

URBAN LEAGUE OF MIDDLE TENNESSEE

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019

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 statement of financial position as of June 30, 2020, and the related statement of activities, cash flow, and functional expenses for the year 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.

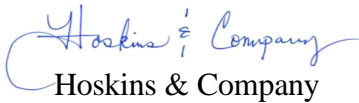
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Urban League of Middle Tennessee's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Hoskins & Company
Nashville, TN
November 23, 2020

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND JUNE 30, 2019 (RESTATED)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash	\$ 288,190	\$ 64,326
Accounts receivable (Note 2)	57,875	33,169
Other current assets (Note 3)	17,785	16,574
Total current assets	<u>363,850</u>	<u>114,069</u>
Noncurrent assets		
Property and equipment, net (Note 4)	11,330	23,250
Total noncurrent assets	<u>11,330</u>	<u>23,250</u>
Total assets	<u><u>\$ 375,180</u></u>	<u><u>\$ 137,319</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 48,156	\$ 66,692
Accrued payroll and payroll taxes	9,973	4,657
Line of credit (Note 5)	71,747	50,891
Deferred revenue	154,157	87,636
PPP Loan (Note 6)	22,800	-
Total current liabilities	<u>306,833</u>	<u>209,876</u>
Net assets		
Net Assets Without Donor Restrictions	68,347	(72,557)
Total net assets (deficit)	<u>68,347</u>	<u>(72,557)</u>
Total liabilities and net assets	<u><u>\$ 375,180</u></u>	<u><u>\$ 137,319</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, 2020 AND JUNE 30, 2019 (RESTATED)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total Net Assets	2019 Total Net Assets
Revenue and support				
Contributions	\$ 8,193	\$ -	\$ 8,193	\$ 4,239
Fundraising	228,785	-	228,785	249,274
Grant programs	281,738	-	281,738	91,621
Membership	114,224	-	114,224	47,823
Other income	25,292	-	25,292	3,319
Total revenue and support	<u>658,232</u>	<u>-</u>	<u>658,232</u>	<u>396,276</u>
Expenses				
General & administration				
Administration	275,592	-	275,592	313,425
Fundraising	34,900	-	34,900	50,955
Total general & administration	<u>310,492</u>	<u>-</u>	<u>310,492</u>	<u>364,380</u>
Programs				
Education	27,198	-	27,198	10,081
Employment	172,682	-	172,682	54,031
Other	6,956	-	6,956	14,465
Total programs	<u>206,836</u>	<u>-</u>	<u>206,836</u>	<u>78,577</u>
Total expenses	<u>517,328</u>	<u>-</u>	<u>517,328</u>	<u>442,957</u>
Increase (decrease) in net assets	140,904	-	140,904	(46,681)
Net assets at beginning of fiscal year	(72,557)	-	(72,557)	(25,876)
Net assets at end of fiscal year	<u>\$ 68,347</u>	<u>\$ -</u>	<u>\$ 68,347</u>	<u>\$ (72,557)</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, 2020 AND JUNE 30, 2019 (RESTATED)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 140,904	\$ (46,681)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,920	16,745
Increase in accounts receivable	(24,706)	(8,392)
Increase in other assets	(1,211)	(2,820)
(Decrease) increase in accounts payable	(18,536)	6,155
Increase (decrease) in accrued payroll	5,316	(715)
Increase (decrease) in deferred revenue	66,521	(10,629)
Decrease in deferred rent liability	-	(9,237)
Net cash provided by (used in) operating activities	<u>180,208</u>	<u>(55,574)</u>
 Cash flows from investing activities		
Purchase of property and equipment	-	(1,878)
Net cash used in investing activities	<u>-</u>	<u>(1,878)</u>
 Cash flows from financing activities		
Proceeds from PPP loan	22,800	-
Proceeds from line of credit	20,856	20,989
Net cash provided by financing activities	<u>43,656</u>	<u>20,989</u>
 Net change in cash and cash equivalents	223,864	(36,463)
Cash and cash equivalents, beginning of fiscal year	64,326	100,789
Cash and cash equivalents, end of fiscal year	<u><u>\$ 288,190</u></u>	<u><u>\$ 64,326</u></u>
 Interest Paid	<u><u>\$ 4,468</u></u>	<u><u>\$ 3,678</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, 2020

	Administration	Annual Gala	Golf Scramble	Total Fundraising	Education (Youth dev.)	Employment (Workforce dev.)	Programs (other)	Total Program	Total
Advertising	\$ 1,094	\$ 1,845	\$ 165	\$ 2,010	\$ -	\$ 3,000	\$ -	\$ 3,000	\$ 6,104
Computer lab	-	-	-	-	21,640	-	-	21,640	21,640
Computer technology	7,625	-	-	-	-	800	-	800	8,425
Conferences & meetings	732	-	-	-	-	66	-	66	798
Contract labor	13,586	-	-	-	2,500	55,524	1,940	59,964	73,550
Contribution expenses	200	-	-	-	-	-	-	-	200
Depreciation	11,920	-	-	-	-	-	-	-	11,920
Fringe benefits	13,987	-	-	-	-	13,688	-	13,688	27,675
Fundraising food and venue costs	4,263	28,657	4,160	32,817	-	-	-	-	37,080
Insurance	1,937	-	-	-	-	-	-	-	1,937
Interest & finance charges	4,924	-	-	-	-	-	-	-	4,924
Miscellaneous	322	-	-	-	-	-	16	16	338
Occupancy	112,952	-	-	-	-	-	-	-	112,952
Office expenses	18,822	-	-	-	-	-	-	-	18,822
Officer's salary	67,769	-	-	-	-	-	-	-	67,769
Program meals and supplies	-	-	-	-	3,058	31,284	5,000	39,342	39,342
Payroll	9,723	-	-	-	-	62,745	-	62,745	72,468
Payroll taxes	4,750	-	-	-	-	3,847	-	3,847	8,597
Travel	986	63	10	73	-	1,728	-	1,728	2,787
TOTAL	<u>\$ 275,592</u>	<u>\$ 30,565</u>	<u>\$ 4,335</u>	<u>\$ 34,900</u>	<u>\$ 27,198</u>	<u>\$ 172,682</u>	<u>\$ 6,956</u>	<u>\$ 206,836</u>	<u>\$ 517,328</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, 2019 (RESTATED)

	<u>Administration</u>	<u>Annual Gala</u>	<u>Golf Scramble</u>	<u>Other Fundraising</u>	<u>Total Fundraising</u>	<u>Education (Youth dev.)</u>	<u>Employment (Workforce dev.)</u>	<u>Programs (other)</u>	<u>Total Program</u>	<u>Total</u>
Advertising	\$ -	\$ 2,649	\$ -	\$ 2,260	\$ 4,909	\$ -	\$ -	\$ -	\$ -	\$ 4,909
Computer lab	-	-	-	-	-	973	-	-	973	973
Computer technology	3,360	-	250	-	250	-	-	-	-	3,610
Conferences & meetings	2,879	160	-	-	160	-	26	-	26	3,065
Contract labor	5,336	-	-	150	150	5,932	44,383	14,100	64,415	69,901
Contribution expenses	100	-	-	-	-	-	-	-	-	100
Depreciation	16,745	-	-	-	-	-	-	-	-	16,745
Fringe benefits	22,296	-	-	-	-	-	13	-	13	22,309
Fundraising food and venue costs	-	25,894	19,486	-	45,380	49	-	-	49	45,429
Insurance	5,808	-	-	-	-	-	-	-	-	5,808
Interest & finance charges	3,678	-	-	-	-	-	-	-	-	3,678
Legal fees	14,000	-	-	-	-	-	-	-	-	14,000
Miscellaneous	878	-	-	-	-	150	-	-	150	1,028
Occupancy	104,310	-	-	-	-	-	-	-	-	104,310
Office expenses	28,326	-	-	-	-	-	-	-	-	28,326
Officer's salary	60,000	-	-	-	-	-	-	-	-	60,000
Program meals and supplies	-	-	-	-	-	2,608	2,165	365	5,138	5,138
Payroll	33,396	-	-	-	-	-	6,568	-	6,568	39,964
Payroll taxes	8,631	-	-	-	-	-	607	-	607	9,238
Travel	3,682	-	106	-	106	369	269	-	638	4,426
TOTAL	<u>\$ 313,425</u>	<u>\$ 28,703</u>	<u>\$ 19,842</u>	<u>\$ 2,410</u>	<u>\$ 50,955</u>	<u>\$ 10,081</u>	<u>\$ 54,031</u>	<u>\$ 14,465</u>	<u>\$ 78,577</u>	<u>\$ 442,957</u>

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, 2020 AND JUNE 30, 2019

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Net Assets without donor restrictions — Net assets that are not restricted by purpose or time either temporarily or perpetually by explicit donor stipulations or by law. Board designation does not constitute a donor restriction.

Net Assets with donor restrictions — Net assets that are restricted by purpose or time either temporarily or perpetually by explicit donor stipulations or by law.

At June 30, 2020 and 2019 the Organization had no net assets with donor restrictions

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, 2020 AND JUNE 30, 2019

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 without donor restrictions.

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, 2020 AND JUNE 30, 2019

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:

	2020	2019
Contributions receivable	\$ 85,955	\$ 61,249
Allowance of doubtful accounts	(28,080)	(28,080)
Total contributions (net)	<u>\$ 57,875</u>	<u>\$ 33,169</u>

NOTE 3---OTHER CURRENT ASSETS

Other current assets consist of the following:

	2020	2019
Prepaid expense	\$ 10,324	\$ 9,113
Security deposit	7,461	7,461
Total	<u>\$ 17,785</u>	<u>\$ 16,574</u>

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019

NOTE 4---PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2019
Computer equipment	\$ 91,287	\$ 91,287
Furniture and fixtures	23,340	23,340
Art Collection	2,000	2,000
Machinery and equipment	6,758	6,758
Less: accumulated depreciation	(112,055)	(83,390)
Total	<u>\$ 11,330</u>	<u>\$ 23,250</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$11,920 and \$16,745 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, 2020 and June 30, 2019 was \$71,747 and \$50,891 respectively. The balance is due on demand. The assets of the Organization secure the line of credit.

NOTE 6---PPP LOAN

On May 4, 2020, The Organization was granted a loan from Truist Bank in the aggregate amount of \$22,800, pursuant to the Paycheck Protection Program (the "PPP") under the Division A, Title of the CARES Act, which was enacted March 27, 2020.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019

NOTE 7---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, 2020. The monthly lease payment as of June 30, 2020 was \$8,704; which began on October 1, 2019. Rent expense for the years ended June 30, 2020 and June 30, 2019, was \$103,144 and \$100,814, respectively.

The future minimum lease payments are as follows:

2021	<u>\$ 26,112</u>
Total	<u>\$ 26,112</u>

NOTE 8---RESTATEMENT OF PRIOR YEAR

The Organization recorded an adjustment in the amount of \$1,119 to reduce the Advance Now card after the conclusion of the audit. We have restated the other current assets and related expenses amount to agree to the Organization's balance.

NOTE 9---SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of November 23, 2020, the date management evaluated such events. November 23, 2020, is the date the financial statements were available to be issued.