

**URBAN LEAGUE OF MIDDLE TENNESSEE
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2011 AND JUNE 30, 2010

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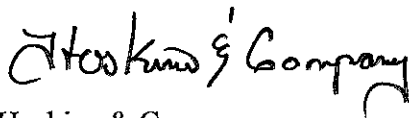
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Urban League of Middle Tennessee

We have audited the accompanying statement of financial position of *Urban League of Middle Tennessee* as of June 30, 2011 and June 30, 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of *Urban League of Middle Tennessee's* management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Urban League of Middle Tennessee* as of June 30, 2011 and June 30, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.



Hoskins & Company
November 11, 2011

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash	\$ 57,697	\$ 12,551
Investments	-	8,000
Accounts receivable (Note 3)	20,805	1,550
Other assets (Note 5)	3,575	3,625
Total current assets	<u>82,077</u>	<u>25,726</u>
Noncurrent Assets		
Art collection	2,000	2,000
Computer equipment	27,728	27,728
Leasehold improvements	28,241	28,241
Furniture and fixtures	62,625	62,625
Appliances	2,750	2,750
Accumulated depreciation	(118,631)	(112,895)
Total noncurrent assets	<u>4,713</u>	<u>10,449</u>
Total assets	<u><u>\$ 86,790</u></u>	<u><u>\$ 36,175</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 18,374	\$ 26,980
Line of credit (Note 6)	89,717	95,828
Accrued payroll and payroll taxes	-	3,803
Deferred revenue	31,667	18,500
Total current liabilities	<u>139,758</u>	<u>145,111</u>
Net assets		
Unrestricted	<u>(52,968)</u>	<u>(108,936)</u>
Total net assets	<u>(52,968)</u>	<u>(108,936)</u>
Total liabilities and net assets	<u><u>\$ 86,790</u></u>	<u><u>\$ 36,175</u></u>

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

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
Revenue and support		
Contributions	\$ 67,665	\$ 48,560
Youth development	23,181	62,074
Workforce development	68,802	62,104
United way allocations	1,126	1,866
Special events	257,545	217,084
Other income	2,356	150
Total revenues and support	<u>420,675</u>	<u>391,838</u>
Expenses		
General & administration		
Administration	77,194	115,382
Fundraising	77,448	91,174
Programs		
Education	45,406	130,146
Employment	134,764	130,206
Other	29,895	9,682
Total expenses	<u>364,707</u>	<u>476,590</u>
Increase / (Decrease) in net assets	55,968	(84,752)
Net assets at beginning of year	(108,936)	(32,184)
Adjustment to prior year net assets (Note 9)	-	8,000
Net assets at end of year	<u>\$ (52,968)</u>	<u>\$ (108,936)</u>

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

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 55,968	55968 \$ (84,752)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	5,736	13,368
(Increase) decrease in accounts receivable	(19,255)	30,507
Decrease in other assets	50	-
(Decrease) increase in accounts payable	(8,606)	9,953
(Decrease) increase in accrued payroll and payroll taxes	(3,803)	1,277
Increase in deferred revenue	13,167	18,500
Net cash used by operating activities	<u>43,257</u>	<u>(11,147)</u>
Cash flows from investing activities		
Sale of investment	<u>8,000</u>	<u>-</u>
Net cash provided by investing activities	<u>8,000</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from line of credit	27,760	52,477
Principal payments on line of credit	<u>(33,871)</u>	<u>(35,827)</u>
Net cash (used) provided by financing activities	<u>(6,111)</u>	<u>16,650</u>
Net increase in cash equivalents	45,147	5,503
Cash and cash equivalents, beginning of year	12,551	7,048
Cash and cash equivalents, end of year	<u><u>\$ 57,698</u></u>	<u><u>\$ 12,551</u></u>
 Interest Paid	 <u><u>\$ 6,330</u></u>	 <u><u>\$ 6,963</u></u>

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

**URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011**

	Administration	Development and fundraising	Education (Youth dev.)	Employment (Workforce dev.)	Programs (other)	Total
Payroll	\$ 22,014	\$ 37,029	\$ 26,244	\$ 44,674	\$ 10,927	\$ 140,888
Payroll taxes & fringe benefits	2,797	4,123	5,569	5,961	1,627	20,077
Workman's compensation	2,275	-	985	1,204	985	5,449
Contract labor	1,521	7,118	4,151	5,510	6,724	25,024
Conferences & meetings	44	726	-	-	-	770
Supplies	1,207	630	223	1,300	560	3,920
Travel - other	1,831	500	1,045	-	2,726	6,102
Computer technology	301	-	-	313	-	614
Training, development & materials	634	-	27	-	870	1,531
Program events	-	-	4,540	-	5,150	9,690
Stipend expense	(31)	-	1,756	-	-	1,725
Other program expenses	-	-	625	-	-	625
Advertising	233	50	-	-	-	283
Dues & subscriptions	10,545	-	-	-	-	10,545
Licenses & fees	345	-	-	-	-	345
Legal & professional fees	775	-	-	6,975	-	7,750
Printing & reproduction	458	2,363	190	135	244	3,390
Postage & delivery	544	239	-	-	7	790
Rent	9,381	-	-	44,065	-	53,446
Insurance	1,923	-	-	4,037	-	5,960
Equipment rental	1,137	245	-	3,101	75	4,558
Repairs & maintenance	153	-	-	-	-	153
Telephone	644	-	-	5,705	-	6,349
Utilities	1,303	-	-	11,316	-	12,619
Interest & finance charges	6,330	-	-	-	-	6,330
Bank charges	1,631	329	-	-	-	1,960
Other fundraising costs	2,015	20,112	-	-	-	22,127
Miscellaneous expenses	1,448	3,984	51	468	-	5,951
Depreciation	5,736	-	-	-	-	5,736
TOTAL	\$ 77,194	\$ 77,448	\$ 45,406	\$ 134,764	\$ 29,895	\$ 364,707

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

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	Administration	Development and fundraising	Education (Youth dev.)	Employment (Workforce dev.)	Programs (other)	Total
Payroll	\$ 53,152	\$ 28,874	\$ 62,803	\$ 42,840	\$ 7,659	\$ 195,328
Payroll taxes & fringe benefits	6,918	3,704	15,372	5,140	1,910	33,044
Workman's compensation	1,586	-	793	1,586	-	3,965
Contract labor	1,326	6,024	9,701	4,928	-	21,979
Conferences & meetings	120	1,164	-	-	-	1,284
Supplies	399	652	953	491	-	2,495
Travel - other	2,256	889	2,476	3,079	31	8,731
Computer technology	801	-	-	1,100	-	1,901
Training, development & materials	-	-	181	614	-	795
Program events	-	-	5,389	13	-	5,402
Stipend expense	-	-	28,624	-	-	28,624
Other program expenses	-	-	2,878	-	-	2,878
Advertising	25	2,405	-	500	-	2,930
Dues & subscriptions	9,751	-	-	-	-	9,751
Licenses & fees	345	-	-	-	-	345
Legal & professional fees	426	-	-	7,324	-	7,750
Printing & reproduction	85	2,945	397	-	-	3,427
Postage & delivery	99	1,286	208	75	52	1,720
Rent	10,024	-	367	36,938	-	47,329
Insurance	2,380	-	-	4,564	-	6,944
Equipment rental	(302)	-	-	3,885	-	3,583
Repairs & maintenance	(183)	-	-	377	-	194
Telephone	719	-	-	6,029	-	6,748
Utilities	3,051	-	-	8,428	-	11,479
Interest & finance charges	6,963	-	-	-	-	6,963
Bank charges	1,313	210	-	-	30	1,553
Other fundraising costs	-	43,021	-	-	-	43,021
Miscellaneous expenses	760	-	4	2,295	-	3,059
Depreciation	13,368	-	-	-	-	13,368
TOTAL	\$ 115,382	\$ 91,174	\$ 130,146	\$ 130,206	\$ 9,682	\$ 476,590

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

**URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010**

NOTE 1---NATURE OF THE ORGANIZATION

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 Organization is affiliated with the National Urban League through a charter agreement. The Organization currently operates the following community development programs:

Employment Programs

1. Youth Development
2. Workforce Development

NOTE 2---SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. At June 30, 2011, the Organization had no temporarily or permanently restricted net assets.

Support and Expenses

Contributions received are measured at their fair value and reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and savings accounts. At year-end and throughout the year, the Organization's cash balances were deposited in three banks. 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.

Property, Plant 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.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

Reclassifications

Certain amounts in the prior period have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

NOTE 3---ACCOUNTS RECEIVABLE

The Organization accounts receivable is recorded as follows:

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 20,805	\$ 1,550
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total	<u>\$ 20,805</u>	<u>\$ 1,550</u>

NOTE 4---INVESTMENTS

Realized gains and losses are determined on the basis of fair value. During 2011, sales proceeds securities were:

	<u>2011</u>	<u>2010</u>
Sales proceeds	\$ 8,000	\$ -

NOTE 5---OTHER CURRENT ASSET

The Organization signed a lease agreement (Note 8) for office space in which a security deposit in the amount of \$3,575 was required by the Lessor.

NOTE 6---LINE OF CREDIT

The Organization has a \$100,000 revolving line of credit with a financial institution, with a variable interest rate of 6% as of June 30, 2011 and 6% as of June 30, 2010. The balance is due on demand. The balance of the line of credit as of June 30, 2011 and June 30, 2010 was \$89,717 and \$95,828, respectively. Assets of the Organization secure the line of credit. The loan must be renegotiated by May 21, 2012.

The Organization has a \$50,000 credit line with Dell Business Credit, with an interest rate of 14.99%. The balance of the credit line as of June 30, 2011 was \$0, with \$50,000 available credit.

NOTE 7---FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs of the Organization have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefited.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

NOTE 8---OPERATING LEASES

The Organization has the following operating leases:

1. The Organization leases their current premises under an informal month to month lease agreement that originally commenced on March 15, 2007, and expired on July 31, 2010. The current monthly lease payment is \$3,625.
2. The Organization leases office equipment under a three year lease agreement that commenced on December 31, 2009 and expires on December 31, 2012. The current monthly lease payment is \$250.

The future minimum lease payment is as follows:

- 2012	<u>3,000</u>
Total	<u>\$ 3,000</u>

NOTE 9---PRIOR YEAR NET ASSETS

The Organization's prior year net assets are restated due to understated investments of \$8,000 at June 30, 2010. Thus, the net assets of the Organization are adjusted to reflect this change.

NOTE 10---SUBSEQUENT EVENTS

The Organization entered into a new lease agreement for office space under a three year lease agreement that commenced on August 1, 2011 and expires on August 31, 2014. The effective monthly lease expense is \$3,802.

The future minimum lease payment is as follows:

- 2012	42,852
- 2013	47,916
- 2014	49,354
- 2015	8,265
- 2016	-
Thereafter	<u>-</u>
Total	<u>\$ 148,387</u>

There were no other subsequent events requiring disclosures as of November 11, 2011, the date management evaluated such events. November 11, 2011 is the date the financial statements were available to be issued.