

URBAN LEAGUE OF MIDDLE TENNESSEE

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

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, 2016, and June 30, 2015, 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, 2016, and June 30, 2015, 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.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is written in a cursive, flowing style.

Hoskins & Company
January 15, 2017

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND JUNE 30, 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash	\$ 85,302	\$ 84,005
Contributions receivable, net of allowance of \$28,080 in 2016 and 2015	18,865	10,238
Other current assets (Note 2)	12,036	9,075
Total current assets	<u>116,203</u>	<u>103,318</u>
Noncurrent assets		
Property and equipment, net (Note 3)	40,847	51,136
Total noncurrent assets	<u>40,847</u>	<u>51,136</u>
Total assets	<u><u>\$ 157,050</u></u>	<u><u>\$ 154,454</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 20,836	\$ 17,591
Accrued payroll and payroll taxes	8,166	5,490
Line of credit (Note 5)	52,210	54,116
Due to TULA	82,153	-
Deferred rent liability	30,966	34,483
Total current liabilities	<u>194,331</u>	<u>111,680</u>
Net assets (deficit)		
Unrestricted	(37,281)	42,141
Temporarily restricted (Note 4)	-	633
Total net assets (deficit)	<u>(37,281)</u>	<u>42,774</u>
Total liabilities and net assets	<u><u>\$ 157,050</u></u>	<u><u>\$ 154,454</u></u>

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

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2016 Total Net Assets	2015 Total Net Assets
Revenue and support					
Contributions	\$ 2,709	\$ -	\$ -	\$ 2,709	\$ 15,475
Fundraising	218,555	-	-	218,555	233,525
Grant programs	162,652	-	-	162,652	414,008
Membership	30,937	-	-	30,937	21,065
Other income	11,409	-	-	11,409	10,598
Net assets released from restriction	633	(633)	-	-	-
Total revenue and support	<u>426,895</u>	<u>(633)</u>	<u>-</u>	<u>426,262</u>	<u>694,671</u>
Expenses					
General & administration					
Administration	168,893	-	-	168,893	196,851
Fundraising	39,932	-	-	39,932	112,789
Total general & administration	<u>208,825</u>	<u>-</u>	<u>-</u>	<u>208,825</u>	<u>309,640</u>
Programs					
Education	179,641	-	-	179,641	250,617
Employment	109,484	-	-	109,484	92,192
Other	8,367	-	-	8,367	49,789
Total programs	<u>297,492</u>	<u>-</u>	<u>-</u>	<u>297,492</u>	<u>392,598</u>
Total expenses	<u>506,317</u>	<u>-</u>	<u>-</u>	<u>506,317</u>	<u>702,238</u>
Increase (decrease) in net assets	(79,422)	(633)	-	(80,055)	(7,567)
Net assets at beginning of fiscal year	42,141	633	-	42,774	50,341
Net assets at end of fiscal year	<u>\$ (37,281)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,281)</u>	<u>\$ 42,774</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, 2016 AND JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Decrease in net assets	\$ (80,055)	\$ (7,567)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,656	6,382
(Increase) decrease in contributions receivable	(8,627)	18,124
(Increase) decrease in other assets	(2,961)	5,174
Increase (decrease) in accounts payable	3,245	(6,514)
Increase (decrease) in accrued payroll	2,676	(1,010)
Inrease in due to TULA	82,153	-
(Decrease) increase in deferred rent liability	(3,517)	19,945
Net cash provided by operating activities	<u>5,570</u>	<u>34,534</u>
 Cash flows from investing activities		
Purchase of property and equipment	<u>(2,367)</u>	<u>(57,518)</u>
Net cash used by investing activities	(2,367)	(57,518)
 Cash flows from financing activities		
Proceeds from line of credit	15,000	-
Principal payments on line of credit	<u>(16,906)</u>	<u>(19,209)</u>
Net cash (used) provided by financing activities	<u>(1,906)</u>	<u>(19,209)</u>
 Net change in cash and cash equivalents	1,297	(42,193)
Cash and cash equivalents, beginning of fiscal year	<u>84,005</u>	<u>126,198</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 85,302</u></u>	<u><u>\$ 84,005</u></u>
 Interest Paid	<u><u>\$ 3,527</u></u>	<u><u>\$ 3,807</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, 2016

	Administration	Development and fundraising	Education (Youth dev.)	Education (Adult dev.)	Employment (Workforce dev.)	Know Hunger Project	Total
Payroll	\$ 87,631	\$ 1,827	\$ 50,096	\$ 12,605	\$ 37,211	\$ -	189,369
Payroll taxes & fringe benefits	14,097	142	6,722	-	7,663	-	28,623
Contract labor	16,278	800	31,123	4,625	15,201	-	68,026
Conferences & meetings	1,568	-	75	-	-	-	1,643
Supplies	1,041	-	2,862	-	32	636	4,571
Travel	3,119	-	1,053	379	-	-	4,550
Computer technology	310	-	-	-	636	-	947
Program events	-	-	3,815	-	-	7,731	11,546
Other program expenses	-	-	7,098	-	638	-	7,737
Advertising	-	2,149	-	-	-	-	2,149
Dues & subscriptions	9,821	-	-	-	-	-	9,821
Legal & professional fees	10,067	-	-	-	-	-	10,067
Printing & reproduction	93	179	-	-	-	-	272
Postage & delivery	100	89	-	-	-	-	189
Rent	9,042	-	40,791	-	40,791	-	90,624
Insurance	2,213	-	3,319	-	3,319	-	8,851
Equipment rental	2,018	-	-	-	-	-	2,018
Repairs & maintenance	65	-	-	-	-	-	65
Telephone	580	-	2,610	-	2,610	-	5,801
Utilities	282	-	1,270	-	1,270	-	2,823
Interest & finance charges	3,527	-	-	-	-	-	3,527
Bank charges	119	-	-	-	10	-	129
Fundraising costs	-	34,746	-	-	-	-	34,746
Overhead allocation	(5,734)	-	-	11,198	103	-	5,567
Depreciation	12,656	-	-	-	-	-	12,656
TOTAL	\$ 168,893	\$ 39,932	\$ 150,834	\$ 28,807	\$ 109,484	\$ 8,367	\$ 506,317

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, 2015

	Administration	Development and fundraising	Education (Youth dev.)	Education (Adult dev.)	Employment (Workforce dev.)	Know Hunger Project	Programs (other)	Total
Salaries & wages	\$ 92,579	\$ 45,120	\$ 38,563	\$ -	\$ 36,942	\$ -	\$ 7,437	\$ 220,641
Payroll taxes & fringe benefits	18,293	4,276	5,508	-	4,213	-	6,736	39,026
Contract Labor	16,040	2,861	41,396	2,335	2,589	4,701	820	70,742
Conferences & meetings	3,262	20	40	109	-	-	-	3,431
Supplies	3,232	247	2,108	165	87	3,090	619	9,548
Travel - other	5,905	109	9,890	2,471	3	15	503	18,896
Computer technology	318	-	375	-	-	-	3,512	4,205
Program events	-	-	-	3,798	-	2,187	-	5,985
Stipends	-	-	9,696	1,175	-	-	-	10,871
Other program expenses	-	-	19,906	63,843	477	2,854	29	87,109
Advertising	425	-	-	-	-	-	-	425
Dues & subscriptions	10,226	130	4,154	-	4,154	-	-	18,664
Legal & professional fees	10,783	-	-	-	-	-	-	10,783
Printing & reproduction	663	2,868	-	-	33	137	-	3,701
Postage & delivery	793	466	64	14	67	-	-	1,404
Rent	9,832	-	35,669	-	35,669	-	17,149	98,319
Insurance	2,028	-	5,147	-	4,147	-	-	11,322
Equipment rental	3,471	-	-	-	-	-	-	3,471
Repairs & maintenance	725	-	-	-	-	-	-	725
Telephone	566	-	2,546	-	2,546	-	-	5,658
Utilities	281	-	1,265	-	1,265	-	-	2,811
Interest & finance charges	3,807	-	-	-	-	-	-	3,807
Bank charges	673	22	380	-	-	-	-	1,075
Fundraising expenses	-	56,670	-	-	-	-	-	56,670
Miscellaneous expenses	6,567	-	-	-	-	-	-	6,567
Depreciation	6,382	-	-	-	-	-	-	6,382
TOTAL	\$ 196,851	\$ 112,789	\$ 176,707	\$ 73,910	\$ 92,192	\$ 12,984	\$ 36,805	\$ 702,238

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, 2016 AND JUNE 30, 2015

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, 2016 and 2015, the Organization had no 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, 2016 AND JUNE 30, 2015

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.

Contribution Receivable

The Organization records contributions receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible contributions 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.

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

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

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

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements

NOTE 2---OTHER CURRENT ASSETS

Other current assets consist of the following:

	<u>2016</u>	<u>2015</u>
Prepaid expense	\$ 4,574	\$ 1,613
Security deposit	<u>7,462</u>	<u>7,462</u>
Total	<u>\$ 12,036</u>	<u>\$ 9,075</u>

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

NOTE 3---PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2016	June 30, 2015
Art collection	\$ 2,000	\$ 2,000
Computer equipment	61,564	59,197
Furniture and fixtures	23,386	23,386
Machinery and equipment	6,758	6,758
Less: accumulated depreciation	(52,861)	(40,205)
Total	\$ 40,847	\$ 51,136

Depreciation expense for the years ended June 30, 2016 and 2015 was \$12,656 and \$6,382 respectively.

NOTE 4---TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	June 30, 2016	June 30, 2015
Education Development	\$ -	\$ -
Youth Development	-	633
Other Programs	-	-
Total	\$ -	\$ 633

Temporarily restricted net assets were released during the fiscal for the following purposes:

	June 30, 2016	June 30, 2015
Youth Development	\$ 633	\$ 33,750
Other Programs	-	16,450
Total	\$ 633	\$ 50,200

NOTE 5---LINE OF CREDIT

The Organization has 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, 2016 and June 30, 2015 was \$52,210 and \$54,116 respectively. The balance is due on demand. The assets of the Organization secure the line of credit.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

NOTE 6---OPERATING LEASES

The Organization leases space for administrative and program services under the terms of an operating lease. The term of the lease is for five years beginning May 1, 2014 and ending on September 30, 2019. The monthly lease payment as of June 30, 2016 was \$7,461; which began on October 1, 2014. Rent expense for the years ended June 30, 2016 and June 30, 2015, was \$90,624 and \$98,319, respectively.

The future minimum lease payments are as follows:

- 2017	93,594
- 2018	96,396
- 2019	99,270
- 2020	25,182
- Thereafter	-
Total	<u>\$ 314,442</u>

NOTE 7---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 ended on August 31, 2015. Grant funds received from NUL for this project for the years ended June 30, 2016 and June 30, 2015 was \$0 and \$8,000, respectively.

NUL had a contract agreement with the Organization to provide grant funds for the KNOW Hunger project that commenced in January 2014, and will end in December 2015. Grant funds received from the NUL for this project for the year ended June 30, 2016 and June 30, 2015 was \$10,000 and \$60,000, respectively.

NUL had a contract agreement with the Organization to provide grant funds for the Communications Campaign for Common Core State Standards project that commenced in March 2014, and ends in December 2015. Grant funds received from the NUL for this project for the year ended June 30, 2016 and June 30, 2015 was \$0 and \$12,500, respectively.

NUL had a contract agreement with the Organization to provide grant funds for Project Ready that commenced in January 2014, and will end in December 2015. Grant funds received from the NUL for this project for the year ended June 30, 2016 and June 30, 2015 was \$0 and \$52,000, respectively.

**URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 8---SUBSEQUENT EVENTS

Subsequent events were evaluated through January 15, 2017, which is the date the financial statements were available to be issued.