URBAN ALLIANCE

Employing Youth. Inspiring Excellence.

Financial Statements

For the Year Ended December 31, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)

and
Report Thereon

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Urban Alliance Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Urban Alliance Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2013, 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.

Continued

Report on Summarized Comparative Information

We have previously audited the Foundation's 2012 financial statements, and in our report dated July 5, 2013, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
May 19, 2014

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With Summarized Financial Information as of December 31, 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	$ 1,202,058	$ 1,043,628
Grants and contributions receivable, net	1,251,508	727,659
Investments	1,272,986	1,173,163
Other assets	35,919	30,079
Property and equipment, net	100,652	116,902
TOTAL ASSETS	$ 3,863,123	$ 3,091,431
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 93,101	$ 40,901
Accrued expenses	83,463	74,650
Deferred rent	13,608	6,345
Capital lease obligation	38,325	53,025
Deferred revenue	759,843	486,070
TOTAL LIABILITIES	988,340	660,991
Net Assets		
Unrestricted		
Board-designated	1,152,001	1,100,000
Undesignated	1,081,182	990,727
Total Unrestricted	2,233,183	2,090,727
Temporarily restricted	641,600	339,713
TOTAL NET ASSETS	2,874,783	2,430,440
TOTAL LIABILITIES AND NET ASSETS	$ 3,863,123	$ 3,091,431

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
REVENUE AND SUPPORT				
Grants and contributions	$ 2,363,023	$ 2,689,271	$ 5,052,294	$ 3,506,613
Donated facilities and services	225,167	-	225,167	198,213
Investment and other income	113,466	-	113,466	124,087
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,293,397	(2,293,397)	-	-
Satisfaction of time restrictions	93,987	(93,987)	-	-
TOTAL REVENUE AND SUPPORT	5,089,040	301,887	5,390,927	3,828,913
EXPENSES				
Program Services:				
High School Internship Program	3,224,461	-	3,224,461	2,342,193
Program Development	602,783	-	602,783	628,781
Youth programs	272,205	-	272,205	351,674
Total Program Services	4,099,449	-	4,099,449	3,322,648
Supporting Services:				
Management and general	340,877	-	340,877	124,510
Development and fundraising	506,258	-	506,258	262,719
Total Supporting Services	847,135	-	847,135	387,229
TOTAL EXPENSES	4,946,584	-	4,946,584	3,709,877
CHANGE IN NET ASSETS	142,456	301,887	444,343	119,036
NET ASSETS, BEGINNING OF YEAR	2,090,727	339,713	2,430,440	2,311,404
NET ASSETS, END OF YEAR	$ 2,233,183	$ 641,600	$ 2,874,783	$ 2,430,440

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)
Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 444,343	$ 119,036
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized loss (gains) on investments	-	6
Unrealized gains on investments	(76,678)	(41,443)
Depreciation and amortization	46,321	41,130
Loss on disposal of property and equipment	1,040	-
Changes in assets and liabilities:		
Grants and contributions receivable	(523,849)	(237,298)
Other assets	(5,840)	(185)
Accounts payable	52,200	16,778
Accrued expenses	8,813	22,829
Deferred rent	7,263	676
Deferred revenue	273,773	43,812
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	227,386	(34,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(373,598)	(167,101)
Sale of investments	350,453	150,000
Purchase of property and equipment	(31,111)	(10,075)
NET CASH USED IN INVESTING ACTIVITIES	(54,256)	(27,176)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(14,700)	(11,755)
NET CASH USED IN INVESTING ACTIVITIES	(14,700)	(11,755)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	158,430	(73,590)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,043,628	1,117,218
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,202,058	$ 1,043,628
SUPPLEMENTAL CASH FLOW INFORMATION		
Equipment acquired under capital lease	$ -	$ 28,000
Obligation incurred under capital lease	-	(28,000)
Net Cash Outlay	$ -	$ -

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)

	Program Services				Supporting Services				
	High School Internship Program	Program Development	Youth Programs	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	2013 Total	2012 Total
Staff salaries	$ 1,128,861	$ 207,695	$ 129,232	$ 1,465,788	$ 165,583	$ 350,580	$ 516,163	$ 1,981,951	$ 1,389,936
Program intern wages	1,161,101	-	64,351	1,225,452	-	-	-	1,225,452	863,597
Employee benefits	343,610	38,774	30,472	412,856	38,801	67,381	106,182	519,038	361,892
Professional fees	71,027	304,461	18,208	393,696	86,202	10,194	96,396	490,092	586,838
Occupancy and utilities	175,936	34,162	19,550	229,648	22,276	59,781	82,057	311,705	179,727
Student activities	110,935	-	1,863	112,798	520	95	615	113,413	59,827
Travel	56,441	1,602	899	58,942	5,873	485	6,358	65,300	66,197
Student training	59,381	-	-	59,381	-	-	-	59,381	53,043
Depreciation and amortization	30,195	5,644	2,549	38,388	3,192	4,741	7,933	46,321	41,130
Telecommunications	11,353	606	116	12,075	145	215	360	12,435	8,959
Computer supplies	19,398	3,106	1,382	23,886	2,137	2,455	4,592	28,478	17,088
Printing	13,268	1,297	613	15,178	502	4,585	5,087	20,265	15,733
Meals and entertainment	6,436	591	367	7,394	6,848	958	7,806	15,200	11,804
Insurance	9,694	1,812	818	12,324	1,025	1,522	2,547	14,871	13,625
Dues, fees and subscriptions	7,083	429	719	8,231	4,197	673	4,870	13,101	18,744
Office supplies	7,205	516	421	8,142	376	869	1,245	9,387	14,403
Postage and delivery	4,134	542	266	4,942	439	455	894	5,836	4,850
Miscellaneous	3,609	326	200	4,135	2,563	495	3,058	7,193	2,253
Bank charges	1,321	1,093	122	2,536	126	668	794	3,330	231
Public relations	2,795	-	-	2,795	-	-	-	2,795	-
Loss on disposal	678	127	57	862	72	106	178	1,040	-
TOTAL EXPENSES	$ 3,224,461	$ 602,783	$ 272,205	$ 4,099,449	$ 340,877	$ 506,258	$ 847,135	$ 4,946,584	$ 3,709,877

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Urban Alliance Foundation, Inc. (the Foundation) was incorporated on August 11, 1995, under the laws of the District of Columbia. The Foundation was originally founded and created by a small group of volunteers to provide the tools necessary for youth living in under-resourced Washington, DC neighborhoods to excel. The Foundation has expanded to serve youth in Washington, DC; Baltimore, MD; Chicago, IL, and Northern Virginia (Arlington and Alexandria). The Foundation mobilizes a variety of community resources to provide youth with otherwise unavailable educational and employment opportunities. Its mission is to empower under-resourced youth to aspire, work, and succeed through paid internships, formal training, and mentoring. These activities are funded primarily from businesses, corporations, nonprofit organizations and community members.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this method, revenue and support are recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Accounts Receivable

The Foundation uses the allowance method to record potentially uncollectible accounts receivable.

Investments

Investments consist of equity and fixed-income mutual funds, corporate bonds, certificates of deposit, government and agency securities, and money market funds. Investments are reported at fair value in the accompanying financial statements. Fair value is 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.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP) and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant's assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant's assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2013, the Foundation's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of the *Fair Value Measurements and Disclosures* topic of the FASB ASC.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. The Foundation capitalizes expenditures for property and equipment that are in excess of $500 and that have useful lives of more than one year. Depreciation on computers, office equipment and licenses is provided for on a straight-line basis over the estimated useful lives of the assets, which range from two to five years. The cost of property and equipment retired or disposed of is removed from the accounts, along with the related accumulated depreciation and amortization, and any gain or loss is reflected in revenue and support or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Net Assets

The net assets of the Foundation are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Foundation's operations. Unrestricted assets are composed of amounts designated by the Board of Directors as an operating reserve, as well as undesignated assets

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

available for use. Board-designated net assets represent the operating reserves appropriated by the Foundation's Board of Directors. These funds are to be invested and held until such time as the Foundation deems them necessary to fund normal operations, should current funding sources fall short in a fiscal period. Any use of these funds for normal operations must be approved by the Board of Directors in advance.

- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

Revenue Recognition

Grants and contributions are considered available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted revenue and support. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Conditional promises to give are not included as grants and contributions until the conditions are substantially met.

Grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the awarding agency is included in grants and contributions receivable in the accompanying statement of financial position.

The Foundation receives sponsorships for students in its High School Internship Program. Revenue from the non-refundable portion of the sponsorship is recorded and recognized in the year the internship commences, and the balance is recognized in the year the internship ends. Amounts received in advance of the school year (internship period) are recorded as deferred revenue in the accompanying statement of financial position.

Donated Facilities and Services

The value of contributions that enhance a non-financial asset and contributed services which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. In-kind contributions consist of contributed professional services and facilities that benefit both program and supporting services.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct costs.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivable

Grants and contributions receivable include unconditional promises to give from foundations and individuals. As of December 31, 2013, grants and contributions receivable of $1,268,258 are expected to be received in less than one year. The Foundation has established an allowance of $16,750 for potentially uncollectible pledges and contributions.

During 2011, the Foundation received a temporarily restricted conditional grant from Venture Philanthropy Partners, Inc. (VPP) for $1,372,000 in support of the youth_CONNECT initiative, VPP's newly launched pioneering network of government, private philanthropy, nonprofit organizations, and evaluators to dramatically improve opportunities for low-income youth. The grant is contingent upon the Foundation securing matching funds equal to VPP's commitment for three years and the Foundation providing documentation of expenditures directly related to the youth_CONNECT initiative. For the year ended December 31, 2013, the Foundation raised approximately $416,000 toward the match and satisfied approximately $416,000 of the match and expenditure conditions, which is recorded in temporarily restricted revenue in the accompanying statement of activities. As of December 31, 2013, the Foundation expects to use $726,000 of VPP youth_CONNECT continuation funding through January 31, 2015, which is conditional upon satisfaction of a dollar-for-dollar matching requirement and the expenditure of funds directly related to the initiative and the execution of a continuation agreement.

During 2012, the Foundation received a temporarily restricted conditional grant from Venture Philanthropy Partners, Inc. (VPP) for $2,800,000 to strengthen the Foundation's organizational structure, to expand its operations into Northern Virginia, and to achieve the Foundation's strategic priorities for the next four years. The grant is contingent upon the Foundation's performance in achieving agreed-upon outcomes for the next four years. For the year ended December 31, 2013, the Foundation received funding of $601,000 from VPP after achieving agreed-upon grant milestones, which is recorded in temporarily restricted revenue in the accompanying statement of activities

Continued

2. Grants and Contributions Receivable (continued)

During 2013, the Foundation entered into a contract with the District of Columbia's Department of Employment Services to provide educational and training services to high school youth beginning in June 2013. Of the total contract award of $315,000, the Foundation is only eligible to receive $245,000, comprised of both a guaranteed base amount and performance incentives to be determined at the completion of the program. The remaining $70,000 of the total contract represents incentive payments paid directly to youth participating in the program. For the year ended December 31, 2013, UAF recognized $122,500 of revenue for the guaranteed portion of the contract which is recorded in temporarily restricted revenue in the accompanying statement of activities. The remaining incentive portion of the contract has not been recognized, as conditions for receipt have not been met as of December 31, 2013.

3. Investments

Investments are recorded at fair value and consist of the following at December 31, 2013:

Equity mutual funds	$ 545,895
Corporate bonds	201,043
Money market funds	172,357
Fixed-income mutual funds	154,072
Certificates of deposit	149,863
Government and agency securities	49,756
Total Investments	$ 1,272,986

The following is a summary of investment income for the year ended December 31, 2013:

Unrealized gains	$ 76,678
Interest and dividends	23,820
Total Investment Income	$ 100,498

$640 of the interest and dividends from cash and cash equivalents were included in the total interest and dividends above.

Continued

3. Investments (continued)

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2013:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds:				
World allocation	$ 217,531	$ 217,531	$ -	$ -
Large value	115,733	115,733	-	-
Large blend	112,873	112,873	-	-
Foreign large value	99,758	99,758	-	-
Total Equity Mutual Funds	545,895	545,895	-	-
Fixed-income mutual funds:				
Short-term bond funds	154,072	154,072	-	-
Corporate bonds	201,043	201,043	-	-
Government and agency securities	49,756	-	49,756	-
Money market funds	172,357	172,357	-	-
Certificate of deposit	149,863	-	149,863	-
Total	$ 1,272,986	$ 1,073,367	$ 199,619	$ -

The Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Equity and fixed-income mutual funds, corporate bonds and money market funds – Valued based on quoted prices available in active markets for identical assets. These investments are classified within Level 1 of the valuation hierarchy.

Certificates of deposit and government and agency securities – Securities with fixed maturities, other than U.S. Treasury securities, generally do not trade on a daily basis. The fair value estimates of such fixed maturity investments are based on observable market information, rather than market quotes. Accordingly, the estimates of fair value for such fixed maturity investments, as provided by the pricing service, are classified within Level 2 of the valuation hierarchy.

Continued

4. Property and Equipment

Property and equipment consist of the following at December 31, 2013:

Computer and office equipment	$ 74,123
Equipment under capital leases	60,100
Software	51,377
Property and Equipment	185,600
Less: Accumulated Depreciation and Amortization	(84,948)
Property and Equipment, Net	$ 100,652

Depreciation and amortization expense totaled $46,321 for the year ended December 31, 2013.

5. Capital Leases

The Foundation has entered into lease agreements to finance certain equipment that expire at various dates during the next five years. The lease agreements have been classified as capital leases, which are generally accounted for as additions to property and equipment using lease financing.

The present value of the future minimum lease payments is as follows as of December 31, 2013:

For the Year Ending December 31,	
2014	$ 14,245
2015	13,341
2016	12,055
Subtotal	39,641
Less: Amount Representing Interest	(1,316)
Present Value of Net Minimum Lease Payments	38,325
Less: Current Portion	(13,140)
Long-Term Portion	$ 25,185

As of December 31, 2013, the cost of the equipment capitalized and the related accumulated depreciation totaled $60,100 and $21,845, respectively, and is included in property and equipment in the accompanying statement of financial position.

Continued

6. Temporarily Restricted Net Assets

Net assets were released from donor-imposed restrictions by incurring expenses that satisfied the restricted purposes. For the year ended December 31, 2013, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
High School Internship Program	$ 1,324,335
Program Development	446,285
Contract management, executive training and other	352,508
Youth programs	170,269
Total Purpose Restrictions	2,293,397
Satisfaction of time restrictions	93,987
Total Net Assets Released from Restrictions	$ 2,387,384

As of December 31, 2013, temporarily restricted net assets are restricted for use in the following programs:

High School Internship Program	$ 418,269
Time restrictions for the year ended December 31, 2013	201,060
Executive training and other	17,452
Youth programs	4,819
Total Temporarily Restricted Net Assets	$ 641,600

7. Donated Facilities and Services

The Foundation records all donated facilities and services at fair market value at the date of donation. The value of the donated facilities and services is as follows for the year ended December 31, 2013:

Donated professional services	$ 176,134
Donated facilities – classrooms	36,100
Donated facilities – office space	12,933
Total In-Kind Donations	$ 225,167

8. Commitments and Contingencies

Office Lease

District of Columbia: In October 2012, the Foundation entered into a five-year license and service agreement, which is scheduled to expire on October 31, 2017. The license and service agreement may be terminated by the Foundation or by the licensor with 6 months written notice with no cause. Under the terms of the agreement, the licensing fee, which covers use of office space, utilities, maintenance, office cleaning, kitchen and bathroom

8. Commitments and Contingencies (continued)

Office Lease (continued)

supplies, security system, and internet access, escalates by the greater of 2% or the annual increase in the U.S. City Average Consumer Price Index. The office is owned by an LLC that is owned by a member of the Board of the Foundation and the payments made for the space are likely below fair market value and, therefore, an in-kind contribution from the Board member. However, management's estimates of the difference between fair market value and the amount being paid by the Foundation are not material to the financial statements and therefore, no in-kind rent contribution has been recorded for this agreement.

Baltimore: The Foundation leases office space under a three-year noncancelable operating lease, which is scheduled to expire on November 30, 2014. Under the terms of the lease, the rent escalates by 3% annually over the term of the lease. In addition, the landlord charges additional rent for common areas and building maintenance.

On March 10, 2014, the Foundation signed an extension to the lease which will commence on December 1, 2014 and expire on November 30, 2017. The terms and conditions are similar to the original lease agreement.

Chicago: The Foundation leases office space under a five-year operating lease, which is scheduled to expire on August 31, 2017. Under the terms of the lease, the rent escalates by 3% annually over the term of the lease. The Foundation also has an option to terminate the lease if the Foundation is not in default and in need of a larger space which the landlord is unable to provide under the terms and conditions of the lease. In addition, the landlord charges additional rent for common areas and building maintenance.

Under GAAP, scheduled rent increases over a lease term are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is recorded as deferred rent in the accompanying statement of financial position.

Future minimum lease payments, subject to increases based on operating expenses, real estate taxes and consumer price index adjustments, are as follows:

For the Year Ending December 31,	
2014	$ 272,440
2015	50,554
2016	51,740
2017	34,750
Total	$ 409,484

Rent expense under the lease agreements totaled $289,533 for the year ended December 31, 2013 and is included in the occupancy and utilities in the accompanying statement of functional expenses.

8. Commitments and Contingencies (continued)

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2013, the Foundation had approximately $1,200,000 comprised of demand deposits and money market accounts that exceeded the maximum limit insured by FDIC by approximately $581,000. The Foundation monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

9. Related Parties

As discussed in Note 8, during the year ended December 31, 2013, the Foundation paid approximately $184,000 under a license and service agreement for rent, utilities maintenance, office cleaning and other occupancy fees to an LLC that is owned by a member of the Board of Directors of the Foundation.

10. Pension Plan

The Foundation maintains a defined contribution pension plan under Section 403(b) of the Internal Revenue Code (IRC) that covers substantially all of the Foundation's full-time employees. Employees may elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum amount permitted by law. The plan allows the Foundation to make a discretionary contribution to the plan. The Foundation did not make a contribution for the year ended December 31, 2013.

11. Income Taxes

Under IRC Section 501(c)(3), the Foundation is exempt from federal taxes on income other than net unrelated business income. No provision for income taxes is required as of December 31, 2013, as the Foundation had no taxable net unrelated business income.

The Foundation adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC topic 740 *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertain tax positions for the year ended December 31, 2013, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2013, the statute of limitations for tax years 2010 through 2012 remains open with the U.S. federal

Continued

11. Income Taxes (continued)

jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2013, the Foundation had no accrual for interest and/or penalties.

12. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

13. Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 financial statement presentation.

14. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 19, 2014, the date the financial statements were available to be issued. Other than the extension of the Baltimore lease disclosed in Note 8, there were no subsequent events identified that require recognition of, or disclosure in, these financial statements.