

URBAN LEAGUE OF MIDDLE TENNESSEE

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

URBAN LEAGUE OF MIDDLE TENNESSEE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Urban League of Middle Tennessee
Nashville, TN

We have audited the accompanying financial statements of Urban League of Middle Tennessee (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2013, and June 30, 2012, and the related statement of activities, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Urban League of Middle Tennessee as of June 30, 2013, and June 30, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hoskins & Company

Hoskins & Company
October 23, 2013

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash	\$ 48,239	\$ 25,562
Contributions receivable	7,832	39,499
Other current assets (Note 2)	7,638	7,521
Total current assets	<u>63,709</u>	<u>72,582</u>
Noncurrent assets		
Property and equipment, net (Note 3)	<u>-</u>	<u>1,130</u>
Total noncurrent assets	<u>-</u>	<u>1,130</u>
Total assets	<u><u>\$ 63,709</u></u>	<u><u>\$ 73,712</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 16,229	\$ 15,860
Accrued payroll and payroll taxes	14,290	7,343
Line of credit (Note 4)	66,921	66,636
Total current liabilities	<u>97,440</u>	<u>89,839</u>
Net assets		
Unrestricted	<u>(33,732)</u>	<u>(16,127)</u>
Total net assets	<u>(33,732)</u>	<u>(16,127)</u>
Total liabilities and net assets	<u><u>\$ 63,709</u></u>	<u><u>\$ 73,712</u></u>

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

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
Revenue and support		
Contributions	\$ 8,905	\$ 2,604
Fundraising	240,812	273,470
Grant programs	175,838	171,004
Membership	18,779	9,517
Other income	542	164
Total revenue and support	<u>444,876</u>	<u>456,759</u>
Expenses		
General & administration		
Administration	142,052	130,721
Fundraising	91,760	85,758
Total general & administration	<u>233,812</u>	<u>216,479</u>
Programs		
Education	110,384	55,641
Employment	48,089	76,316
Other	70,196	71,482
Total programs	<u>228,669</u>	<u>203,439</u>
Total expenses	<u>462,481</u>	<u>419,918</u>
(Decrease) increase in net assets	(17,605)	36,841
Net assets at beginning of fiscal year	(16,127)	(52,968)
Net assets at end of fiscal year	<u>\$ (33,732)</u>	<u>\$ (16,127)</u>

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

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (17,605)	\$ 36,841
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,130	3,582
Decrease (increase) in accounts receivable	31,667	(18,694)
Increase in other assets	(116)	(3,946)
Increase (decrease) in accounts payable	369	(2,514)
Increase in accrued payroll	6,947	7,344
Decrease in deferred revenue	-	(31,667)
Net cash provided by (used in) operating activities	<u>22,392</u>	<u>(9,054)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from line of credit	285	-
Principal payments on line of credit	-	(23,081)
Net cash provided by (used in) financing activities	<u>285</u>	<u>(23,081)</u>
Net change in cash and cash equivalents	22,677	(32,135)
Cash and cash equivalents, beginning of fiscal year	25,562	57,697
Cash and cash equivalents, end of fiscal year	<u><u>\$ 48,239</u></u>	<u><u>\$ 25,562</u></u>
 Interest Paid	 <u><u>\$ 4,446</u></u>	 <u><u>\$ 4,737</u></u>

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

**URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	Administration	Development and fundraising	Education (Youth dev.)	Employment (Workforce dev.)	Programs (other)	Total
Salaries & wages	\$ 79,586	\$ 35,712	\$ 22,619	\$ 20,369	\$ 37,869	\$ 196,155
Payroll taxes & fringe benefits	9,519	3,682	1,753	1,544	3,317	19,815
Workman's compensation	642	500	1,616	1,616	1,616	5,990
Contract labor	8,481	1,300	24,055	3,158	8,221	45,215
Conferences & meetings	2,843	-	455	-	1,818	5,116
Supplies	-	1,983	3,288	219	-	5,490
Travel - other	2,221	-	15,250	-	-	17,471
Computer technology	5,106	100	-	1,793	-	6,999
Stipend expense	-	-	8,091	-	-	8,091
Other program expenses	-	-	13,707	337	754	14,798
Advertising	65	-	-	-	-	65
Dues & subscriptions	10,403	-	-	-	-	10,403
Licenses & fees	250	-	-	-	-	250
Legal & professional fees	-	7,000	-	-	-	7,000
Printing & reproduction	-	2,378	270	-	-	2,648
Postage & delivery	584	189	-	-	-	773
Rent	7,389	-	14,606	14,606	14,606	51,207
Insurance	1,671	-	1,259	1,059	1,059	5,048
Equipment rental	316	-	2,658	2,631	-	5,605
Repairs & maintenance	1,100	-	-	-	-	1,100
Telephone	252	-	757	757	757	2,523
Utilities	570	-	-	-	-	570
Interest & finance charges	4,446	-	-	-	-	4,446
Bank charges	1,574	192	-	-	-	1,766
Fundraising costs	344	36,805	-	-	179	37,328
Miscellaneous expenses	3,560	1,919	-	-	-	5,479
Depreciation	1,130	-	-	-	-	1,130
TOTAL	\$ 142,052	\$ 91,760	\$ 110,384	\$ 48,089	\$ 70,196	\$ 462,481

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

**URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	Administration	Development and fundraising	Education (Youth dev.)	Employment (Workforce dev.)	Programs (other)	Total
Salaries & wages	\$ 56,375	\$ 36,089	\$ 4,258	\$ 21,555	\$ 39,214	\$ 157,491
Payroll taxes & fringe benefits	4,874	3,784	425	2,129	5,496	16,708
Workman's compensation	2,698	-	985	1,970	985	6,638
Contract labor	12,722	1,496	16,613	6,334	4,558	41,723
Conferences & meetings	907	392	1,435	-	475	3,209
Supplies	2,027	240	450	2,012	16	4,745
Travel - other	2,270	861	5,705	-	818	9,654
Computer technology	899	560	-	269	448	2,176
Training, development & materials	36	-	-	-	-	36
Program events	-	-	13,534	-	1,486	15,020
Stipend expense	-	-	10,407	-	-	10,407
Other program expenses	-	-	1,531	-	260	1,791
Advertising	-	125	-	-	-	125
Dues & subscriptions	10,031	-	-	-	-	10,031
Licenses & fees	340	-	-	-	-	340
Legal & professional fees	700	-	-	6,300	-	7,000
Printing & reproduction	309	2,723	298	142	25	3,497
Postage & delivery	101	57	-	-	37	195
Rent	6,581	-	-	20,898	17,531	45,010
Insurance	1,671	-	-	4,488	-	6,159
Equipment rental	1,479	-	-	2,900	33	4,412
Repairs & maintenance	116	-	-	-	-	116
Telephone	1,371	-	-	4,657	-	6,028
Utilities	-	-	-	2,662	-	2,662
Interest & finance charges	4,737	-	-	-	-	4,737
Bank charges	1,835	355	-	-	-	2,190
Fundraising costs	12,565	39,046	-	-	-	51,611
Miscellaneous expenses	2,495	30	-	-	100	2,625
Depreciation	3,582	-	-	-	-	3,582
TOTAL	\$ 130,721	\$ 85,758	\$ 55,641	\$ 76,316	\$ 71,482	\$ 419,918

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

**URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

NOTE 1--- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Urban League of Middle Tennessee (the "Organization") is a not-for-profit agency established to enable African Americans and other minorities to secure economic self-reliance, parity and power, and civil rights. The Urban League is affiliated with the National Urban League through a charter agreement. The Urban League currently operates community development programs such as the Youth and Workforce development programs.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification (FASB ASC 958), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Organization is reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designated as support for future periods.

Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor's stipulation that require the asset be invested in perpetuity.

At June 30, 2013 and 2012, the Organization had no temporarily or permanently restricted net assets.

Support and Revenue

Membership fees, individual donations, and the net proceeds from the annual fundraiser are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as received in writing. Unconditional promises to give due in the next year are reflected as current promises to give and recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using interest rates estimated to be applicable to the years in which the promises are received to discount the amounts.

**URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

NOTE 1--- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles. Management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and savings accounts. The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Organization records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts determined by analysis of specific balances and a general reserve based upon aging of outstanding balances. Past due balances are charged against the allowance when they are determined to be uncollectible.

Investments

The Organization's securities investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period included in earnings.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

NOTE 1--- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Fixed assets are recorded at cost at the date of purchase or fair value at the date of donation. Capital purchases and donations over \$1,000 with an extended useful life are included as fixed assets. Depreciation is taken on a straight-line basis over the estimated useful life of the assets. The estimated useful lives are as follows:

Leasehold improvements	20 years
Furniture and fixtures	5-7 years
Equipment	3-5 years

Deferred Revenues

The Organization records receipts obtained before service is rendered as a liability.

Compensated Absences

Employees of the Organization are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. It is not practicable for the Organization to estimate the amount of compensation for future absences; accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

Income Taxes

The Organization is a tax-exempt entity under Section 501 (c) (3) of the Internal Revenue Code and is currently operating under a determination letter issued by the Internal Revenue Service on July 17, 1968.

Functional Expenses

Management allocates expenses on a functional basis among its various programs, including support services and fundraising activities. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

NOTE 2--- OTHER CURRENT ASSETS

Other current assets consist of the following:

	2013	2012
Prepaid rent	\$ 4,013	\$ 3,896
Security deposit	3,625	3,625
Total	<u>\$ 7,638</u>	<u>\$ 7,521</u>

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

NOTE 3---PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Art collection	\$ 2,000	\$ 2,000
Computer equipment	27,727	27,727
Leasehold improvements	28,241	28,241
Furniture and fixtures	62,625	62,625
Appliances	2,750	2,750
Less: accumulated depreciation	<u>(123,343)</u>	<u>(122,213)</u>
Total	<u>\$ -</u>	<u>\$1,130</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$1,130 and \$3,582, respectively.

NOTE 4---LINE OF CREDIT

The Organization had a \$100,000 revolving line of credit with a financial institution, with a variable interest rate of 6%. The balance outstanding on this line of credit as of June 30, 2013 and June 30, 2012 was \$66,921 and \$66,636 respectively. The balance is due on demand. The assets of the Organization secure the line of credit.

NOTE 5---OPERATING LEASES

The Organization leases office space under a three year lease agreement that commenced on August 1, 2011, and expires on August 31, 2014. The monthly lease payment under this lease was \$4,012 for year ended June 30, 2013. Rent expense for the years ended June 30, 2013 and June 30, 2012, was \$51,207 and \$45,010, respectively.

The future minimum lease payments are as follows:

<u>Period</u>	<u>Per Year</u>
August 31, 2014	\$ 49,354

**URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

NOTE 6---RELATED PARTY

The Organization is affiliated with the National Urban League (NUL) through a charter agreement. NUL had a 3 year contract agreement with the Organization to provide grant funds for the Equity and Excellence Project that started on June 30, 2011, and will end on August 31, 2014. Grant funds received from NUL for this project for the years ended June 30, 2013 and June 30, 2012, was \$62,500 and \$25,181 respectively.

NOTE 7---SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of October 23, 2013; the date management evaluated such events. October 23, 2013 is the date the financial statements were available to be issued.