

NATIONAL URBAN LEAGUE, INC.

**Consolidated Financial Statements and Supplemental Information
For the Years Ended December 31, 2022 and 2021
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

NATIONAL URBAN LEAGUE, INC.
Years Ended December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.



Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules (supplemental information) listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules listed in the table of contents are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Mitchell Titus, LLP

June 27, 2023

NATIONAL URBAN LEAGUE, INC.
Consolidated Statements of Financial Position
As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash, cash equivalents and restricted cash	\$ 58,727,308	\$ 61,625,604
Restricted cash deposit held in escrow	26,184,186	30,303,779
Funds held in escrow by others	1,181,808	1,950,744
Funds held for Trust	1,421,505	-
Prepaid expenses and other assets	1,207,436	1,000,193
Prepaid pension costs	960,626	-
Grants and pledges receivable, net - current	27,709,604	27,880,314
Grants and pledges receivable, net - non-current	14,562,505	19,846,914
Franchise fees receivable, net	96,500	59,000
Investments	134,356,904	156,976,563
Loan receivable - NMTC	13,031,450	13,031,450
Loan receivable	353,592	250,000
Other assets	2,130,256	2,186,147
Interest rate swap asset	-	125,913
Operating lease right-of-use assets	12,035,757	14,929,436
Property and equipment, net	46,409,513	33,908,134
Total assets	<u>\$ 340,368,950</u>	<u>\$ 364,074,191</u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 11,955,216	\$ 8,419,523
Accrued payroll and vacation benefits	907,570	846,870
Accrued defined contribution costs	682,233	477,500
Contract advances and other deposits	942,841	1,148,823
Funds held for Trust	1,421,505	-
Loan payable - bank	500,000	500,000
Bonds payable (net of debt issuance costs of \$107,651 in 2022 and \$113,438 in 2021)	26,003,616	26,127,690
Loan payable - NMTC (net of debt issuance costs of \$1,712,106 in 2022 and \$1,749,587 in 2021)	16,437,894	16,400,413
Loan payable - bank (net of debt issuance costs of \$41,084 in 2022 and \$48,212 in 2021)	5,862,687	6,813,528
Interest rate swap liability	623,386	-
Operating lease liability	5,086,719	7,227,602
Interest payable	22,486	-
Accrued pension benefit costs	-	3,930,721
Total liabilities	<u>70,446,153</u>	<u>71,892,670</u>

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

NATIONAL URBAN LEAGUE, INC.
 Consolidated Statements of Financial Position (*continued*)
 As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<i>Net assets (deficit)</i>		
<i>Without donor restrictions</i>		
Undesignated	\$ 20,086,727	\$ 27,068,701
Board designated	41,000,000	41,000,000
Pension related	<u>(8,782,638)</u>	<u>(8,617,110)</u>
Total without donor restrictions	52,304,089	59,451,591
With donor restrictions	<u>217,618,708</u>	<u>232,729,930</u>
Total net assets	<u>269,922,797</u>	<u>292,181,521</u>
Total liabilities and net assets	<u>\$ 340,368,950</u>	<u>\$ 364,074,191</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
<i>Revenue, gains, and other support</i>			
Government grants and contracts	\$ 32,807,818	\$ -	\$ 32,807,818
Donated materials and services	7,855,944	-	7,855,944
Contributions	8,518,510	35,023,358	43,541,868
Legacies and bequests	265,374	-	265,374
Special events	1,735,300	-	1,735,300
Program service fees	6,530,686	-	6,530,686
Franchise fees	207,500	-	207,500
Net investment return designated for current operations	1,316,364	-	1,316,364
Sale of publications	15,892	-	15,892
Interest income	-	110,286	110,286
Closing income	-	6,800	6,800
Other	824,263	213,453	1,037,716
<i>Net assets released from restrictions</i>			
Satisfaction of restrictions	<u>46,245,987</u>	<u>(46,245,987)</u>	<u>-</u>
Total revenue, gains, and other support	<u>106,323,638</u>	<u>(10,892,090)</u>	<u>95,431,548</u>
OPERATING EXPENSES			
<i>Program services</i>			
Economic empowerment	46,178,742	-	46,178,742
Education and youth empowerment	7,360,838	-	7,360,838
Civic engagement and leadership empowerment	19,250,536	-	19,250,536
Technical assistance to affiliates	2,743,364	-	2,743,364
Health and quality of life empowerment	12,796,924	-	12,796,924
Civil rights and racial justice empowerment	473,756	-	473,756
Urban empowerment	<u>457,303</u>	<u>-</u>	<u>457,303</u>
Total program services	89,261,463	-	89,261,463
<i>Supporting services</i>			
Management and general	10,099,181	-	10,099,181
Fundraising	<u>5,880,368</u>	<u>-</u>	<u>5,880,368</u>
Total expenses	<u>105,241,012</u>	<u>-</u>	<u>105,241,012</u>
Changes in net assets from operations	<u>1,082,626</u>	<u>(10,892,090)</u>	<u>(9,809,464)</u>
NON-OPERATING ACTIVITIES			
Net investment return, net of amount designated for current operations	(7,315,301)	(4,219,132)	(11,534,433)
Loss in fair value of interest rate swap	(749,299)	-	(749,299)
Pension-related changes other than net periodic pension costs	<u>(165,528)</u>	<u>-</u>	<u>(165,528)</u>
Total non-operating activities	<u>(8,230,128)</u>	<u>(4,219,132)</u>	<u>(12,449,260)</u>
Changes in net assets	(7,147,502)	(15,111,222)	(22,258,724)
Net assets, beginning of year	<u>59,451,591</u>	<u>232,729,930</u>	<u>292,181,521</u>
Net assets, end of year	<u>\$ 52,304,089</u>	<u>\$ 217,618,708</u>	<u>\$ 269,922,797</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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
<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
Interest income	-	125,486	125,486
Other	488,731	-	488,731
<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>
OPERATING EXPENSES			
<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>
NON-OPERATING ACTIVITIES			
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	(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>
Net assets, end of year	<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 Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,239,422)	\$ 52,060,753
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities</i>		
Pension-related changes other than net periodic pension costs	165,528	(1,999,492)
Depreciation and amortization	841,201	1,726,419
Impairment loss	485,856	-
Change in value donated assets	(51,902)	(46,204)
Amortization of debt issuance costs	260,176	134,631
Realized losses/(gain) on sales of investments	5,201,058	(2,481,841)
Provision of uncollectible receivables	5,000	200,000
Provision for allowance	93,523	-
Unrealized depreciation/(appreciation) of investments	7,668,363	(5,705,678)
Unrealized loss on interest rate swap agreement	749,299	153,834
PPP loan forgiveness	-	(2,547,253)
<i>Changes in operating assets and liabilities</i>		
Change in grants and pledges receivable - current	136,408	(9,320,620)
Change in grants and pledges receivable - non-current	5,284,409	(6,234,581)
Change in franchise fees receivable	(42,000)	(59,000)
Change in prepaid expenses and other assets	(207,243)	(475,660)
Change in operating lease right use asset, net	2,945,582	(5,855,223)
Change in accounts payable and accrued expenses	3,535,693	3,598,354
Change in accrued payroll and vacation benefits	60,700	602,732
Change in operating lease liability	(2,140,883)	5,293,898
Change in interest payable	22,486	-
Change in accrued pension benefit cost	(5,056,875)	(384,735)
Change in accrued defined contribution costs	204,733	51,988
Change in contract advances and other deposits	(205,982)	804,253
Net cash (used in) provided by operating activities	<u>(2,284,292)</u>	<u>29,516,575</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13,828,437)	(20,533,303)
Loan disbursement	(440,000)	(250,000)
Sales of investments	83,326,602	89,805,498
Purchases of investments	(73,576,364)	(90,353,862)
Net cash used in investing activities	<u>(4,518,199)</u>	<u>(21,331,667)</u>

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

NATIONAL URBAN LEAGUE, INC.
Consolidated Statements of Cash Flows *(continued)*
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of revenue bonds	\$ (129,841)	\$ (125,844)
Loan repayemnts (net)	(700,584)	(238,260)
Bond proceeds	768,936	11,875,232
Loan proceeds - NMTC	-	13,150,000
Loan issuance costs - NMTC	(209,800)	(1,242,521)
Loan disbursement - NMTC	-	(9,398,200)
Loan proceeds - bank and other	-	7,600,000
Loan issuance costs	-	(50,000)
Loan proceeds from donated assets	55,891	76,131
Net cash (used in) provided by financing activities	<u>(215,398)</u>	<u>21,646,538</u>
Net (decrease) increase in cash, restricted cash and cash equivalents	(7,017,889)	29,831,446 ¹
Cash, cash equivalents and restricted cash, beginning of year	<u>91,929,383</u>	<u>62,097,937</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>\$ 84,911,494</u></u>	<u><u>\$ 91,929,383</u></u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u><u>\$ 1,022,613</u></u>	<u><u>\$ 919,498</u></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, 2022

	Program Services							Supporting Services			
	Economic Empowerment	Education and Youth Empowerment	Civic Engagement and Leadership Empowerment	Technical Assistance to Affiliates	Health and Quality of Life Empowerment	Civil Rights and Racial Justice Empowerment	Urban Empowerment Fund	Total	Management and General	Fundraising	Total
Salaries	\$ 2,315,433	\$ 1,246,004	\$ 3,253,478	\$ 1,061,574	\$ 715,959	\$ 194,130	\$ 149,085	\$ 8,935,663	\$ 4,304,790	\$ 1,814,193	\$ 15,054,646
Payroll taxes and related benefits	639,090	337,531	906,450	285,264	186,657	39,430	28,138	2,422,560	1,159,808	514,143	4,096,511
Subcontract payments	25,555,734	2,767,285	290,891	281,800	7,317,759	-	-	36,213,469	-	-	36,213,469
Payments to organizations	12,721,127	47,040	-	-	-	-	-	12,768,167	-	-	12,768,167
Donated materials and services	2,108,298	-	5,736,395	-	-	-	-	7,844,693	-	-	7,844,693
Professional contract services	1,232,770	1,709,026	5,148,392	243,801	3,903,149	62,269	162,744	12,462,151	1,334,447	2,033,940	15,830,538
Impairment loss	-	-	-	-	-	-	-	-	485,857	-	485,857
Supplies	46,627	54,312	146,012	20,445	45,101	3,421	-	315,918	52,138	19,952	388,008
Telephone	83,984	47,746	120,454	39,974	27,000	7,078	670	326,906	164,412	65,977	557,295
Occupancy	373,319	195,897	526,707	165,562	108,483	22,884	-	1,392,852	695,007	357,608	2,445,467
Commercial insurance	30,887	16,274	48,076	13,754	9,032	1,901	-	119,924	57,847	24,790	202,561
Postage and shipping	6,872	10,973	29,762	7,423	4,415	3,949	-	63,394	35,468	4,121	102,983
Printing, duplication, and artwork	4,299	48,054	29,292	7,853	1,471	798	-	91,767	18,396	2,550	112,713
Travel, conferences, and convention	427,092	605,225	2,338,796	359,470	165,497	96,108	-	3,992,188	969,757	479,806	5,441,751
Subscription and publication	26,547	28,040	147,794	14,866	66,799	2,930	1,333	288,309	52,755	38,294	379,358
Furniture and equipment	42,382	40,963	85,433	32,415	173,231	7,488	971	382,883	103,867	31,908	518,658
Awards and grants	86,050	55,000	1,000	-	-	-	-	142,050	-	-	142,050
Bad debt	-	-	-	-	-	-	89,023	89,023	9,500	-	98,523
Interest expense	41,797	22,023	59,142	18,612	12,222	2,573	22,486	178,855	115,197	280,828	574,880
Miscellaneous	201,371	67,270	228,649	142,145	28,364	22,106	2,853	692,758	336,350	112,575	1,141,683
Depreciation and amortization	235,063	62,175	153,813	48,406	31,785	6,691	-	537,933	203,585	99,683	841,201
Total expenses	\$ 46,178,742	\$ 7,360,838	\$ 19,250,536	\$ 2,743,364	\$ 12,796,924	\$ 473,756	\$ 457,303	\$ 89,261,463	\$ 10,099,181	\$ 5,880,368	\$ 105,241,012

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
Total expenses	\$ 28,092,794	\$ 6,128,261	\$ 14,912,875	\$ 3,334,793	\$ 7,141,656	\$ 356,793	\$ 5,868	\$ 59,973,040	\$ 8,468,927	\$ 5,105,231	\$ 73,547,198

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

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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, revenue is 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 use 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 of 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 (2021) amounts have been reclassified to conform with the current-year (2022) 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, 2022 and 2021, were \$40,647,171 and \$47,197,259, 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 Truist until certain bond obligations are fully repaid. At December 31, 2022 and 2021, restricted cash was \$1,000,000. This amount is included in cash, cash equivalents and restricted cash in the consolidated financial statements.

Restricted cash also includes \$9,561,602 of Board-designated funds at December 31, 2022. Restricted cash at December 31, 2021 included \$9,720,531 of Board-designated funds.

Cash contractually required to be held in a separate account, in connection with NUL's new homesite development project, of \$26,184,186 and \$30,303,779 is separately reported as restricted cash held in escrow at December 31, 2022 and 2021, respectively, in the consolidated financial statements. Additionally, funds held in trust for others of \$1,421,505 is also considered restricted cash (see Note 21).

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.

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

Investments

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

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

Equity securities: Recorded at fair value based on the quoted market prices and broker prices. They consist 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. They consist 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 to determine 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.

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 2021 calendar year, the League resumed the annual franchise fees billing. For the 2022 calendar year, the League continued 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. Impairment losses recognized in 2022 totaled \$483,857. There were no impairment losses recognized in 2021.

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, 2022 and 2021, the (over-/under-funded status of the plan is a (profit)/deficit of the fair value of plan assets over the projected benefit obligation, which amounted to \$(960,626) and \$3,930,721, 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 recorded as of December 31, 2022 and 2021, because such conditions were not met totaled \$0 and \$2,516,781, 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 of 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 \$1,147,386 and \$48,358 in 2022 and 2021, 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 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, 2022 and 2021, 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 2019.

Debt Issuance Costs

Debt issuance costs related to the revenue bonds and New Markets Tax Credits (NMTC) 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
Years Ended December 31, 2022 and 2021

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 (FASB) 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, 2022 and 2021:

	Assets at Fair Value as of December 31, 2022			
	Total	Level 1	Level 2	Level 3
<i>Cash and cash equivalents</i>				
Interest-bearing cash deposits	\$ 40,200,837	\$ 40,200,837	\$ -	\$ -
Certificates of deposit	446,334	446,334	-	-
Total cash and cash equivalents	40,647,171	40,647,171	-	-
<i>Investments</i>				
Money market funds	24,918,267	24,918,267	-	-
Equity securities	29,225,691	29,225,691	-	-
Fixed-income securities	70,449,034	70,449,034	-	-
Hedge funds	3,185,789	-	3,185,789	-
Partnership investment at fair value	6,578,123	-	-	6,578,123
Total investments	134,356,904	124,592,992	3,185,789	6,578,123
Interest rate swap liability	(623,386)	-	(623,386)	-
Total assets (net) at fair value	\$ 133,733,518	\$ 124,592,992	\$ 2,562,403	\$ 6,578,123

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 3 INVESTMENTS (continued)

Fair Value on a Recurring Basis (continued)

	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 asset	125,913	-	125,913	-
Total assets at fair value	\$ 157,102,476	\$ 152,656,775	\$ 125,913	\$ 4,319,788

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 \$141,087 as of December 31, 2022.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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 \$364,222 and \$1,241,746 as of December 31, 2022 and 2021, respectively.

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 \$1,842,656 and \$1,739,207, as of December 31, 2022 and 2021, respectively.

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 had no unfunded capital commitment of \$0 and \$1,000,000 as of December 31, 2022 and 2021, respectively.

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 \$1,379,395 and \$1,447,138 as of December 31, 2022 and 2021, respectively.

During 2022, the League invested in Spark 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 \$830,000 as of December 31, 2022.

During 2022, the League invested in Spark 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 \$340,000 as of December 31, 2022.

During 2022, the League invested in Clearlake, 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 \$1,179,241 as of December 31, 2022.

The following table includes a roll-forward of the amounts for the year ended December 31, 2022, 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.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 3 INVESTMENTS *(continued)*

Fair Value on a Recurring Basis *(continued)*

	Private Equity Funds	
	2022	2021
Balance of recurring Level 3 assets at January 1	\$ 4,319,788	\$ 1,484,349
Purchases	2,836,193	2,717,303
Unrealized (loss)/gain	(424,321)	(13,896)
Realized gain	(5,732)	714,413
Investment gain/(loss)	493,844	(109,293)
Return of capital	(641,649)	(473,088)
Balance of recurring Level 3 assets at December 31	\$ 6,578,123	\$ 4,319,788

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.

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

	2022	2021
Dividends and interest income	\$ 2,651,352	\$ 1,875,810
Net realized gains on sales of investments	(5,201,058)	2,481,841
Unrealized appreciation/(depreciation) of	(7,668,363)	5,705,678
Total investment return	\$ (10,218,069)	\$ 10,063,329
Current operations	\$ 1,316,364	\$ 1,082,162
Non-operating activity	(11,534,433)	8,981,167
Total investment return	\$ (10,218,069)	\$ 10,063,329

The dividends and interest income above are net of investment fees of \$666,839 and \$583,300 in 2022 and 2021, respectively.

Under the League's endowment spending policy in 2022 and 2021, 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:

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 3 INVESTMENTS *(continued)*

Fair Value on a Recurring Basis *(continued)*

	<u>2022</u>	<u>2021</u>
Gain on non-long-term reserves	\$ 231,324	\$ 28,078
Board-designated for current operations	<u>1,085,040</u>	<u>1,054,084</u>
Total designated for current operations	<u>1,316,364</u>	<u>1,082,162</u>
Investment return on long-term reserves	(10,449,393)	10,035,251
Board-designated for current operations	<u>(1,085,040)</u>	<u>(1,054,084)</u>
Non-operating investment return	<u>(11,534,433)</u>	<u>8,981,167</u>
Total investment return	<u>\$ (10,218,069)</u>	<u>\$ 10,063,329</u>

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 4.41% and 0.73% in 2022 and 2021, respectively. Grants and pledges receivable at December 31 are comprised of the following:

	<u>2022</u>	<u>2021</u>
<i>Grant and contract receivables</i>		
Less than one year	\$ 25,764,004	\$ 25,221,085
One to five years	16,449,000	20,291,667
Less: Fair value adjustment	(1,886,495)	(444,753)
<i>Pledges receivable</i>		
Pledges due in less than one year	<u>2,059,600</u>	<u>2,763,229</u>
	42,386,109	47,831,228
Less: Allowance for doubtful amounts	<u>(114,000)</u>	<u>(104,000)</u>
Total grants and pledges receivable, net	<u>\$ 42,272,109</u>	<u>\$ 47,727,228</u>

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
Gross franchise fees receivable	\$ 119,500	\$ 82,500
Less : Allowance for doubtful amounts	(23,000)	(23,500)
Net franchise fees receivable	<u>\$ 96,500</u>	<u>\$ 59,000</u>

NOTE 6 PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>		
	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 4,122,728	\$ 4,122,728	\$ -
Building	4,109,068	552,538	3,556,530
Furniture and fixtures	968,471	506,917	461,554
Equipment	1,058,749	885,528	173,221
Computer software	3,588,172	2,678,340	909,832
	13,847,188	8,746,051	5,101,137
Construction in progress	41,308,376	-	41,308,376
Total	<u>\$ 55,155,564</u>	<u>\$ 8,746,051</u>	<u>\$ 46,409,513</u>
	<u>2021</u>		
	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
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
Total	<u>\$ 41,812,984</u>	<u>\$ 7,904,850</u>	<u>\$ 33,908,134</u>

Depreciation and amortization expenses for 2022 and 2021 were \$841,201 and \$1,726,419, respectively.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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 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.

As part of the closing transaction, the League entered into a bridge loan agreement (the Agreement) with Goldman Sachs to borrow, if needed, up to \$29,799,979 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 \$25,017,935 and \$20,096,481, as of December 31, 2022 and 2021, 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 which 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 years, equal to the balance of the proceeds received. As of December 31, 2022 and 2021, \$21,318,192 and \$20,549,256, respectively, of the funds were approved by the NYHFA to be given to the League for related incurred costs. As of December 31, 2022 and 2021, the remaining balance of \$1,181,808 and \$1,950,744, 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 plan are based on employees' annual compensation. Expenses for 2022 and 2021 were \$680,275 and \$477,500, respectively.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

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.

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

	<u>2022</u>	<u>2021</u>
Change in benefit obligations		
<i>Projected benefit obligations, beginning of year</i>	\$ 22,117,526	\$ 24,152,021
Service cost	-	99,675
Interest cost	542,575	500,886
Actuarial (gain) loss	(3,732,410)	(1,033,774)
Other	-	(150,203)
Benefit payments and settlements	<u>(1,326,244)</u>	<u>(1,451,079)</u>
Projected benefit obligations, end of year	<u>17,601,447</u>	<u>22,117,526</u>
Change in plan assets		
<i>Fair value of plan assets, beginning of year</i>	18,186,805	17,837,073
Actual return on plan assets (net of expenses)	(3,798,488)	1,074,406
Employer contributions	5,500,000	726,405
Benefit payments and settlements	<u>(1,326,244)</u>	<u>(1,451,079)</u>
Fair value of plan assets, end of year	<u>18,562,073</u>	<u>18,186,805</u>
Funded status	<u>\$ 960,626</u>	<u>\$ (3,930,721)</u>
	<u>2022</u>	<u>2021</u>
<i>Reconciliation of funded status</i>		
Funded status	\$ 960,626	\$ (3,930,721)
Actuarial (loss)	<u>8,782,638</u>	<u>8,617,110</u>
Accrued benefit (gain)	<u>\$ 9,743,264</u>	<u>\$ 4,686,389</u>

An employer is required to recognize the funded status of a benefit plan in its consolidated 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
Years Ended December 31, 2022 and 2021

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

In addition, the League's consolidated statement of financial position as of December 31, 2022, required an increase of its liability associated with the defined benefit plan of \$(165,528) (actuarial gains or losses and prior service costs or credits that arise during 2022 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, 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 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 \$17,601,452 and \$22,117,526 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
<i>Components of net periodic benefit cost</i>		
Service cost	\$ -	\$ 99,675
Interest cost	542,577	500,886
Expected return on plan assets	(514,843)	(781,934)
Amortization of net actuarial loss	415,393	523,048
Net periodic benefit cost	\$ 443,127	\$ 341,675

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

	<u>2022</u>	<u>2021</u>
<i>Additional information</i>		
Discount rate	5.00%	2.55%
Rate of compensation increase	N/A	1.00%

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

	<u>2022</u>	<u>2021</u>
Discount rate	2.55%	2.15%
Expected return on plan assets	1.00%	5.50%
Rate of compensation increase	0.00%	1.00%

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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, 2022 and 2021, by asset category, are as follows:

	<u>2022</u>	<u>2021</u>
<i>Asset category</i>		
Short-term	29.7%	0%
Bonds	68.1	96.6
Insurance contracts	2.2	3.4
Total	<u>100%</u>	<u>100%</u>

Cash Flows

Pension Contributions – The League contributed \$5,500,000 in 2023 in anticipation of the termination of the plan (see Note 24).

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

<u>Year</u>	<u>Amount</u>
2023	\$ 1,800,000
2024	1,620,000
2025	1,610,000
2026	1,550,000
2027-2030	8,280,000

Plan Assets

The following table provides the fair value hierarchy of the plan's assets as of December 31, 2022:

	<u>Assets at Fair Value as of December 31, 2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Group pension contracts</i>				
Insurance contracts	\$ 414,189	\$ -	\$ -	\$ 414,189
<i>Investments at net asset value (NAV)</i>				
Pooled separate accounts	18,147,884			
Total	<u>\$ 18,562,073</u>			

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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, 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			
Total	\$ 18,186,805			

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, 2022 and 2021:

Group pension contracts - 2022

Balance, at December 31, 2021	\$ 622,199
Investment income	(145,291)
Payments and settlements	(62,719)
Balance, at December 31, 2022	\$ 414,189

Group pension contracts - 2021

Balance, at December 31, 2020	\$ 695,661
Investment income	10,116
Payments and settlements	(83,578)
Balance, at December 31, 2021	\$ 622,199

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 NAV 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.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

Plan Assets *(continued)*

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

NOTE 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenue bonds (gross)	\$ 3,611,267	\$ 3,741,128
Unamortized debt issuance costs	(107,651)	(113,438)
Long-term debt (net)	<u>\$ 3,503,616</u>	<u>\$ 3,627,690</u>

Interest expense, including interest rate swap interest, on the 2017 Bonds was \$140,529 and \$145,444 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 9 BONDS PAYABLE *(continued)*

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. The total bond proceeds drawdown as of December 31, 2022 and 2021 were \$21,318,192 and \$20,549,256, respectively. As of December 31, 2022 and 2021, the remaining balance of \$1,181,808 and \$1,950,744, 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 for each of the years ended December 31, 2022 and 2021, respectively, toward the \$22,500,000 bonds.

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

<u>Year</u>	<u>Amount</u>
2023	\$ 134,010
2024	138,294
2025	22,642,719
2026	147,279
2027	151,986
2028-2042	<u>2,896,979</u>
Total	<u>\$ 26,111,267</u>

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, 2022 and 2021, was \$3,611,267 and \$3,741,128, 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, 2022 and 2021, the agreement's estimated fair value was in a (liability) asset position of \$(145,229) and \$129,618, respectively.

Activity for the year ended December 31, 2022, under the first interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	\$ 129,618
Unrealized (loss) on interest rate swap	<u>(274,847)</u>
Fair value of interest rate swap liability, end of year	<u>\$ (145,229)</u>

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 10 INTEREST RATE SWAP AGREEMENT *(continued)*

Activity for the year ended December 31, 2021, for the 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>
Fair value of interest rate swap asset, end of year	<u>\$ 129,618</u>

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, 2022 and 2021 was \$5,903,771 and \$6,861,740, respectively. 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, 2022 and 2021, the agreement's estimated fair value was in a liability position of \$(478,157) and \$(3,705), respectively.

Activity for the year ended December 31, 2022, under the second interest rate swap agreement, is as follows:

Fair value of interest rate swap liability, beginning of year	\$ (3,705)
Unrealized (loss) on interest rate swap	<u>(474,452)</u>
Fair value of interest rate swap liability, end of year	<u>\$ (478,157)</u>

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

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

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, 2022 and 2021, amounted to zero, respectively. Interest expense in both 2022 and 2021 amounted to zero.

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

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
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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, 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 2022 and 2021, a total of \$55,891 and \$76,131, respectively, 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, 2022 and 2021 was \$443,256 and \$499,147, respectively. As of December 31, 2022 and 2021, the Morgan Stanley other assets balance is \$2,130,256 and \$2,186,147, respectively.

During 2022 and 2021, the League also received donated contributions related to a ground lease valued at \$2,586,419 and \$2,595,123, respectively, as described in Note 14.

NUL received total donated materials and services valued at \$7,855,944 and \$8,697,586 in 2022 and 2021, respectively. Included in the donated materials and services are \$5,736,395 and \$6,975,958 for its television airtime in 2022 and 2021, respectively; \$11,250 and \$0 for its airline fares in 2022 and 2021, respectively; and \$2,108,299 and \$1,721,628 from affiliates for donated time for programmatic initiatives for 2022 and 2021, respectively.

NOTE 13 SPECIAL EVENTS

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

For the years ended December 31, 2022 and 2021, total revenue and expenses related to the event were as follows:

	<u>2022</u>	<u>2021</u>
Special event-revenues (gross)	\$ 1,735,300	\$ 1,545,045
Special event-expenses (gross)	<u>(596,253)</u>	<u>(254,617)</u>
Net special event-revenue	<u>\$ 1,139,047</u>	<u>\$ 1,290,428</u>

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

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
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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.

In connection with office and equipment leases, the League recognized as of December 31, 2022 and 2021, a lease liability of \$5,086,719 and \$7,227,602, respectively, which represents the present value of the remaining lease payments of \$4,984,506 and \$7,161,121, respectively, discounted using the League's estimated incremental borrowing of 2.4% for 2022 and 2021, and a right-of-use asset of \$4,575,600 and \$7,410,070, respectively, which represents the lease liability of \$4,575,600 and \$7,410,070, respectively, adjusted for deferred rent credit of \$511,116 and \$0, respectively.

Lease expense of \$2,055,333 and \$1,099,537 in 2022 and 2021, 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 – 2022	\$ 2,259,777
Operating cash flows from operating leases – 2021	\$ 1,797,225

Supplemental weighted information related to leases is as follows:

Operating leases weighted-average remaining lease term in years – 2022	2.5 years
Operating leases weighted-average remaining lease term in years – 2021	3.5 years
Operating leases weighted-average discount rate – 2022 and 2021	2.4%

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 14 LEASES *(continued)*

Lease Recognition *(continued)*

Maturities of lease liabilities as of December 31, 2022, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 2,242,229
2024	2,229,181
2025	<u>1,104,743</u>
Total lease payments	5,576,153
Less: Imputed interest	<u>150,736</u>
Total	<u>\$ 5,425,417</u>

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.

The New York office, 80 Pine Street, net rental expense for the years ended December 31, 2022 and 2021, was \$1,985,174 and \$1,030,394, 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 \$7,460,157 associated with the Ground Lease includes the prepayment of \$4,873,738 and the present value (at assumed discount rate of 2%) of the contribution receivable of \$2,586,419 as of December 31, 2022. 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.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 14 LEASES *(continued)*

Lease Recognition *(continued)*

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

	<u>2022</u>	<u>2021</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>5,515,152</u>	<u>5,575,758</u>
	5,878,788	5,939,394
Present value adjustment	<u>(3,292,369)</u>	<u>(3,344,271)</u>
Contributed rent receivable (net)	<u><u>\$ 2,586,419</u></u>	<u><u>\$ 2,595,123</u></u>

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.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditures for a specific purpose</i>		
Economic Empowerment	\$ 122,991,528	\$ 135,320,848
Building Fund	43,213,232	34,655,434
Education and Youth Empowerment	9,584,316	13,222,903
Civic Engagement/Leadership Empowerment	1,987,711	2,599,125
Urban Empowerment Fund	2,267,938	2,262,200
Health and Quality of Life Empowerment	<u>273,830</u>	<u>957,959</u>
Total purpose restricted	180,318,555	189,018,469
<i>Subject to the passage of time</i>		
Future periods	15,022,624	17,214,800
Endowment funds	<u>2,279,464</u>	<u>6,498,596</u>
Subtotal	<u>197,620,643</u>	<u>212,731,865</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	<u>279,127</u>	<u>279,127</u>
Subtotal	<u>19,998,065</u>	<u>19,998,065</u>
Total	<u>\$ 217,618,708</u>	<u>\$ 232,729,930</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.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
<i>Specific passage of time</i>		
Economic empowerment	\$ 26,933,725	\$ 12,937,567
Building fund	742,208	504,465
Education and Youth Empowerment	6,463,660	5,087,303
Civic Engagement/Leadership Empowerment	686,413	707,968
Health and Quality of Life Empowerment	912,288	688,099
Urban Empowerment Fund	332,303	5,868
Passage of time	<u>10,175,390</u>	<u>9,529,043</u>
Total	<u>\$ 46,245,987</u>	<u>\$ 29,460,313</u>

NOTE 18 NET ASSETS WITHOUT DONOR RESTRICTIONS

During 2022, the League generated operating income without donor restrictions of \$1,082,626. The net results of these and other activities decreased the unrestricted undesignated net assets to \$3,618,403. The League is also required to recognize net actuarial losses of \$(165,528) that came from its defined benefit pension plan during 2022 but were not recognized as components of net periodic pension cost. As a result, this caused the pension-related cost balance to be \$(8,782,638) as of December 31, 2022.

During 2021, the League generated an operating income without donor restrictions of \$1,111,655. The net results of these and other activities increased the undesignated net assets to \$10,600,373. The League is also required to recognize a net actuarial gain 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 2022, contributions and investment income without donor restrictions totaling \$0 were designated for future use by the Board (Board-designated funds). During 2021, contributions and investment income without donor restrictions totaling \$16,000,000 were designated for future use by the Board (Board-designated funds).

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
<i>Financial assets</i>		
Cash, cash equivalents and restricted cash	\$ 58,727,308	\$ 61,625,604
Investments	134,356,904	156,976,563
Funds held in escrow by others	1,181,808	1,950,744
Cash deposits in escrow	3,905,080	7,442,122
Grants and pledges receivables, net - current	27,728,906	27,880,314
Grants and pledges receivables, net - non-current	14,562,505	19,846,914
Franchise fees receivable, net	96,500	59,000
Total financial assets available	<u>240,559,011</u>	<u>275,781,261</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>242,559,011</u>	<u>277,781,261</u>
<i>Less:</i>		
<i>Amounts unavailable for general expenditures within one year, due to</i>		
Restricted - Board designated	(41,000,000)	(41,000,000)
Restricted by donors with purpose restrictions	(149,028,104)	(160,414,581)
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>(210,026,169)</u>	<u>(221,412,646)</u>
Net financial assets and liquidity resources available within one year	<u>\$ 32,532,842</u>	<u>\$ 56,368,615</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 \$2,662,000 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.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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 is as follows:

December 31, 2022	Without Donor Restrictions	With Donor Restricted	Total
Board-designated endowment funds	\$ 41,000,000	\$ -	\$ 41,000,000
Donor-restricted endowment funds	-	22,310,271	22,310,271
Total funds, as of December 31, 2022	\$ 41,000,000	\$ 22,310,271	\$ 63,310,271
December 31, 2021	Without Donor Restrictions	With Donor Restricted	Total
Board-designated endowment funds	\$ 41,000,000	\$ -	\$ 41,000,000
Donor-restricted endowment funds	-	26,529,403	26,529,403
Total funds, as of December 31, 2021	\$ 41,000,000	\$ 26,529,403	\$ 67,529,403

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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

Endowment Net Asset Composition by Type of Fund

Changes in endowment net assets for the fiscal years ended December 31, 2022 and 2021, are as follows:

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 41,000,000	\$ 26,529,403	\$ 67,529,403	\$ 25,000,000	\$ 23,827,707	\$ 48,827,707
Investment return						
<i>Investment income</i>						
Interest and dividends	600,732	499,935	1,100,667	589,099	504,970	1,094,069
Net (depreciation)/appreciation of investments	(4,366,719)	(3,634,027)	(8,000,746)	3,752,360	3,250,810	7,003,170
Additional Board-designated funds	-	-	-	11,658,541	-	11,658,541
<i>Board-approved appropriations</i>						
Appropriation of endowment assets to						
Investment returns not designated	3,765,987	-	3,765,987.00	-	-	-
Current operations	-	(1,085,040)	(1,085,040)	-	(1,054,084)	(1,054,084)
Endowment net assets, end of year	\$ 41,000,000	\$ 22,310,271	\$ 63,310,271	\$ 41,000,000	\$ 26,529,403	\$ 67,529,403

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 in which it would prove to be 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, 2022 and 2021.

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 \$5,000. In 2022 and 2021, NUL recognized franchise fees of \$207,500 and \$202,000, respectively.

Subcontract payments are made by the League to affiliates for their services in carrying out specific projects. In 2022 and 2021, subcontract payments to affiliates totaled \$36,213,469 and \$25,119,296, respectively.

The League received \$2,108,299 and \$1,721,628 in donated services and materials from affiliates in 2022 and 2021, respectively.

A League's employee was assigned to be a trustee of a trust (the Trust). In addition, the League provides back-office work. As of December 31, 2022, the League is holding \$1,421,505 on behalf of the Trust.

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 (QLICIs). Investors receive a 39% federal tax credit earned over a seven-year period (the compliance period).

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 QLICI under Stonehenge Community Development's NMTC 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 \$393,043 and \$189,647 in fees for the years ended December 31, 2022 and 2021, respectively.

2021 NMTC Project

On December 31, 2020, ULEC entered into a financing transaction with GS Group NMTC Investor LLC (NMTC Investor) under a qualified NMTC program pursuant to Section 45D of the IRC 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, with a maturity date of December 29, 2044. Repayment of the loan commences 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 at an interest rate of 1% per year, with a maturity date of December 29, 2050. Repayment of the loan commences in March 2027. Unamortized loan fees totaled \$548,943 and \$605,288 as of December 31, 2022 and 2021, respectively. The proceeds from the CDEs loans will be used to partially fund the construction of the NMTC Project.

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

2021 NMTC Project

On September 29, 2021, ULEC entered into a financing transaction with COCRF INVESTOR 204, LLC (2021 NMTC Investor) under a qualified NMTC program pursuant to Section 45D of the IRC related to the construction of the NMTC Project.

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, with a maturity date of September 28, 2045. Repayment of the loan commences 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, at an interest rate of 1% per year, with a maturity date of September 28, 2051. Repayment of the loan commences in September 2028. Unamortized loan fees totaled \$1,163,163 and \$1,144,299 as of December 31, 2022 and 2021, respectively. 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 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 the 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 Fund. 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.

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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 Coronavirus Aid, Relief, and Economic Security 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 is approved for forgiveness by the Small Business Administration (SBA) lender. 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.

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 continued to make payments to the Plan. In September 2021, the League 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, 2022:

	<u>2022</u>	<u>2021</u>
Loan (gross)	\$ 5,903,771	\$ 6,861,740
Unamortized debt issuance costs	<u>(41,084)</u>	<u>(48,212)</u>
Long-term debt (net)	<u>\$ 5,862,687</u>	<u>\$ 6,813,528</u>

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

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 24 **BANK LOAN** *(continued)*

<u>Year</u>	<u>Amount</u>
2023	\$ 977,790
2024	998,028
2025	1,018,680
2026	1,039,761
2027-2028	<u>1,869,512</u>
Total	<u>\$ 5,903,771</u>

Interest expense, including interest rate swap interest, on the loan was \$151,589 and \$40,834 for the years ended December 31, 2022 and 2021, respectively. Interest on the loan is charged 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 \$7,152 and \$1,788 for the years ended December 31, 2022 and 2021, respectively.

NOTE 25 **CHARTER COMMUNICATIONS AGREEMENT**

On March 25, 2021, Charter Communications Holding, LLC (Charter) and UEF entered into an agreement to borrow up to \$3,000,000 to be paid in six equal installments. Since that date, UEF has received the first installment of \$500,000.

As of December 31, 2022, accrued interest expense is \$22,486. UEF is able to make 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 on a maturity of the earlier of 1) the fifth anniversary of installment number six or 2) the seventh anniversary of the initial closing date (or March 24, 2028) and is included in loans payable. 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 \$100,000 and \$250,000 in loans to qualified businesses in 2022 and 2021/2020, respectively, sent to NDC. In 2022, the \$250,000 in loans provided in 2021 were fully repaid. In addition, UEF offered a total of \$290,000 and \$50,000 in 2022 covered by this Charter agreement and NUL investment, respectively, directly to borrowers. During 2022, \$5,786 and \$1,599 were repaid toward the \$290,000 and \$50,000 in loans. Therefore, as of December 31, 2022, their unpaid balances were \$284,214 and \$48,401, respectively. The \$290,000 in loans paid directly to the borrowers are under a 60-month payment period with 5% interest, and the closing fee is in the range of 1% to 2% of the loan. The \$5,000 loan paid directly to the borrower is under a 60-month payment period with 6.5% interest, and the closing fee is 2% of the loan. Amounts included in loans receivable are below:

NATIONAL URBAN LEAGUE, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 25 CHARTER COMMUNICATIONS AGREEMENT *(continued)*

	<u>2022</u>	<u>2021</u>
Loans covered by Spectrum	\$ 384,214	\$ 250,000
Loans covered by NUL investment	48,401	-
Total	432,615	250,000
Allowance	<u>(79,023)</u>	<u>-</u>
Total	<u>\$ 353,592</u>	<u>\$ 250,000</u>

NOTE 26 SUBSEQUENT EVENTS

On February 28, 2023, UEF received the second installment of \$500,000 from the Charter agreement.

The League evaluated its December 31, 2022, consolidated financial statements for subsequent events through June 27, 2023, 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.

SUPPLEMENTAL INFORMATION

NATIONAL URBAN LEAGUE, INC.
Consolidating Schedule of Financial Position
As of December 31, 2022
(With Comparative Totals for 2021)

	<u>NUL</u>	<u>ULEC</u>	<u>ULEC Leverage</u>	<u>UEF</u>	<u>Eliminations and Reclassifications</u>	<u>2022 Total</u>	<u>2021 Total</u>
ASSETS							
Cash, cash equivalents and restricted cash	\$ 51,148,061	\$ 6,375,010	\$ -	\$ 1,204,237	\$ -	\$ 58,727,308	\$ 61,625,604
Restricted cash deposit held in escrow	-	25,952,541	231,645	-	-	26,184,186	30,303,779
Funds held in escrow by others	-	1,181,808	-	-	-	1,181,808	1,950,744
Funds held for Trust	1,419,979	-	-	-	1,526	1,421,505	-
Prepaid expenses and other assets	1,188,186	-	-	19,250	-	1,207,436	1,000,193
Prepaid pension costs	960,626	-	-	-	-	960,626	-
Grants and pledges receivable, net-current	23,079,352	4,570,000	-	232,199	(171,947)	27,709,604	27,880,314
Grants and pledges receivable, net-non-current	11,732,505	2,830,000	-	-	-	14,562,505	19,846,914
Franchise fees receivable, net	96,500	-	-	-	-	96,500	59,000
Investments	135,356,904	-	-	-	(1,000,000)	134,356,904	156,976,563
Loan receivable - NMTC	-	-	13,031,450	-	-	13,031,450	13,031,450
Loan receivable	-	-	-	353,592	-	353,592	250,000
Other assets	-	-	-	2,130,256	-	2,130,256	2,186,147
Interest rate swap asset	-	-	-	-	-	-	125,913
Operating lease right-of-use assets	4,575,603	7,460,154	-	-	-	12,035,757	14,929,436
Due from/(to)	17,351,461	(4,320,011)	(13,031,450)	-	-	-	-
Property and equipment – net of accumulated depreciation/amortization	7,898,666	38,510,847	-	-	-	46,409,513	33,908,134
Total assets	\$ 254,807,843	\$ 82,560,349	\$ 231,645	\$ 3,939,534	\$ (1,170,421)	\$ 340,368,950	\$ 364,074,191

NATIONAL URBAN LEAGUE, INC.

Consolidating Schedule of Financial Position (*continued*)

As of December 31, 2022

(With Comparative Totals for 2021)

	NUL	ULEC	ULEC Leverage	UEF	Eliminations and Reclassifications	2022 Total	2021 Total
LIABILITIES AND NET ASSETS							
<i>Liabilities</i>							
Accounts payable and accrued expenses	\$ 11,356,793	\$ 634,868	\$ 6,000	\$ 129,502	\$ (171,947)	\$ 11,955,216	\$ 8,419,523
Accrued payroll and vacation benefits	889,918	-	-	17,652	-	907,570	846,870
Accrued defined contribution costs	680,277	-	-	1,956	-	682,233	477,500
Contract advances and other deposits	942,841	-	-	-	-	942,841	1,148,823
Funds held for Trust	1,419,979	-	-	-	1,526	1,421,505	-
Loan payable	-	-	-	1,500,000	(1,000,000)	500,000	500,000
Bonds payable - (net of debt issuance costs of \$107,651 in 2022 and \$113,438 in 2021)	3,503,616	22,500,000	-	-	-	26,003,616	26,127,690
Loan payable - NMTC (net of debt issuance costs of \$1,712,106 in 2022 and \$1,749,587 in 2021)	-	16,437,894	-	-	-	16,437,894	16,400,413
Loan payable-bank (net of debt issuance costs of \$41,084 in 2022 and \$48,212 in 2021)	5,862,687	-	-	-	-	5,862,687	6,813,528
Interest rate swap liability	623,386	-	-	-	-	623,386	-
Operating lease liability	5,086,719	-	-	-	-	5,086,719	7,227,602
Interest payable	-	-	-	22,486	-	22,486	-
Accrued pension benefit costs	-	-	-	-	-	-	3,930,721
Total liabilities	<u>30,366,216</u>	<u>39,572,762</u>	<u>6,000</u>	<u>1,671,596</u>	<u>(1,170,421)</u>	<u>70,446,153</u>	<u>71,892,670</u>
<i>Net assets</i>							
<i>Without Donor Restrictions</i>							
Undesignated	61,086,727	-	-	-	-	61,086,727	68,068,701
Urban Empowerment Fund	-	-	-	2,267,938	(2,267,938)	-	-
Pension related	<u>(8,782,638)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,782,638)</u>	<u>(8,617,110)</u>
Total unrestricted net assets	52,304,089	-	-	2,267,938	(2,267,938)	52,304,089	59,451,591
<i>With Donor Restrictions</i>							
Total net assets	<u>172,137,538</u>	<u>42,987,587</u>	<u>225,645</u>	<u>-</u>	<u>2,267,938</u>	<u>217,618,708</u>	<u>232,729,930</u>
Total net assets	<u>224,441,627</u>	<u>42,987,587</u>	<u>225,645</u>	<u>2,267,938</u>	<u>-</u>	<u>269,922,797</u>	<u>292,181,521</u>
Total liabilities and net assets	<u>\$ 254,807,843</u>	<u>\$ 82,560,349</u>	<u>\$ 231,645</u>	<u>\$ 3,939,534</u>	<u>\$ (1,170,421)</u>	<u>\$ 340,368,950</u>	<u>\$ 364,074,191</u>

NATIONAL URBAN LEAGUE, INC.
Consolidating Schedule of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>NUL</u>	<u>ULEC</u>	<u>ULEC Leverage</u>	<u>UEF</u>	<u>Eliminations</u>	<u>2022 Total</u>	<u>2021 Total</u>
OPERATING ACTIVITIES							
<i>Revenue, gains, and other support</i>							
Government grants and contracts	\$ 32,682,818	\$ -	\$ -	\$ 125,000	\$ -	\$ 32,807,818	\$ 22,656,858
Donated materials and services	7,855,944	-	-	-	-	7,855,944	8,697,586
Contributions	34,234,358	9,300,010	-	7,500	-	43,541,868	62,073,435
Legacies and bequests	265,374	-	-	-	-	265,374	867,509
Special events	1,735,300	-	-	-	-	1,735,300	1,545,045
Program service fees	6,530,686	-	-	-	-	6,530,686	4,772,960
Franchise fees	207,500	-	-	-	-	207,500	202,000
Net investment return designated for current operations	1,316,364	-	-	-	-	1,316,364	1,082,162
Sale of publications	15,892	-	-	-	-	15,892	1,570
Interest income	-	-	-	110,286	-	110,286	125,486
Closing income	-	-	-	6,800	-	6,800	-
Other	669,018	110	155,135	213,453	-	1,037,716	488,731
Total revenue, gains, and other support	<u>85,513,254</u>	<u>9,300,120</u>	<u>155,135</u>	<u>463,039</u>	<u>-</u>	<u>95,431,548</u>	<u>102,513,342</u>
<i>Operating expenses</i>							
<i>Program services</i>							
Economic empowerment	46,178,742	-	-	-	-	46,178,742	28,092,794
Education and youth empowerment	7,360,838	-	-	-	-	7,360,838	6,128,261
Civic engagement and leadership empowerment	19,250,536	-	-	-	-	19,250,536	14,912,875
Technical assistance to affiliates	2,743,364	-	-	-	-	2,743,364	3,334,793
Health and quality of life empowerment	12,796,924	-	-	-	-	12,796,924	7,141,656
Civil rights and racial justice empowerment	473,756	-	-	-	-	473,756	356,793
Urban empowerment	-	-	-	457,303	-	457,303	5,868
Total program services	<u>88,804,160</u>	<u>-</u>	<u>-</u>	<u>457,303</u>	<u>-</u>	<u>89,261,463</u>	<u>59,973,040</u>
<i>Supporting services</i>							
Management and general	10,099,181	-	-	-	-	10,099,181	8,468,927
Fundraising	4,982,911	891,133	6,324	-	-	5,880,368	5,105,231
Total expenses	<u>103,886,252</u>	<u>891,133</u>	<u>6,324</u>	<u>457,303</u>	<u>-</u>	<u>105,241,012</u>	<u>73,547,198</u>
Changes in net assets from operations	<u>(18,372,998)</u>	<u>8,408,987</u>	<u>148,811</u>	<u>5,736</u>	<u>-</u>	<u>(9,809,464)</u>	<u>28,966,144</u>

NATIONAL URBAN LEAGUE, INC.Consolidating Schedule of Activities *(continued)*

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	<u>NUL</u>	<u>ULEC</u>	<u>ULEC Leverage</u>	<u>UEF</u>	<u>Eliminations</u>	<u>2022 Total</u>	<u>2021 Total</u>
NON-OPERATING ACTIVITIES							
Board-designated contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,720,531
PPP loan forgiveness	-	-	-	-	-	-	2,547,253
Net investment return, net of amount designated for current operations	(11,534,433)	-	-	-	-	(11,534,433)	8,981,167
Gain/(loss) in fair value of interest rate swap obligation	(749,299)	-	-	-	-	(749,299)	(153,834)
Pension-related changes other than net periodic pension costs	(165,528)	-	-	-	-	(165,528)	1,999,492
Total non-operating activities	<u>(12,449,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,449,260)</u>	<u>23,094,609</u>
Changes in net assets	(30,822,258)	8,408,987	148,811	5,736	-	(22,258,724)	52,060,753
Net assets, beginning of year	<u>255,263,885</u>	<u>34,578,600</u>	<u>76,834</u>	<u>2,262,202</u>	<u>-</u>	<u>292,181,521</u>	<u>240,120,768</u>
Net assets, end of year	<u>\$ 224,441,627</u>	<u>\$ 42,987,587</u>	<u>\$ 225,645</u>	<u>\$ 2,267,938</u>	<u>\$ -</u>	<u>\$ 269,922,797</u>	<u>\$ 292,181,521</u>

NATIONAL URBAN LEAGUE, INC.
Consolidating Schedule of Activities
Including ULEC, LLC and ULEC Leverage
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING ACTIVITIES					
<i>Revenue, gains, and other support</i>					
Government grants and contracts	\$ 32,682,818	\$ -	\$ -	\$ 32,682,818	\$ 22,656,858
Donated materials and services	7,855,944	-	-	7,855,944	8,697,586
Contributions	8,518,510	35,015,858	-	43,534,368	59,805,289
Legacies and bequests	265,374	-	-	265,374	867,509
Special events	1,735,300	-	-	1,735,300	1,545,045
Program service fees	6,530,686	-	-	6,530,686	4,772,960
Franchise fees	207,500	-	-	207,500	202,000
Investment return designated for current operations	1,316,364	-	-	1,316,364	1,082,162
Sale of publications	15,892	-	-	15,892	1,570
Other	824,263	-	-	824,263	488,731
<i>Net assets released from restrictions</i>					
Satisfaction of restrictions	45,913,684	(45,913,684)	-	-	-
Total revenue, gains, and other support	<u>105,866,335</u>	<u>(10,897,826)</u>	<u>-</u>	<u>94,968,509</u>	<u>100,119,710</u>
OPERATING EXPENSES					
<i>Program services</i>					
Economic empowerment	46,178,742	-	-	46,178,742	28,092,794
Education and youth empowerment	7,360,838	-	-	7,360,838	6,128,261
Civic engagement and leadership empowerment	19,250,536	-	-	19,250,536	14,912,875
Technical assistance to affiliates	2,743,364	-	-	2,743,364	3,334,793
Health and quality of life empowerment	12,796,924	-	-	12,796,924	7,141,656
Civil rights and racial justice empowerment	473,756	-	-	473,756	356,793
Total program services	<u>88,804,160</u>	<u>-</u>	<u>-</u>	<u>88,804,160</u>	<u>59,967,172</u>
SUPPORTING SERVICES					
Management and general	10,099,181	-	-	10,099,181	8,468,927
Fundraising	5,880,368	-	-	5,880,368	5,105,231
Total expenses	<u>104,783,709</u>	<u>-</u>	<u>-</u>	<u>104,783,709</u>	<u>73,541,330</u>
Changes in net assets from operations	<u>1,082,626</u>	<u>(10,897,826)</u>	<u>-</u>	<u>(9,815,200)</u>	<u>26,578,380</u>
NON-OPERATING ACTIVITIES					
<i>Add: Board-designated contributions</i>					
PPP loan forgiveness	-	-	-	-	9,720,531
Investment return net of amount designated for current operations	(7,315,301)	(4,219,132)	-	(11,534,433)	8,981,167
Gain/(loss) in fair value of interest rate swap obligation	(749,299)	-	-	(749,299)	(153,834)
Pension-related changes other than net periodic pension costs	(165,528)	-	-	(165,528)	1,999,492
Total non-operating activities	<u>(8,230,128)</u>	<u>(4,219,132)</u>	<u>-</u>	<u>(12,449,260)</u>	<u>23,094,609</u>
Changes in net assets	(7,147,502)	(15,116,958)	-	(22,264,460)	49,672,989
Net assets, beginning of year	<u>59,451,591</u>	<u>230,467,728</u>	<u>-</u>	<u>289,919,319</u>	<u>240,246,330</u>
Net assets, end of year	\$ 52,304,089	\$ 215,350,770	\$ -	\$ 267,654,859	\$ 289,919,319

NATIONAL URBAN LEAGUE, INC.
Schedule of Activities – Urban Empowerment Fund
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
OPERATING ACTIVITIES			
<i>Revenue, gains, and other support</i>			
Contributions	\$ 7,500	\$ -	\$ 7,500
Government grants and contracts	125,000	-	125,000
Interest income	110,286	-	110,286
Closing income	6,800	-	6,800
Other	213,453	-	213,453
<i>Net assets released from restrictions</i>			
Satisfaction of restrictions	-	-	-
Total revenue, gains, and other support	<u>463,039</u>	<u>-</u>	<u>463,039</u>
OPERATING EXPENSES			
<i>Program services</i>			
Urban empowerment	<u>457,303</u>	-	<u>457,303</u>
Total program services	457,303	-	457,303
SUPPORTING SERVICES			
Management and general	-	-	-
Fundraising	-	-	-
Total expenses	<u>457,303</u>	<u>-</u>	<u>457,303</u>
Changes in net assets from operations	<u>5,736</u>	<u>-</u>	<u>5,736</u>
NON-OPERATING ACTIVITIES			
Other	-	-	-
Total non-operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	5,736	-	5,736
Net assets, beginning of year	<u>2,262,202</u>	<u>-</u>	<u>2,262,202</u>
Net assets, end of year	<u><u>\$ 2,267,938</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,267,938</u></u>

