

**URBAN LEAGUE OF MIDDLE TENNESSEE  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2004 AND JUNE 30, 2003**

**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, 2004 and June 30, 2003, and the related statements of activities, functional expenses, and cash flows 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, 2004 and June 30, 2003, 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 November 29, 2004 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 & Company, P.C.  
November 29, 2004

**URBAN LEAGUE OF MIDDLE TENNESSEE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2004 AND JUNE 30, 2003**

**Assets**

	<u>2004</u>	<u>2003</u>
<b>Current Assets</b>		
Cash	\$ 10,284	\$ 11,848
Membership Dues Receivable, less allowance for doubtful accounts of \$8,000	23,030	-
Grants Receivable	17,885	50,912
Total Current Assets	<u>51,199</u>	<u>62,760</u>
<b>Noncurrent Assets</b>		
Computer Equipment	314,474	314,474
Leasehold Improvements	14,860	14,860
Furniture and Fixtures	50,923	50,923
Appliances	2,750	2,750
Accumulated Depreciation	(373,571)	(371,059)
Total Noncurrent Assets	<u>9,436</u>	<u>11,948</u>
<b>Total Assets</b>	<u>\$ 60,635</u> <i>ok</i>	<u>\$ 74,708</u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts Payable	\$ 30,975	\$ 23,843
Line of Credit	90,778	91,525
Accrued Payroll and Payroll Taxes	12,987	3,384
Total Current Liabilities	<u>134,740</u>	<u>118,752</u>
<b>Net Assets</b>		
Unrestricted	(74,105) <i>ok</i>	(44,044)
Total Net Assets	<u>(74,105)</u>	<u>(44,044)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 60,635</u>	<u>\$ 74,708</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, 2004 AND JUNE 30, 2003**

<b>Revenue and Support</b>	<u><b>2004</b></u>	<u><b>2003</b></u>
Membership dues	\$ 227,029	\$ 79,040
Families First program grant	62,085	120,459
Workforce Development	93,229	43,620
Hope VI program grant	87,519	82,024
Nashville Works (WTW) program grant	17,311	55,660
DELL Employment grant	-	7,500
United Way allocations	-	25,055
Contributions, including special events	53,584	14,052
Interest income	-	63
Other income	1,656	3,109
Total unrestricted revenues and support	<u>542,413</u>	<u>430,582</u>
<b>Expenses</b>	940 514,380	
General & Administration	(28,033)	SPECIAL EVENTS OK
Administration	194,922	187,131
Memberships	2,806	-
Fundraising	29,242	15,818
Programs		
Education	130,288	138,339
Employment	215,216	184,236
Total expenses	<u>572,474</u>	<u>525,524</u>
	(28,033) 544,441	
<b>Decrease in Net Assets</b>	(30,061)	(94,942)
<b>Net Assets at Beginning of Year</b>	(44,044)	50,898
<b>Net Assets at End of Year</b>	<u>\$ (74,105)</u>	<u>\$ (44,044)</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, 2004 AND JUNE 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	(30,061)	\$ (94,942)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,512	10,005
(Increase) decrease in grant receivable	10,347	36,561
(Increase) decrease in accounts receivable	(300)	-
Increase (decrease) in accounts payable	7,132	5,904
Increase (decrease) in accrued payroll and payroll taxes	9,603	133
Net cash provided (used) in operating activities	<u>(767)</u>	<u>(42,339)</u>
 <b>Cash Flows From Investing Activities</b>	 <u>-</u>	 <u>-</u>
 <b>Cash Flows From Financing Activities</b>		
Proceeds from line of credit	26,378	55,587
Principal payments	<u>(27,175)</u>	<u>(14,061)</u>
Net cash provided (used) in financing activities	<u>(797)</u>	<u>41,526</u>
 Net Decrease in Cash Equivalents	 (1,564)	 (813)
Cash and Cash Equivalents, Beginning of Year	\$ 11,848	12,661
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>10,284</u></u>	<u><u>\$ 11,848</u></u>
 Interest Paid	 <u><u>\$ 6,991</u></u>	 <u><u>\$ 8,004</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, 2004**

	<u>Admin</u>	<u>Membership</u>	<u>Fundraising</u>	<u>Education (Hope VI)</u>	<u>Employment (Workforce Dev)</u>	<u>Employment (Families First)</u>	<u>Employment (Nashville Works)</u>	<u>Employment (Dell Project)</u>	<u>TOTAL</u>
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	-	-	-	-	-	-	-	345
Printing & Reprod.	404	-	1,061	-	-	21	109	-	1,595
Postage & Delivery	493	-	148	-	-	-	126	-	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  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2003**

	Administrative	Fundraising	Education (Hope VI)	Education (Workforce Dev)	Employment (Families First)	Employment (Nashville Works)	Employment (Dell Project)	TOTAL
Payroll	\$ 114,969	\$ -	\$ 57,532	\$ 26,868	\$ 70,782	\$ 58,892	\$ 3,706	\$ 332,749
Fringe Benefits	7,575	-	16	60	855	1,035	-	9,541
Exec Dir Expenses	433	-	-	-	-	-	-	433
Contract Labor	5,087	-	358	746	183	21	3,894	10,289
Conferences/Mtgs.	2,515	-	-	-	-	43	-	2,558
Advertising	910	-	-	-	-	194	-	1,104
Supplies	1,924	-	277	345	104	550	-	3,200
Travel & Mileage	3,121	-	16,363	1,238	214	209	-	21,145
Supportative Services	-	-	8,260	-	-	-	-	8,260
Field Trips	-	-	1,126	-	-	-	-	1,126
Training Materials	-	-	-	-	57	132	5,500	5,689
Dues and Subscript.	6,883	-	-	-	-	-	-	6,883
Printing & Reprod.	350	-	-	-	-	213	-	563
Postage & Delivery	1,029	-	-	-	-	188	-	1,217
Professional Fees	4,733	-	-	390	-	-	-	5,123
Fees & Licenses	725	-	-	-	-	-	-	725
Rent	12,387	-	2,928	4,758	5,490	7,708	3,329	36,600
Insurance	2,922	-	1,757	859	898	-	-	6,436
Equipment Rental	3,132	-	41	66	76	1,281	824	5,420
Repairs & Maint.	2,722	-	998	981	-	-	-	4,701
Telephone	4,982	-	75	1,526	150	2,636	-	9,369
Utilities	1,764	-	2,961	765	189	1,150	860	7,689
Bank Serv. Chg.	582	-	-	-	-	-	-	582
Other Admin Costs	383	-	441	-	8,158	1,314	-	10,296
Other Fundraising Costs	-	15,818	-	-	-	-	-	15,818
Interest	8,003	-	-	-	-	-	-	8,003
Depreciation	-	-	4,402	2,202	2,401	500	500	10,005
<b>TOTAL</b>	<b>\$ 187,131</b>	<b>15,818</b>	<b>\$ 97,535</b>	<b>\$ 40,804</b>	<b>\$ 89,557</b>	<b>76,066</b>	<b>18,613</b>	<b>\$ 525,524</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, 2004 AND JUNE 30, 2003**

**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
2. Nashville Works
3. DELL and Urban League Service and Employment Project

Education Programs

1. Hope VI
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

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

Grants receivable consist of claims for reimbursements submitted to grantors for various program expenditures. The balance as of June 30, 2004 and June 30, 2003, was \$17,885 and \$50,912, 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 8.25%. The balance is due on demand. The balance of the line of credit as of June 30, 2004 and June 30, 2003 was \$90,778 and \$91,525, 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 \$3,826 and \$3,205, 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, 2004 and 2003, including applicable late fees, were \$6,356 and \$5,420, respectively.

The future minimum lease payments are as follows:

2005	\$	9,003
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, 2004 and June 30, 2003, and have issued our report thereon dated November 29, 2004. 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 November 29, 2004.

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 & Company, P.C.  
November 29, 2004