

URBAN LEAGUE OF MIDDLE TENNESSEE

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

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, 2017, and June 30, 2016, 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

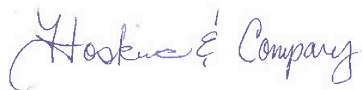
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2017, and June 30, 2016, 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
October 25, 2017

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash	\$ 122,702	\$ 85,302
Accounts receivable (Note 2)	42,585	18,865
Other current assets (Note 3)	<u>15,630</u>	<u>12,036</u>
Total current assets	<u>180,917</u>	<u>116,203</u>
Noncurrent assets		
Property and equipment, net (Note 4)	<u>54,861</u>	<u>40,847</u>
Total noncurrent assets	<u>54,861</u>	<u>40,847</u>
Total assets	<u><u>\$ 235,778</u></u>	<u><u>\$ 157,050</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 40,900	\$ 20,836
Accrued payroll and payroll taxes	3,161	8,166
Line of credit (Note 5)	38,919	52,210
Due to TULA	77,153	82,153
Deferred rent liability	<u>19,251</u>	<u>30,966</u>
Total current liabilities	<u>179,384</u>	<u>194,331</u>
Net assets (deficit)		
Unrestricted	<u>56,394</u>	<u>(37,281)</u>
Total net assets (deficit)	<u>56,394</u>	<u>(37,281)</u>
Total liabilities and net assets	<u><u>\$ 235,778</u></u>	<u><u>\$ 157,050</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, 2017 AND JUNE 30, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2017 Total Net Assets	2016 Total Net Assets
Revenue and support					
Contributions	\$ 1,593	\$ -	\$ -	\$ 1,593	\$ 2,709
Fundraising	285,530	-	-	285,530	218,555
Grant programs	226,666	-	-	226,666	162,652
Membership	22,504	-	-	22,504	30,937
Other income	6,106	-	-	6,106	11,409
Total revenue and support	<u>542,399</u>	<u>-</u>	<u>-</u>	<u>542,399</u>	<u>426,262</u>
Expenses					
General & administration					
Administration	179,598	-	-	179,598	168,893
Fundraising	40,221	-	-	40,221	39,932
Total general & administration	<u>219,819</u>	<u>-</u>	<u>-</u>	<u>219,819</u>	<u>208,825</u>
Programs					
Education	136,533	-	-	136,533	179,641
Employment	92,372	-	-	92,372	109,484
Other	-	-	-	-	8,367
Total programs	<u>228,905</u>	<u>-</u>	<u>-</u>	<u>228,905</u>	<u>297,492</u>
Total expenses	<u>448,724</u>	<u>-</u>	<u>-</u>	<u>448,724</u>	<u>506,317</u>
Increase (decrease) in net assets	93,675	-	-	93,675	(80,055)
Net assets at beginning of fiscal year	<u>(37,281)</u>	<u>-</u>	<u>-</u>	<u>(37,281)</u>	<u>42,774</u>
Net assets at end of fiscal year	<u>\$ 56,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,394</u>	<u>\$ (37,281)</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, 2017 AND JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Decrease in net assets	\$ 93,675	\$ (80,055)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,856	12,656
Increase in accounts receivable	(23,720)	(8,627)
Increase in other assets	(3,594)	(2,961)
Increase in accounts payable	20,064	3,245
(Decrease) increase in accrued payroll	(5,005)	2,676
(Decrease) increase in due to TULA	(5,000)	82,153
Decrease in deferred rent liability	(11,715)	(3,517)
Net cash provided by operating activities	<u>78,561</u>	<u>5,570</u>
 Cash flows from investing activities		
Purchase of property and equipment	<u>(27,870)</u>	<u>(2,367)</u>
Net cash used by investing activities	(27,870)	(2,367)
 Cash flows from financing activities		
Proceeds from line of credit		15,000
Principal payments on line of credit	<u>(13,291)</u>	<u>(16,906)</u>
Net cash (used) provided by financing activities	<u>(13,291)</u>	<u>(1,906)</u>
 Net change in cash and cash equivalents	37,400	1,297
Cash and cash equivalents, beginning of fiscal year	<u>85,302</u>	<u>84,005</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 122,702</u></u>	<u><u>\$ 85,302</u></u>
 Interest Paid	<u><u>\$ 3,239</u></u>	<u><u>\$ 3,527</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, 2017

	Administration	Development and fundraising	Education (Youth dev.)	Education (Adult dev.)	Employment (Workforce dev.)	Total
Payroll	\$ 34,900	\$ -	\$ 25,870	\$ -	\$ 41,699	\$ 102,469
Payroll taxes & fringe benefits	4,536	-	3,418	-	7,977	15,931
Contract labor	59,922	1,250	38,484	1,535	3,099	104,290
Conferences & meetings	693	-	-	-	-	693
Supplies	169	20	4,592	-	-	4,781
Travel	3,500	212	1,544	9	-	5,265
Computer technology	318	-	1,057	-	188	1,563
Program meals	614	-	5,363	192	99	6,268
Other program expenses	-	-	11,689	1,574	-	13,263
Advertising	300	250	-	535	-	1,085
Dues & subscriptions	14,887	-	-	-	-	14,887
Legal & professional fees	11,398	-	-	-	-	11,398
Printing & reproduction	3,979	1,950	-	173	-	6,102
Postage & delivery	139	47	-	224	-	410
Rent	8,722	-	39,251	-	39,251	87,224
Insurance	9,795	-	500	-	-	10,295
Equipment rental	1,262	-	-	-	-	1,262
Telephone	3,744	-	-	-	-	3,744
Utilities	2,584	-	-	-	-	2,584
Interest & finance charges	3,239	-	-	-	-	3,239
Bank charges	546	434	-	-	-	980
Fundraising costs	-	35,658	-	-	-	35,658
Depreciation	13,856	-	-	-	-	13,856
Miscellaneous	495	400	339	184	59	1,477
TOTAL	\$ 179,598	\$ 40,221	\$ 132,107	\$ 4,426	\$ 92,372	\$ 448,724

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	\$ -	\$ 189,370
Payroll taxes & fringe benefits	14,098	142	6,721	-	7,662	-	28,623
Contract labor	16,278	800	31,122	4,625	15,201	-	68,025
Conferences & meetings	1,568	-	75	-	-	-	1,643
Supplies	1,041	-	2,862	-	32	636	4,571
Travel	3,119	-	1,053	379	-	-	4,551
Computer technology	310	-	-	-	636	-	947
Program events	-	-	3,815	-	-	7,731	11,546
Other program expenses	-	-	7,099	-	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	-	5,800
Utilities	282	-	1,270	-	1,271	-	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	\$ 150,833	\$ 28,807	\$ 109,484	\$ 8,367	\$ 506,317

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, 2017 AND JUNE 30, 2016

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, 2017 and 2016, the Organization had no 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, 2017 AND JUNE 30, 2016

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, 2017 AND JUNE 30, 2016

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---ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2017	2016
Contributions receivable	\$ 69,145	\$ 46,945
Allowance of doubtful accounts	(28,080)	(28,080)
Contributions receivable, net	41,065	18,865
Employee Advance	1,520	-
Total	\$ 42,585	\$ 18,865

NOTE 3---OTHER CURRENT ASSETS

Other current assets consist of the following:

	2017	2016
Prepaid expense	\$ 8,169	\$ 4,575
Security deposit	7,461	7,461
Total	\$ 15,630	\$ 12,036

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

NOTE 4---PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Computer equipment	\$ 89,409	\$ 61,564
Furniture and fixtures	23,340	23,316
Art Collection	2,000	2,000
Machinery and equipment	6,758	6,758
Less: accumulated depreciation	(66,646)	(52,861)
Total	<u>\$ 54,861</u>	<u>\$ 40,847</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$13,856 and \$12,656 respectively.

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, 2017 and June 30, 2016 was \$38,919 and \$52,210 respectively. The balance is due on demand. The assets of the Organization secure the line of credit.

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, 2017 was \$7,684; which began on January 1, 2016. Rent expense for the years ended June 30, 2017 and June 30, 2016, was \$87,223 and \$90,624, respectively.

The future minimum lease payments are as follows:

- 2018	96,396
- 2019	99,270
- 2020	25,182
- Thereafter	<u>-</u>
Total	<u>\$ 220,848</u>

NOTE 7---SUBSEQUENT EVENTS

Subsequent events were evaluated through October 25, 2017, which is the date the financial statements were available to be issued.