

UrbanPromise Charlotte

Financial Statements

June 30, 2023

UrbanPromise Charlotte

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
UrbanPromise Charlotte
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of UrbanPromise Charlotte (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UrbanPromise Charlotte as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UrbanPromise Charlotte and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

UrbanPromise Charlotte
Charlotte, North Carolina

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 purposes of expressing an opinion on the effectiveness of UrbanPromise Charlotte'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UrbanPromise Charlotte'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.
September 27, 2023

UrbanPromise Charlotte**Statement of Financial Position****June 30, 2023, with prior year comparative totals**

	June 30,	
	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 875,469	\$ 782,924
Pledges receivable	251,188	326,188
Prepaid expenses	9,635	7,757
<i>Total Current Assets</i>	<i>1,136,292</i>	<i>1,116,869</i>
Long-Term Assets:		
Pledge receivable, net of current portion	432,492	662,301
Fixed assets (net)	24,383	26,786
<i>Total Long-Term Assets</i>	<i>456,875</i>	<i>689,087</i>
<i>TOTAL</i>	<i>\$ 1,593,167</i>	<i>\$ 1,805,956</i>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 7,831	\$ 2,410
Accrued payroll	68,676	41,069
<i>Total Current Liabilities</i>	<i>76,507</i>	<i>43,479</i>
Net Assets:		
Without donor restrictions	640,121	428,435
With donor restrictions	876,539	1,334,042
<i>Total Net Assets</i>	<i>1,516,660</i>	<i>1,762,477</i>
<i>TOTAL</i>	<i>\$ 1,593,167</i>	<i>\$ 1,805,956</i>

UrbanPromise Charlotte**Statement of Activities****Year Ended June 30, 2023, with prior year comparative totals**

	June 30, 2023			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 1,670,812	\$ 75,000	\$ 1,745,812	\$ 1,802,466
Grants	456,739	-	456,739	1,389,085
Other revenue	7,070	-	7,070	-
In-kind contributions	355,769	-	355,769	361,765
Net assets released from restriction:				
By purpose	532,503	(532,503)	-	-
<i>Total Support and Revenue</i>	<i>3,022,893</i>	<i>(457,503)</i>	<i>2,565,390</i>	<i>3,553,316</i>
<u>EXPENSES</u>				
Program services	2,500,033	-	2,500,033	2,222,384
Management and general	139,414	-	139,414	115,396
Fundraising	171,760	-	171,760	87,520
<i>Total Expenses</i>	<i>2,811,207</i>	<i>-</i>	<i>2,811,207</i>	<i>2,425,300</i>
<i>CHANGE IN NET ASSETS</i>	<i>211,686</i>	<i>(457,503)</i>	<i>(245,817)</i>	<i>1,128,016</i>
<i>NET ASSETS, BEGINNING</i>	<i>428,435</i>	<i>1,334,042</i>	<i>1,762,477</i>	<i>634,461</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 640,121</i>	<i>\$ 876,539</i>	<i>\$ 1,516,660</i>	<i>\$ 1,762,477</i>

UrbanPromise Charlotte

Statement of Functional Expenses

Year Ended June 30, 2023, with prior year comparative totals

	Year Ended June 30, 2023				Prior year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<i>SALARIES AND BENEFITS</i>					
Salaries	\$ 1,393,702	\$ 30,814	\$ 122,912	\$ 1,547,428	\$ 1,244,140
Payroll taxes	112,167	2,480	9,892	124,539	107,515
Employee benefits	90,835	10,133	8,011	108,979	66,654
<i>Total</i>	<i>1,596,704</i>	<i>43,427</i>	<i>140,815</i>	<i>1,780,946</i>	<i>1,418,309</i>
<i>OTHER EXPENSES</i>					
Occupancy	258,951	35,135	-	294,086	265,889
Meals	252,239	441	9,407	262,087	265,853
Contract services	91,166	21,051	13,841	126,058	105,969
Insurance	8,018	31,313	707	40,038	36,601
Operations	48,766	1,236	6,476	56,478	84,133
Enrichment	8,243	-	-	8,243	14,347
Training	2,000	-	-	2,000	7,481
Field trips	56,083	-	-	56,083	28,101
Travel	123,720	360	-	124,080	139,034
Miscellaneous	9,280	4,048	136	13,464	5,394
Scholarships	44,300	-	-	44,300	50,898
Equipment and technology	563	2,403	-	2,966	2,938
Licenses	-	-	378	378	353
<i>Total</i>	<i>903,329</i>	<i>95,987</i>	<i>30,945</i>	<i>1,030,261</i>	<i>1,006,991</i>
<i>TOTAL EXPENSES</i>	<i>\$ 2,500,033</i>	<i>\$ 139,414</i>	<i>\$ 171,760</i>	<i>\$ 2,811,207</i>	<i>\$ 2,425,300</i>

UrbanPromise Charlotte**Statement of Cash Flows****Year Ended June 30, 2023, with prior year comparative totals**

	Year Ended June 30,	
	2023	2022
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (245,817)	\$ 1,128,016
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	2,403	2,938
Present value discount	(25,191)	56,511
Decrease (increase) in operating assets:		
Pledge receivable	330,000	(905,000)
Prepaid expenses	(1,878)	(7,226)
Increase (decrease) in operating liabilities:		
Accounts payable	5,421	1,218
Accrued payroll	27,607	(78,799)
<i>Cash Flows from Operating Activities</i>	92,545	197,658
NET CHANGE IN CASH	92,545	197,658
CASH, BEGINNING	782,924	585,266
CASH, ENDING	\$ 875,469	\$ 782,924

UrbanPromise Charlotte
Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

UrbanPromise Charlotte (the “Organization”) is incorporated under the laws of the State of North Carolina. The mission of the Organization is to provide Charlotte’s low-income children and youth with the academic, spiritual, and social development necessary to become Christian leaders determined to restore their communities.

The Organization’s vision is to take a 20-year leadership journey with students and their families (from the age of 5 to 25). This leadership journey has three stages: Reach a Child, Raise a Leader, Restore Community.

The Organization reaches elementary and middle school children (ages 5-13) through year-round, neighborhood-based afterschool and summer programs. By providing quality out-of-school time instruction at their After School Programs and Summer Camps, the Organization seeks to bridge the achievement gap between low-income students and their higher-income peers.

As students move through elementary and middle school and into high school, the Organization raises them to become StreetLeaders. Their StreetLeader Program employs teenagers (ages 14-18) as mentors and counselors for the children who attend their afterschool and summer programs. Along with year-round employment, the StreetLeader Program provides teenagers with leadership development, academic support, and college access support because they know low-income students are less likely to graduate from high school and receive college acceptance than their more affluent peers.

Finally, the Organization supports StreetLeader Alumni from the ages of 18 to 25 through the Alumni Support Program. This program is designed to ensure Alumni persist and graduate from post-secondary education and find meaningful employment after graduation.

Ultimately, the Organization believes that their StreetLeaders’ leadership experience and academic growth at the Organization will inspire them to pursue a lifetime of servant leadership, and the Organization alumni will bring about economic, spiritual, and social revitalization in their communities and city.

Sources of revenue

The Organization receives contributions and grants from individual donors, corporate donors, private foundations, and churches.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

UrbanPromise Charlotte
Notes to Financial Statements
June 30, 2023

Net assets without donor restrictions – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Organization. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization. Such amounts, if any, are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.

Net assets with donor restrictions – Net assets with donor restrictions are comprised of amounts that may be temporary in nature, which are subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time, and net assets that are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. During the year, the Organization had no net assets with stipulations that they be maintained in perpetuity.

Revenue recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value. Contributions of cash and other assets are considered to be available for undesignated use unless specifically restricted by the donor. Amounts received that are restricted for future periods, or are restricted by the donor for specific purposes, are reported as net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Amounts received whose restrictions are met within the same accounting period are recorded as net assets without donor restrictions.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or goods, if significant, are included in support at fair value. During the year, the Organization recorded \$105,769 of donated goods, resulting from 31,080 donated meals provided by Charlotte-Mecklenburg Schools. The values of the meals were provided by the dollar value for breakfast and lunch based on the North Carolina Department of Health and Human Services. The Organization had no donated services.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions, as they do not meet the criteria for recognition described above.

UrbanPromise Charlotte

Notes to Financial Statements

June 30, 2023

Donated facilities and utilities

Donated facilities and utilities are recorded as contributions at the estimated fair rental value. For the year ended June 30, 2023, the fair value of the donated rent and utilities has been calculated at \$250,000, which is included in occupancy expense. The donated facility is a local Church and the facility is used for their summer programs, afterschool programs and administrative work. The value was utilized based on commercial rental values in the region and the estimated utility usage.

Property and equipment

Fixed assets exceeding \$2,500 of value are recorded at cost if purchased or fair value if donated. Costs that improve or extend the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the assets, which varies from three to fifteen years.

Federal income tax status

The Organization is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

New accounting pronouncement

The Organization adopted ASU 2016-02, *Leases* (Topic 842) during the year. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The Organization has no leases over 12 months in place as of June 30, 2023.

Prior-year comparative totals

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's 2022 financial statements, from which the summarized information was derived.

Functional allocation of expenses

Expenses that are inherently program, management and general, or fundraising, are charged directly to those functions. Program services represent the primary focus of the Organization's activities. Supporting services are fundraising activities and management and general activities. The main natural classification of expenses that are allocated includes personnel-related expenses, occupancy, contract services, and operations. Personnel-related expenses have been allocated based on estimated time and effort. Occupancy-related expenses are based on the usage of buildings. All other expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent.

UrbanPromise Charlotte
Notes to Financial Statements
June 30, 2023

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – PLEDGE RECEIVABLE

Unconditional promises to give are presented with no allowance for doubtful accounts and a present value discount of \$31,320. Management has determined that no allowance was needed based on historical experience. The discount for the present value was computed at the three-year risk-free interest rate of 2.99 percent. The Organization’s pledges are expected to be collected during the year ending June 30:

2024	\$ 255,000
2025	230,000
2026	<u>230,000</u>
Total gross pledges	<u>715,000</u>
Less: present value discount	<u>31,320</u>
Total Pledges Receivable	<u>\$ 683,680</u>

NOTE 3 – FIXED ASSETS

Fixed assets are composed of the following as of June 30, 2023:

Equipment	\$ 21,337
Leasehold improvements	<u>40,000</u>
Less - accumulated depreciation	<u>36,954</u>
TOTAL	<u>\$ 24,383</u>

Depreciation expense for the fiscal year 2023 was approximately \$2,400.

UrbanPromise Charlotte
Notes to Financial Statements
June 30, 2023

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Balance at year-end

Net assets with donor restrictions were restricted for the following uses as of June 30, 2023:

Time-restricted:

The Leon Levine Foundation	\$ 75,000
Pledges	<u>683,680</u>
Total Time-restricted	<u>758,680</u>

Unutilized funds:

Promise Scholarship	44,465
Salaries	<u>73,394</u>
Total Unutilized Funds	<u>117,859</u>

TOTAL	<u><u>\$ 876,539</u></u>
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Net assets with donor restrictions consisted of cash of \$192,859 and pledges receivable of \$683,680.

NOTE 5 – EMPLOYEE BENEFITS

The Organization participates in a SIMPLE-IRA Plan maintained by Foresters Financial. All full-time employees are eligible to participate in the Plan upon their hire date. The Organization matches the employee's elective deferral on a dollar-for-dollar basis but not more than 3% of the employee's compensation. The amount paid by the Organization during the year was approximately \$22,000.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,126,657 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$875,469 and current pledges receivable of \$251,188. Of the financial assets available, \$117,859 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available as its general liabilities and other obligations come due.

NOTE 7 – CONCENTRATIONS OF RISK

Geographic area

The Organization operates in a small geographic area and, accordingly, is sensitive to changes in the local economy.

UrbanPromise Charlotte
Notes to Financial Statements
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Cash

Cash held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization holds cash in excess of the insured limits covered by the FDIC; however, the Organization believes it is not exposed to any significant credit risk related to these accounts.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.