

**URBAN LEAGUE OF MIDDLE TENNESSEE  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2005 AND JUNE 30, 2004**

# URBAN LEAGUE OF MIDDLE TENNESSEE

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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, 2005 and June 30, 2004, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2005 and June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2005 on our consideration of *Urban League of Middle Tennessee's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Hoskins & Co., P.C.*  
Hoskins & Company, P.C.  
December 13, 2005

**URBAN LEAGUE OF MIDDLE TENNESSEE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2005 AND JUNE 30, 2004**

**Assets**

	<u>2005</u>	<u>2004</u>
Current Assets		
Cash	\$ 21,601	\$ 10,284
Membership Dues Receivable, less allowance for doubtful accounts of \$28,080 and \$8,000, respectively	57,675	23,030
Grants Receivable	17,217	17,885
Total Current Assets	<u>96,493</u>	<u>51,199</u>
Noncurrent Assets		
Computer Equipment	2,838	314,474
Leasehold Improvements	14,860	14,860
Furniture and Fixtures	59,898	50,923
Appliances	2,750	2,750
Accumulated Depreciation	<u>(65,021)</u>	<u>(373,571)</u>
Total Noncurrent Assets	<u>15,325</u>	<u>9,436</u>
<b>Total Assets</b>	<u><u>\$ 111,818</u></u>	<u><u>\$ 60,635</u></u>

**Liabilities and Net Assets**

Current Liabilities		
Accounts Payable - Overdraft	\$ 2,664	\$ -
Accounts Payable	47,464	30,975
Line of Credit	97,229	90,778
Accrued Payroll and Payroll Taxes	24,523	12,987
Total Current Liabilities	<u>171,880</u>	<u>134,740</u>
Net Assets		
Unrestricted	<u>(60,062)</u>	<u>(74,105)</u>
Total Net Assets	<u>(60,062)</u>	<u>(74,105)</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 111,818</u></u>	<u><u>\$ 60,635</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, 2005 AND JUNE 30, 2004**

<b>Revenue and Support</b>	<b>2005</b>	<b>2004</b>
Membership dues	\$ 204,600	\$ 227,029
Families First program grant	63,235	62,085
Do The Right Thing	5,000	93,229
Workforce Development	113,099	-
Hope VI program grant	-	87,519
Nashville Works (WTW) program grant	-	17,311
Contributions, including special events	72,833	53,584
Other income	11,270	1,656
Total unrestricted revenues and support	<u>470,037</u>	<u>542,413</u>
<b>Expenses</b>		
General & Administration		
Administration	234,888	194,922
Memberships	8,809	2,806
Fundraising	48,061	29,242
Programs		
Education	1,182	130,288
Employment	163,054	215,216
Total expenses	<u>455,994</u>	<u>572,474</u>
<b>Increase (Decrease) in Net Assets</b>	14,043	(30,061)
<b>Net Assets at Beginning of Year</b>	(74,105)	(44,044)
<b>Net Assets at End of Year</b>	<u>\$ (60,062)</u>	<u>\$ (74,105)</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, 2005 AND JUNE 30, 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	14,043	\$ (30,061)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,086	2,512
(Increase) decrease in accounts receivable	(34,645)	10,347
(Increase) decrease in grant receivable	668	(300)
Increase in accounts payable	19,153	7,132
Increase in accrued payroll and payroll taxes	11,536	9,603
Net cash provided (used) in operating activities	<u>13,841</u>	<u>(767)</u>
<b>Cash Flows From Investing Activities</b>		
Donated fixed assets	<u>(8,975)</u>	<u>-</u>
Net cash used in financing activities	<u>(8,975)</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from line of credit	41,243	26,378
Principal payments	<u>(34,792)</u>	<u>(27,175)</u>
Net cash provided (used) in financing activities	<u>6,451</u>	<u>(797)</u>
Net Increase (Decrease) in Cash Equivalents	11,317	(1,564)
Cash and Cash Equivalents, Beginning of Year	10,284	11,848
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 21,601</u></u>	<u><u>\$ 10,284</u></u>
 Interest Paid	 <u><u>\$ 9,399</u></u>	 <u><u>\$ 6,991</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, 2005**

	Admin	Membership	Fundraising	Education (Do The Right Thing)	Employment (Workforce Dev)	Employment (Families First)	TOTAL
Payroll	\$ 29,261	-	\$ -	-	\$ 36,373	\$ 41,805	\$ 107,439
Payroll - Officer	59,748	-	-	-	7,574	7,698	75,020
Fringe Benefits	16,345	-	-	-	5,848	8,040	30,233
Workman's Comp	6,859	-	-	-	-	-	6,859
Executive Dir Expenses	300	-	-	-	-	-	300
Contract Labor	24,278	-	1,300	-	6,671	1,752	34,001
Conferences/Mtgs.	1,773	118	6	-	108	-	2,005
Supplies	1,066	-	-	-	1,417	1,023	3,506
Travel - Other	9,056	618	10	-	-	174	9,858
Computer Technology	733	-	-	-	-	-	733
Training Materials	-	-	-	-	278	1,629	1,907
Other Program Expenses	79	-	-	-	444	-	523
Advertising	320	-	-	-	-	-	320
Dues and Subscript.	10,301	-	-	425	-	84	11,138
Licenses & Fees	325	-	-	-	-	-	325
Printing & Reprod.	973	-	1,578	-	792	125	3,468
Postage & Delivery	464	-	280	-	77	3	824
Professional Development	500	-	-	-	-	-	500
Professional Fees	6,245	-	-	-	3,000	-	9,245
Rent	18,300	-	-	-	9,150	9,150	36,600
Insurance	7,821	-	-	-	3,882	3,882	15,585
Equipment Rental	3,934	-	-	-	1,651	1,651	7,236
Repairs & Maint.	871	-	-	-	126	126	1,123
Special Events	-	-	-	557	240	-	797
Telephone	5,270	-	-	-	2,336	2,189	9,795
Utilities	3,016	-	-	-	1,759	1,559	6,334
Interest & Finance Charges	9,399	-	-	-	-	-	9,399
Bank and Credit Card Charges	929	2	48	-	-	-	979
Bad Debt Expense	13,055	7,025	-	-	-	-	20,080
Other Fundraising Costs	-	351	44,839	200	-	-	45,390
Admin and Support Costs	-	-	-	-	110	-	110
Miscellaneous Expense	581	695	-	-	-	-	1,276
Depreciation	3,086	-	-	-	-	-	3,086
<b>TOTAL</b>	<b>\$ 234,888</b>	<b>\$ 8,809</b>	<b>\$ 48,061</b>	<b>\$ 1,182</b>	<b>\$ 82,164</b>	<b>\$ 80,890</b>	<b>\$ 455,994</b>

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, 2004**

	Admin	Membership	Fundraising	Education (Hope VI)	Employment (Workforce Dev)	Employment (Families First)	Employment (Nashville Works)	Employment (Dell Project)	TOTAL
Payroll	\$ 16,187	\$ -	\$ -	\$ 59,619	\$ 34,973	\$ 57,486	\$ 11,226	\$ -	\$ 179,491
Payroll - Officer	79,039	-	-	-	-	-	-	-	79,039
Fringe Benefits	18,144	-	-	5,962	6,471	14,017	859	86	45,539
Workman's Comp	411	-	-	1,193	367	415	-	-	2,386
Payroll Expense - Other	273	-	-	-	2,154	5,727	-	-	8,154
Executive Dir Expenses	1,952	-	-	-	-	-	-	-	1,952
Contract Labor	7,158	-	-	12,897	6,426	7,103	124	963	34,671
Conferences/Mtgs.	1,550	-	-	-	30	-	-	-	1,580
Supplies	3,446	-	-	932	971	1,078	323	117	6,867
Supportative Services	-	-	-	8,525	-	-	-	-	8,525
Travel - Other	7,539	-	-	7,360	1,347	97	11	-	16,354
Computer Technology	280	-	-	-	-	-	-	-	280
Training Materials	-	-	-	-	66	397	-	-	463
Field Trips	-	-	-	509	-	-	-	-	509
Other Program Expenses	-	-	-	-	14,571	-	-	-	14,571
Advertising	125	-	-	-	-	-	-	-	125
Dues and Subscript.	11,565	300	-	-	-	-	-	60	11,925
Licenses & Fees	345	-	1,061	-	-	21	109	-	345
Printing & Reprod.	404	-	148	-	-	-	126	-	1,595
Postage & Delivery	493	-	-	-	-	-	-	-	767
Professional Fees	3,395	-	-	3,972	2,312	2,030	-	38	11,747
Rent	5,208	-	-	13,146	7,503	7,930	1,593	1,220	36,600
Insurance	5,422	-	-	7,184	2,886	3,018	-	374	18,884
Equipment Rental	884	-	-	2,254	1,290	1,365	304	259	6,356
Repairs & Maint.	2,402	-	-	83	42	44	-	10	2,581
Telephone	1,327	-	-	4,392	2,457	2,597	482	499	11,754
Utilities	726	-	-	2,222	1,175	1,241	230	241	5,835
Interest & Finance Charge:	6,991	-	-	-	-	-	-	-	6,991
Bank Charges	500	6	-	-	-	-	-	-	506
Bad Debt Expense	8,000	2,500	-	-	-	-	-	-	10,500
Other Fundraising Costs	8,000	-	28,033	-	-	-	-	-	36,033
Admin and Support Costs	246	-	-	38	-	6,355	-	-	6,639
Miscellaneous Expense	398	-	-	-	-	-	-	-	398
Depreciation	2,512	-	-	-	-	-	-	-	2,512
<b>TOTAL</b>	<b>\$ 194,922</b>	<b>\$ 2,806</b>	<b>\$ 29,242</b>	<b>\$ 130,288</b>	<b>\$ 85,041</b>	<b>\$ 110,921</b>	<b>\$ 15,387</b>	<b>\$ 3,867</b>	<b>\$ 572,474</b>

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



**URBAN LEAGUE OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004**

**Note 1--- Summary of Significant Accounting Policies**

Nature of Business and Affiliation. 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. Families First

Education Programs

1. Do The Right Thing
2. Workforce Development

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 amounts 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.

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. Management believes The Organization is not exposed to any significant credit risk on cash and cash equivalents.

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.

Depreciation. 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  
Furniture and fixtures  
Computer equipment

20 years  
5 – 7 years  
3 – 5 years

Computer equipment worth 311,636 that had no useful life remaining has been written off the books in the current year.

#### **Note 2---Grants Receivable**

Grants receivable consist of claims for reimbursements submitted to grantors for various program expenditures. The balance as of June 30, 2005 and June 30, 2004, was \$17,217 and \$17,885, respectively. No allowance for uncollectible funds was considered necessary.

#### **Note 3---Fair Value of Financial Instruments**

The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

#### **Note 4---Line of Credit**

The Organization has a \$100,000 revolving line of credit with a financial institution, with an interest rate of 8.0%. The balance is due on demand. The balance of the line of credit as of June 30, 2005 and June 30, 2004 was \$97,229 and \$90,778, respectively. The line of credit is secured by assets of the Organization.

#### **Note 5---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.

#### **Note 6--Operating Leases**

The Organization has the following operating leases:

1. An operating lease for communication equipment with a monthly leasing payment of \$242, included in the financial statements as telephone expense. Total payments for the year ended June 30, 2004 and 2003, including applicable late fees, were \$2,716 and \$3,826, respectively.
2. An operating lease for office equipment with a monthly leasing payment of \$508, included in the financial statements as equipment rental. Total payments for the year ended June 30, 2005 and 2004, including applicable late fees, were \$7,236 and \$6,356, respectively.

The future minimum lease payments are as follows:

2006	\$	9,003
2007		727

The Organization leases their current premises under a lease agreement that must be renewed annually. The current rental lease payment is \$3,050.

The future minimum lease payment is \$36,600.

**Note 7--Concentrations**

The Organization receives a substantial amount of its support from governmental agencies. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities. In addition, the funding received by the Organization from governmental agencies is subject to audit and retroactive adjustment.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Urban League of Middle Tennessee

We have audited the financial statements of *Urban League of Middle Tennessee* (a nonprofit organization) as of and for the years ended June 30, 2005 and June 30, 2004, and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether *Urban League of Middle Tennessee's* financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered *Urban League of Middle Tennessee's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of *Urban League of Middle Tennessee* in a separate letter dated December 13, 2005.

This report is intended for the information of the audit committee, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Hoskins & Co. P.C.*  
Hoskins & Company, P.C.  
December 13, 2005