support construction and development costs for the project. The League has a balloon payment in five (5) years, equal to the balance of the proceeds received. As of December 31, 2021 and 2020, \$20,549,256 and \$8,674,024, respectively, of the funds were approved to the League for related incurred costs. As of December 31, 2021 and 2020, the remaining balance of \$1,950,744 and \$13,825,976, respectively, is held at Bank of New Mellon by NYHFA in trust for the project waiting to be requisitioned.

**NOTE 8      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 2021 and 2020 were \$477,500 and \$425,512, respectively.

The 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.

**NATIONAL URBAN LEAGUE, INC.**  
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**NOTE 8 ACCRUED PENSION BENEFITS** *(continued)*

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

	<u>2021</u>	<u>2020</u>
<b>Change in benefit obligations</b>		
<i>Projected benefit obligations, beginning of year</i>	\$ 24,152,021	\$ 22,504,182
Service cost	99,675	77,236
Interest cost	500,886	648,725
Actuarial (gain) loss	(1,033,774)	2,422,058
Other	(150,203)	-
Benefit payments and settlements	<u>(1,451,079)</u>	<u>(1,500,180)</u>
Projected benefit obligations, end of year	<u>22,117,526</u>	<u>24,152,021</u>
<b>Change in plan assets</b>		
<i>Fair value of plan assets, beginning of year</i>	17,837,073	16,426,387
Actual return on plan assets (net of expenses)	1,074,406	1,593,289
Employer contributions	726,405	1,317,577
Benefit payments and settlements	<u>(1,451,079)</u>	<u>(1,500,180)</u>
Fair value of plan assets, end of year	<u>18,186,805</u>	<u>17,837,073</u>
<b>Funded status</b>	<u>\$ (3,930,721)</u>	<u>\$ (6,314,948)</u>
	<u>2021</u>	<u>2020</u>
<i>Reconciliation of funded status</i>		
Funded status	\$ (3,930,721)	\$ 6,314,948
Actuarial (loss)	<u>8,617,110</u>	<u>(10,616,602)</u>
<b>Accrued benefit (loss)</b>	<u>\$ 4,686,389</u>	<u>\$ (4,301,654)</u>

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.

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
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**NOTE 8 ACCRUED PENSION BENEFITS** *(continued)*

In addition, the League's consolidated statement of financial position as of December 31, 2021, required a decrease of its liability associated with the defined benefit plan of \$1,999,942 (actuarial gains or losses and prior service costs or credits that arise during 2021 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, 2020, required an increase of its liability associated with the defined benefit plan of \$1,226,255 (actuarial gains or losses and prior service costs or credits that arise during 2020 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 \$22,117,526 and \$23,956,057 at December 31, 2021 and 2020, respectively.

	<u>2021</u>	<u>2020</u>
<i>Components of net periodic benefit cost</i>		
Service cost	\$ 99,675	\$ 77,236
Interest cost	500,886	648,725
Expected return on plan assets	(781,934)	(836,324)
Amortization of net actuarial loss	<u>523,048</u>	<u>438,840</u>
<b>Net periodic benefit cost</b>	<b><u>\$ 341,675</u></b>	<b><u>\$ 328,477</u></b>

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

	<u>2021</u>	<u>2020</u>
<i>Additional information</i>		
Discount rate	2.55%	2.15%
Rate of compensation increase	1.00%	1.00%

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

	<u>2021</u>	<u>2020</u>
Discount rate	2.15%	3.00%
Expected return on plan assets	5.50%	6.25%
Rate of compensation increase	1.00%	1.00%

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
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**NOTE 8 ACCRUED PENSION BENEFITS** *(continued)*

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, 2021 and 2020, by asset category, are as follows:

	2021	2020
<i>Asset category</i>		
Stocks and equity securities	0%	58%
Bonds	96.6	38
Insurance contracts	3.4	4
<b>Total</b>	100%	100%

Cash Flows

*Pension Contributions* – The League contributed \$5,500,000 in 2022 in anticipation of the termination of the plan. See Notes 24 and 26.

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

Year	Amount
2022	\$ 1,680,000
2023	1,560,000
2024	1,570,000
2025	1,560,000
2026	1,500,000
2027-2030	6,910,000

Plan Assets

The following table provides the fair value hierarchy of the plan's assets as of December 31, 2021:

	Assets at Fair Value as of December 31, 2021			
	Total	Level 1	Level 2	Level 3
<i>Group pension contracts</i>				
Insurance contracts	\$ 622,199	\$ -	\$ -	\$ 622,199
<i>Investments at NAV</i>				
Pooled separate accounts	17,564,606			
<b>Total</b>	\$ 18,186,805			

**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
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**NOTE 8 ACCRUED PENSION BENEFITS** *(continued)*

Plan Assets *(continued)*

The following table provides the fair value hierarchy of the plan's assets as of December 31, 2020:

	Assets at Fair Value as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
<i>Group pension contracts</i>				
Insurance contracts	\$ 695,661	\$ -	\$ -	\$ 695,661
<i>Investments at NAV</i>				
Pooled separate accounts	17,141,412			
<b>Total</b>	<b>\$ 17,837,073</b>			

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, 2021 and 2020:

Group pension contracts - 2020

Balance, at December 31, 2019	\$ 763,167
Investment income	33,555
Payments and settlements	(101,061)
<b>Balance, at December 31, 2020</b>	<b>\$ 695,661</b>

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.

**NATIONAL URBAN LEAGUE, INC.**  
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**NOTE 9 BONDS PAYABLE**

Revenue Series Bonds Series 2017

In August 2017, BB&T, now Truist, 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 2.0%. The 2017 Bonds mature on September 1, 2042.

Long-term debt on the 2017 Bonds consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenue bonds (gross)	\$ 3,741,128	\$ 3,866,972
Unamortized debt issuance costs	<u>(113,438)</u>	<u>(119,204)</u>
<b>Long-term debt (net)</b>	<b><u>\$ 3,627,690</u></b>	<b><u>\$ 3,747,768</u></b>

Interest expense, including interest rate swap interest, on the 2017 Bonds was \$145,444 and \$100,559 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

New York Housing Finance Agency Bonds

As described in Note 7, the NYHFA will provide, if needed, up to \$22,500,000 as proceeds from NYHFA-issued Section 501(c)(3) bonds to finance a portion of actual costs of the development project. The League has a balloon payment in five (5) years, equal to the balance of the proceeds received and pays interest at a rate of 2.5% per year. Total bond proceeds drawdown as of December 31, 2021 and 2020 were \$20,549,256 and \$8,674,024, respectively. As of December 31, 2021 and 2020, the remaining balance of \$1,950,744 and \$13,825,976, respectively, is held at Bank of New Mellon by NYHFA in trust for the project waiting to be requisitioned. Interest costs on the bonds, which have been capitalized during the construction/pre-construction period, was \$562,500 and \$282,812 for the years ended December 31, 2021 and 2020, respectively, toward the \$22,500,000 bonds.



**NATIONAL URBAN LEAGUE, INC.**  
Notes to Consolidated Financial Statements  
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**NOTE 9 BONDS PAYABLE** *(continued)*

New York Housing Finance Agency Bonds *(continued)*

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

<u>Year</u>	<u>Amount</u>
2022	\$ 129,861
2023	134,010
2024	138,294
2025	22,642,719
2026-2042	<u>3,196,244</u>
<b>Total</b>	<b><u>\$ 26,241,128</u></b>

**NOTE 10 INTEREST RATE SWAP AGREEMENT**

The League has entered into two interest rate swap agreements with Truist.

Under the first 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, 2021 and 2020, was \$3,741,128 and \$3,866,972, 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, 2021 and 2020, the agreement's estimated fair value was in an asset position of \$125,913 and \$279,747, respectively.

Activity for the year ended December 31, 2021, under the first interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	\$ 279,747
Unrealized (loss) on interest rate swap	<u>(150,129)</u>
<b>Fair value of interest rate swap asset, end of year</b>	<b><u>\$ 129,618</u></b>

Activity for the year ended December 31, 2020, for the interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	\$ 111,246
Unrealized gain on interest rate swap	<u>168,501</u>
<b>Fair value of interest rate swap asset, end of year</b>	<b><u>\$ 279,747</u></b>

**NATIONAL URBAN LEAGUE, INC.**  
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**NOTE 10 INTEREST RATE SWAP AGREEMENT** *(continued)*

Under the second agreement with Truist entered into during 2021, the League’s original notional amount was a \$7,100,000 loan. The loan balance at December 31, 2021 was \$6,861,740. Under the terms of the agreement, the floating rate was swapped into a fixed rate of 2.1000%, with a termination date of September 15, 2028. This mechanism is intended to allow the League to realize the potential benefit of a lower fixed rate. At December 31, 2021, the agreement’s estimated fair value was in a liability position of \$3,705.

Activity for the year ended December 31, 2021, under the second interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	\$ -
Unrealized (loss) on interest rate swap	<u>(3,705)</u>
<b>Fair value of interest rate swap asset, end of year</b>	<b><u><u>\$ (3,705)</u></u></b>

**NOTE 11 LINE OF CREDIT**

In August 2017, the League entered into a loan agreement (the Agreement) with Truist, 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 the League, as defined in the Agreement.

The loan balance at December 31, 2021 and 2020, amounted to zero, respectively. Interest expense in both 2021 and 2020 amounted to zero.

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

**NOTE 12 DONATED ASSETS, SERVICES AND MATERIALS**

During 2020, the League received donations from Morgan Stanley in the form of the assignment of rights associated with loans receivable totaling \$2,268,146. The donation consisted of a \$1,687,000 loan receivable from the Capital Access Fund of Cleveland (CAFC), and a \$581,146 loan receivable from the NDC Community Impact Loan Fund of Broward County, Florida (NDC). These amounts are included in other assets on the consolidated statement of financial position. During 2021, a total of \$76,131 in principal payments were received toward the NDC. In addition, its value was reduced by \$5,868. Therefore, the NDC balance as of December 31, 2021 was \$499,147. As of December 31, 2021 and 2020, the Morgan Stanley other assets balance is \$2,186,147 and \$2,268,146, respectively.

During 2021 and 2020, the League also received donated contributions related to a ground lease valued at \$2,595,123 and \$2,603,656, respectively, as described in Note 14.

**NATIONAL URBAN LEAGUE, INC.**  
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**NOTE 12 DONATED ASSETS, SERVICES AND MATERIALS** *(continued)*

NUL received total donated materials and services valued at \$8,697,586 and \$1,682,934 in 2021 and 2020, respectively. Included in the donated materials and services are \$6,975,958 and \$376,778 for its television airtime in 2021 and 2020, respectively; zero and \$72,450 for its airline fares in 2021 and 2020, respectively; and \$1,721,628 and \$1,233,706 from affiliates for donated time for programmatic initiatives for 2021 and 2020, respectively.

**NOTE 13 SPECIAL EVENTS**

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

For the years ended December 31, 2021 and 2020, total revenue and expenses related to the event were as follows:

	<u>2021</u>	<u>2020</u>
Special event-revenues (gross)	\$ 1,545,045	\$ 1,372,072
Special event-expenses (gross)	<u>(254,617)</u>	<u>(216,257)</u>
<b>Net special event-revenue</b>	<u>\$ 1,290,428</u>	<u>\$ 1,155,815</u>

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

**NOTE 14 LEASES**

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.

**NATIONAL URBAN LEAGUE, INC.**  
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**NOTE 14 LEASES** *(continued)*

Lease Recognition *(continued)*

In connection with office and equipment leases, the League recognized as of December 31, 2021 and 2020, a lease liability of \$7,227,602 and \$1,933,704, respectively, which represents the present value of the remaining lease payments of \$7,161,121 and \$1,957,113, respectively, discounted using the League's estimated incremental borrowing of 2.4% per year and a right of use asset of \$7,410,070 and \$1,418,485, respectively, which represents the lease liability of \$7,410,070 and \$1,933,704, respectively, adjusted for deferred rent credit of zero and \$515,219, respectively.

Lease expense of \$1,099,537 and \$1,122,796 in 2021 and 2020, respectively, is included in the consolidated statements of functional expenses.

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 - 2021	\$ 1,797,225
Operating cash flows from operating leases - 2020	\$ 1,636,815

*Supplemental weighted information related to leases is as follows:*

Operating leases weighted-average remaining lease term in years - 2021	3.5 years
Operating leases weighted-average remaining lease term in years - 2020	1 year
Operating leases weighted-average discount rate - 2021 and 2020	2.4%

Maturities of lease liabilities as of December 31, 2021, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 2,026,118
2023	2,208,616
2024	2,208,616
2025	<u>1,104,337</u>
Total lease payments	7,547,687
Less: Imputed interest	<u>320,085</u>
<b>Total</b>	<b><u>\$ 7,227,602</u></b>

*Office Lease*

NUL is expected to generate sublease income of \$135,000 each year from its office lease through 2024 and \$67,500 in 2025.

**NATIONAL URBAN LEAGUE, INC.**  
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**NOTE 14 LEASES** *(continued)*

Lease Recognition *(continued)*

*Office Lease (continued)*

The New York office, 80 Pine Street, net rental expense for the years ended December 31, 2021 and 2020, was \$1,030,394 and \$1,031,592, respectively.

*Ground Lease*

The League entered into an operating ground lease agreement (the Ground Lease), dated July 22, 2020, with New York State Urban Development Corporation d/b/a ESD as described in Note 7. The Ground Lease terminates in 2115.

During 2020, the League made a prepayment of all rent due under the lease in the amount of \$5,000,000. The appraised fair value of the ground lease rental was determined to be \$11,000,000. The difference between the fixed rent and the determined fair value of ground lease rental as of the date of the donation was \$6,000,000. The total value of the right-to-use asset of \$7,519,366 associated with the ground lease includes the prepayment of \$4,924,243 and the present value (at assumed discount rate of 2%) of the contribution receivable of \$2,595,123 as of December 31, 2021. The total value of the right-to-use asset of \$7,603,656 associated with the ground lease includes the prepayment of \$5,000,000 and the present value (at assumed discount rate of 2%) of the contribution receivable of \$2,603,656 as of December 31, 2020.

The components of the contributed rent receivable are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Contributed (rent) receivable due in less than 1 year	\$ 60,606	\$ 60,606
Contributed (rent) receivable due from 2 - 5 years	303,030	303,030
Contributed (rent) receivable due from 6 - 98 years	<u>5,575,758</u>	<u>5,636,364</u>
	5,939,394	6,000,000
Present value adjustment	<u>(3,344,271)</u>	<u>(3,396,344)</u>
<b>contributed rent receivable (net)</b>	<u><u>\$ 2,595,123</u></u>	<u><u>\$ 2,603,656</u></u>

**NATIONAL URBAN LEAGUE, INC.**  
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**NOTE 15 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 16 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
<i>Subject to expenditures for a specific purpose</i>		
Economic Empowerment	\$ 135,320,848	\$ 129,952,190
Building Fund	34,655,434	18,509,899
Education and Youth Empowerment	13,222,903	11,654,588
Civic Engagement/Leadership	2,599,125	2,581,916
Urban Empowerment Fund	2,262,200	-
Health and Quality of Life Empowerment	957,959	457,375
Total purpose restricted	<u>189,018,469</u>	<u>163,155,968</u>
<i>Subject to the passage of time</i>		
Future periods	17,214,800	15,222,812
Endowment funds	6,498,596	3,796,898
Subtotal	<u>212,731,865</u>	<u>182,175,678</u>
<i>Restrictions permanent in nature</i>		
Permanent Development Fund	4,956,505	4,956,505
Breakthrough Campaign	14,762,433	14,762,433
Other	279,127	279,127
Subtotal	<u>19,998,065</u>	<u>19,998,065</u>
<b>Total</b>	<u>\$ 232,729,930</u>	<u>\$ 202,173,743</u>

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.

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**NOTE 17 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:

	<u>2021</u>	<u>2020</u>
<i>Specific passage of time</i>		
Economic empowerment	\$ 12,937,567	\$ 10,297,941
Building fund	504,465	230,556
Education and Youth Empowerment	5,087,303	2,389,252
Civic Engagement/Leadership		
Empowerment	707,968	1,352,452
Health and Quality of Life Empowerment	688,099	138,222
Urban Empowerment Fund	5,868	-
Passage of time	<u>9,529,043</u>	<u>5,613,701</u>
<b>Total</b>	<u>\$ 29,460,313</u>	<u>\$ 20,022,124</u>

**NOTE 18 NET ASSETS WITHOUT DONOR RESTRICTIONS**

During 2021, the League generated operating income without donor restrictions of \$1,111,655. The net results of these activities increased the unrestricted undesignated net assets to \$10,600,373. The League is also required to recognize net actuarial gains of \$1,999,492 that came from its defined benefit pension plan during 2021 but were not recognized as components of net periodic pension cost. As a result, this caused the pension-related cost balance to be \$(8,617,110) as of December 31, 2021.

During 2020, the League generated an operating income without donor restrictions of \$815,874. The net results of these activities increased the undesignated net assets to \$7,095,299. The League is also required to recognize net actuarial gain of \$1,226,255 that came from its defined benefit pension plan during 2020 but were not recognized as components of net periodic pension cost. As a result, this caused the pension-related cost balance to be \$(10,616,602) as of December 31, 2020.

During 2021, contributions and investment income without donor restrictions totaling \$16,000,000 were designated for future use by the Board (Board-designated funds). During 2020, it was determined that net assets without donor restrictions of \$41,468,328 would be classified as Board-designated funds. Also, during 2020, \$16,468,328 was used to fund a required escrow deposit.

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**NOTE 19 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:

	<u>2021</u>	<u>2020</u>
<i>Financial assets</i>		
Cash, cash equivalents and restricted cash	\$ 61,625,604	\$ 32,292,228
Investments	156,976,563	148,240,680
Funds held in escrow by others	1,950,744	13,825,976
Cash deposits in escrow	7,442,122	540,171
Grants and pledges receivables, net - current	19,846,914	18,733,694
Grants and pledges receivables, net - non-current	27,880,314	13,638,333
Franchise fees receivable, net	59,000	-
Total financial assets available	<u>275,781,261</u>	<u>227,271,082</u>
<i>Liquidity resources</i>		
Bank line of credit available	<u>2,000,000</u>	<u>2,000,000</u>
Total financial assets and liquidity resources available	<u>277,781,261</u>	<u>229,271,082</u>
<i>Less:</i>		
<i>Amounts unavailable for general expenditures within one year, due to</i>		
Restricted - Board Designated	(41,000,000)	(24,841,071)
Restricted by donors with purpose restrictions	(160,414,581)	(159,369,633)
Restricted by donors in perpetuity	<u>(19,998,065)</u>	<u>(19,998,065)</u>
Total amounts unavailable for general expenditures within one year	<u>(221,412,646)</u>	<u>(204,208,769)</u>
<b>Net financial assets and liquidity resources available within one year</b>	<u>\$ 56,368,615</u>	<u>\$ 25,062,313</u>

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 \$2,722,000 monthly, to cover general expenditures not covered by donor-restricted resources.

**NOTE 20 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.



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**NOTE 20**      **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 is 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.

Endowment net asset composition by type are as follows:

<b>December 31, 2021</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restricted</b>	<b>Total</b>
Board-designated endowment funds	\$ 41,000,000	\$ -	\$ 41,000,000
Donor-restricted endowment funds	-	26,529,403	26,529,403
<b>Total funds, as of Decemer 31, 2020</b>	<b>\$ 41,000,000</b>	<b>\$ 26,529,403</b>	<b>\$ 67,529,403</b>
<b>December 31, 2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restricted</b>	<b>Total</b>
Board-designated endowment funds	\$ 25,000,000	\$ -	\$ 25,000,000
Donor-restricted endowment funds	-	23,827,707	23,827,707
<b>Total funds, as of Decemer 31, 2020</b>	<b>\$ 25,000,000</b>	<b>\$ 23,827,707</b>	<b>\$ 48,827,707</b>

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**NOTE 20**      **ENDOWMENTS** *(continued)*

Endowment Net Asset Composition by Type of Fund

Changes in endowment net assets for the fiscal years ended December 31, 2021 and 2020, are as follows:

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 25,000,000	\$ 23,827,707	\$ 48,827,707	\$ -	\$ 22,981,077	\$ 22,981,077
Investment return	-	-	-	-	-	-
<i>Investment income</i>						
Interest and dividends	589,099	504,970	1,094,069	12,947	417,697	430,644
Net appreciation of investments	3,752,360	3,250,810	7,003,170	478,369	1,521,527	1,999,896
Additional board designated funds	11,658,541	-	11,658,541.00	41,468,328	-	41,468,328
<i>Board-approved appropriations</i>						
Appropriation of endowment assets to:						
Capital projects - Escrow	-	-	-	(16,468,328)	-	(16,468,328)
Current operations	-	(1,054,084)	(1,054,084)	(491,316)	(1,092,594)	(1,583,910)
<b>Endowment net assets, end of year</b>	<u>\$ 41,000,000</u>	<u>\$ 26,529,403</u>	<u>\$ 67,529,403</u>	<u>\$ 25,000,000</u>	<u>\$ 23,827,707</u>	<u>\$ 48,827,707</u>

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.

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.

**NOTE 20**      **ENDOWMENTS** *(continued)*

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 or UPMIFA requires the League to retain as a fund of perpetual duration. Deficiencies of this nature exist for the entire endowment. Continued appropriation for the annual spending formula was deemed prudent by the Board. There was no such deficiency as of December 31, 2021 and 2020.

**NOTE 21**      **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 2021 and 2020, NUL recognized franchise fees of \$202,000 and zero, respectively.

Subcontract payments are made by the League to affiliates for their services in carrying out specific projects. In 2021 and 2020, subcontract payments to affiliates totaled \$25,119,296 and \$21,339,333, respectively.

The League received \$1,721,628 and \$1,233,706 in donated services and materials from affiliates in 2021 and 2020, respectively.

**NOTE 22**      **NEW MARKETS TAX CREDIT (NMTC)**

NMTC are tax credits created by the federal government to help encourage investment in lower-income communities. The NMTC program is intended to incentivize capital investment in qualified low-income communities. Under the program, an NMTC Investor can claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities (CDEs). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments. Investors receive a 39% federal tax credit earned over a seven-year period (the compliance period).

**NOTE 22**      **NEW MARKETS TAX CREDIT (NMTC)** *(continued)*

Stonehenge Community Development LLC

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 \$189,647 and \$72,678 in fees for the years ended December 31, 2021 and 2020, respectively.

2020 NMTC Project

On December 31, 2020, ULEC, LLC entered into a financing transaction with GS Group NMTC Investor LLC (NMTC Investor) under a qualified NMTC program pursuant to Section 45D of the Internal Revenue Code related to the construction of a mixed-use development project in Harlem, New York (the NMTC Project).

In connection with the NMTC financing, the League loaned \$3,633,250 to NUL Investment Fund, LLC (the Investment Fund) at an interest rate of 1.38% per year and with a maturity date of December 29, 2044. Repayments on the loan commence in March 2027. The NMTC Investor contributed \$1,482,000 to the Investment Fund and, by virtue of such contribution, is entitled to all of the tax benefits derived from the NMTC. The Investment Fund is a wholly owned subsidiary of the NMTC Investor.

The Investment Fund then contributed the combined proceeds to a CDE, which, in turn, loaned \$5,000,000, to ULEC, LLC, at an interest rate of 1% per year with a maturity date of December 29, 2050. Repayment of the loans commences in March 2027. Unamortized loan fees totaled \$605,288 and 634,143 as of December 31, 2021 and 2020, respectively. The proceeds from the CDE's loans will be used to partially fund the construction of the NMTC Project.

2021 NMTC Project

On September 29, 2021, ULEC, LLC entered into a financing transaction with COCRF INVESTOR 204, LLC (2021 NMTC Investor) under a qualified NMTC program pursuant to Section 45D of the Internal Revenue Code related to the construction of a mixed-use development project in Harlem, New York (the NMTC Project).

**NOTE 22**      **NEW MARKETS TAX CREDIT (NMTC)** *(continued)*

2021 NMTC Project *(continued)*

In connection with this NMTC financing, the League loaned \$9,398,200 to COCRF Fund (the COCRF Fund) at an interest rate of 1.12% per year and with a maturity date of September 28, 2045. Repayments on the loan commence in December 2028. The 2021 NMTC Investor contributed \$3,751,800 to the COCRF Fund and, by virtue of such contribution, is entitled to all of the tax benefits derived from the NMTC.

The COCRF Fund then contributed the combined proceeds to a CDE, which, in turn, loaned \$13,150,000, to ULEC, LLC, at an interest rate of 1% per year with a maturity date of September 28, 2051. Repayment of the loans commences in September 2028. Unamortized loan fees totaled \$1,144,299 as of December 31, 2021. The proceeds from the CDE loans will be used to partially fund the construction of the NMTC Project.

The NMTCs are subject to 100% recapture for a period of seven years. ULEC, LLC is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Noncompliance could result in the NMTC Investors projected tax benefits not being realized and, therefore, require the League to indemnify the NMTC Investors for any loss or recapture of NMTCs. The League does not anticipate any credit recapture will be required in connection with this financing arrangement. The transaction includes a put/call provision, whereby the League may be obligated or entitled to purchase the NMTC Investors interest in the Investment and COCRF Funds. The value attributed to the put/call is de minimis.

The League believes that the NMTC Investor will exercise the put option in December 2026, at the end of the recapture period.

The League believes that the 2021 NMTC Investor will exercise the put option in September 2027, at the end of the recapture period.

**NOTE 23**      **PAYCHECK PROTECTION PROGRAM LOAN**

On April 10, 2020, the League received a Paycheck Protection Program (PPP) loan in the amount of \$2,497,307 in accordance with the CARES Act. Provided the League utilizes the proceeds for qualified expenses, this loan will become eligible for forgiveness and be considered a government grant. The League has elected to account for this funding in accordance with FASB ASC 470, *Debt*, until such time as the conditions to release the obligation have been met and the loan approved for forgiveness by the Small Business Administration (SBA) lender. The principal loan amount is reflected as a liability along with accrued interest in the amount of \$49,946 at a rate of 1%, as of December 31, 2020. The League applied for and received, on August 6, 2021, full forgiveness of the loan (and related accrued interest) from the SBA. The principal and interest forgiven are reflected in the consolidated statement of activities for the year ended December 31, 2021.

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**NOTE 24      BANK LOAN**

In April 2021, the League’s Board approved the termination of the Retirement Income Plan (the Plan). However, the Plan has not been formally terminated and the League had continued to make payments to the Plan. In September of 2021, the League has received a \$7.1 million loan from Truist to help fund and eliminate the League’s Plan liability. As part of this loan agreement, \$9.5 million of the League’s investment pool is considered to be acknowledged as collateral. In addition, the League was required to deposit \$500,000 of the loan in a new Truist bank account. Lastly, the League paid debt issuance costs of \$50,000 from the loan proceeds. Therefore, \$6,550,000 of the loan will be utilized toward the pension liability.

Long-term debt consisted of the following as of December 31, 2021:

Loan (gross)	\$ 6,861,740
Unamortized debt issuance costs	<u>(48,212)</u>
<b>Long-term debt (net)</b>	<b><u>\$ 6,813,528</u></b>

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

<u>Year</u>	<u>Amount</u>
2022	\$ 957,969
2023	977,790
2024	998,028
2025	1,018,680
2026	1,039,761
2027-2028	<u>1,869,512</u>
<b>Total</b>	<b><u>\$ 6,861,740</u></b>

Interest expense, including interest rate swap interest, on the loan was \$40,834 for the year ended December 31, 2021. Interest on the loan is charges at a rate of LIBOR, plus 1% and cannot fall below 1.75%.

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 \$1,788 for the year ended December 31, 2021.

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**NOTE 25      CHARTER COMMUNICATIONS AGREEMENT**

On March 25, 2021, Charter Communications Holding, LLC and the UEF entered into an agreement to borrow up to \$3,000,000 to be paid in six (6) equal installments. Since that date, UEF has received the first installment of \$500,000. UEF has availability of additional loans in \$500,000 increments based on the achievement of certain milestones and conditions precedent. The proceeds will be used to help support UEF's deployment of small business loans. The loan is based on an interest rate of 2.5% and is based on a maturity of the earlier of 1) the fifth anniversary of installment number six (6) or 2) the seventh anniversary of the initial closing date (or March 24, 2028). Also, the maturity of the loan is subject to a loan renewal as agreed to by the parties. From the first installment of the \$500,000, UEF offered a total of \$250,000 loans to qualified businesses during 2021.

**NOTE 26      SUBSEQUENT EVENTS**

On April 26, 2022, the League paid \$5,500,000 toward the Plan liability to cover 90% of its funding gap.

The League evaluated its December 31, 2021, consolidated financial statements for subsequent events through June 30, 2022, the date the consolidated financial statements were available to be issued. No other events requiring recognition or disclosure were identified, other than those disclosed above and below.

