

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

FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

URBAN LEAGUE OF MIDDLE TENNESSEE

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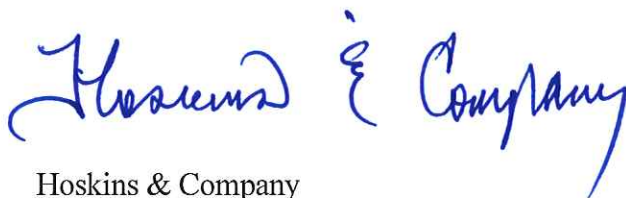
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of *Urban League of Middle Tennessee* (a not-for-profit organization) as of June 30, 2012 and June 30, 2011, 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 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 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, 2012 and June 30, 2011, 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.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is stylized, with the first name "Hoskins" being more prominent and the "& Company" part following in a similar script.

Hoskins & Company
November 14, 2012

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 AND JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash	\$ 25,562	\$ 57,697
Accounts receivable (Note 2)	39,499	20,805
Other current assets (Note 3)	7,521	3,575
Total current assets	<u>72,582</u>	<u>82,077</u>
Noncurrent assets		
Property and equipment, net (Note 4)	1,130	4,713
Total noncurrent assets	<u>1,130</u>	<u>4,713</u>
Total assets	<u><u>\$ 73,712</u></u>	<u><u>\$ 86,790</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 15,860	\$ 18,374
Line of credit (Note 5)	66,636	89,717
Accrued payroll and payroll taxes	7,343	-
Deferred revenue	-	31,667
Total current liabilities	<u>89,839</u>	<u>139,758</u>
Net assets		
Unrestricted	<u>(16,127)</u>	<u>(52,968)</u>
Total net assets	<u>(16,127)</u>	<u>(52,968)</u>
Total liabilities and net assets	<u><u>\$ 73,712</u></u>	<u><u>\$ 86,790</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, 2012 AND JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
Revenue and support		
Contributions	\$ 2,604	\$ 1,126
Fundraising	273,470	257,545
Grant programs	171,004	91,983
Membership	9,517	64,609
Other income	164	5,412
Total revenue and support	<u>456,759</u>	<u>420,675</u>
Expenses		
General & administration		
Administration	130,721	77,194
Fundraising	85,758	77,448
Programs		
Education	55,641	45,406
Employment	76,316	134,764
Other	71,482	29,895
Total expenses	<u>419,918</u>	<u>364,707</u>
Increase in net assets	36,841	55,968
Net assets at beginning of fiscal year	(52,968)	(108,936)
Net assets at end of fiscal year	<u>\$ (16,127)</u>	<u>\$ (52,968)</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, 2012 AND JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase in net assets	\$ 36,841	\$ 55,968
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,582	5,736
Increase in accounts receivable	(18,694)	(19,255)
(Increase) decrease in other assets	(3,946)	50
Decrease in accounts payable	(2,514)	(8,606)
Increase (decrease) in accrued payroll	7,344	(3,803)
(Decrease) increase in deferred revenue	(31,667)	13,167
Net cash (used in) provided by operating activities	<u>(9,054)</u>	<u>43,257</u>
Cash flows from investing activities		
Sale of investment	<u>-</u>	<u>8,000</u>
Net cash provided by investing activities	<u>-</u>	<u>8,000</u>
Cash flows from financing activities		
Principal payments on line of credit	<u>(23,081)</u>	<u>(6,111)</u>
Net cash used in financing activities	<u>(23,081)</u>	<u>(6,111)</u>
Net change in cash and cash equivalents	(32,135)	45,146
Cash and cash equivalents, beginning of fiscal year	<u>57,697</u>	<u>12,551</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 25,562</u></u>	<u><u>\$ 57,697</u></u>
 Interest Paid	 <u><u>\$ 4,737</u></u>	 <u><u>\$ 6,330</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, 2012

	Administration	Development and fundraising	Education (Youth dev.)	Employment (Workforce dev.)	Programs (other)	Total
Payroll	\$ 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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

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

Urban League of Middle Tennessee (the "Urban League") 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 Urban League 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 Urban League 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, 2012 and 2011, the Urban League 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, 2012 AND JUNE 30, 2011**

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 Urban League is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Urban League 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 Urban League'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, 2012 AND JUNE 30, 2011**

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 Urban League records receipts obtained before service is rendered as a liability.

Compensated Absences

Employees of the Urban League 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 Urban League to estimate the amount of compensation for future absences; accordingly no liability for compensated absences has been recorded in the accompanying financial statements. The Urban League's policy is to recognize the costs of compensated absences when actually paid to employees.

Income Taxes

The Urban League 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.

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.

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.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

NOTE 2---ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2012	2011
Accounts receivable	\$ 39,499	\$ 48,885
Less: allowance for doubtful accounts	-	(28,080)
Total	<u>\$ 39,499</u>	<u>\$ 20,805</u>

NOTE 3--- OTHER CURRENT ASSETS

Other current assets consist of the following:

	2012	2011
Prepaid rent	\$ 3,896	\$ -
Security deposit	3,625	3,575
Total	<u>\$ 7,521</u>	<u>\$ 3,575</u>

NOTE 4---PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2012	June 30, 2011
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
Less: accumulated depreciation	(122,214)	(118,631)
Total	<u>\$ 1,130</u>	<u>\$ 4,713</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$3,582 and \$5,736, respectively.

NOTE 5---LINE OF CREDIT

The Urban League had a \$100,000 revolving line of credit with a financial institution, with a variable interest rate of 6% as of June 30, 2012 and June 30, 2011. The balance is due on demand. The balance of the line of credit as of June 30, 2012 and June 30, 2011 was \$66,636 and \$89,717 respectively. The assets of the Urban League secure the line of credit.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

NOTE 6---OPERATING LEASES

The Urban League 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 \$3,895 for year ended June 30, 2012. Rent expense for the years ended June 30, 2012 and June 30, 2011, was \$45,010 and \$53,446, respectively.

The future minimum lease payments are as follows:

<u>Period</u>	<u>Per Month</u>	<u>Per Year</u>
07/01/2012 - 08/30/12	3,896	7,792
09/01/2012 - 06/30/13	4,013	40,130
07/01/2013 - 08/30/13	4,133	8,266
09/01/2013 - 06/30/14	4,133	41,330

NOTE 7---SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of November 14, 2012, the date management evaluated such events. November 14, 2012 is the date the financial statements were available to be issued.