

URBAN LEAGUE OF MIDDLE TENNESSEE

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

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 statements of financial position as of June 30, 2015, and June 30, 2014, and the related statement of activities, cash flows, and functional expenses for the years 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, 2015, and June 30, 2014, 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.

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

Hoskins & Company
Nashville, TN
December 1, 2015

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash	\$ 84,005	\$ 126,198
Contributions receivable	10,238	28,362
Other current assets (Note 2)	<u>9,075</u>	<u>14,249</u>
Total current assets	<u>103,318</u>	<u>168,809</u>
Noncurrent assets		
Property and equipment, net (Note 3)	<u>51,136</u>	<u>-</u>
Total noncurrent assets	<u>51,136</u>	<u>-</u>
Total assets	<u><u>\$ 154,454</u></u>	<u><u>\$ 168,809</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 17,591	\$ 24,105
Accrued payroll and payroll taxes	5,490	6,500
Line of credit (Note 5)	54,116	73,325
Deferred rent liability	<u>34,483</u>	<u>14,538</u>
Total current liabilities	<u>111,680</u>	<u>118,468</u>
Net assets (deficit)		
Unrestricted	(8,059)	141
Temporarily restricted (Note 4)	<u>50,833</u>	<u>50,200</u>
Total net assets	<u>42,774</u>	<u>50,341</u>
Total liabilities and net assets	<u><u>\$ 154,454</u></u>	<u><u>\$ 168,809</u></u>

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

URBAN LEAGUE OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2015 Total Net Assets	2014 Total Net Assets
Revenue and support					
Contributions	\$ 15,475	\$ -	\$ -	\$ 15,475	\$ 295
Fundraising	233,525	-	-	233,525	245,282
Grant programs	413,375	50,833	-	464,208	369,722
Membership	21,065	-	-	21,065	38,776
Other income	10,598	-	-	10,598	20,003
Net assets released from restriction	-	(50,200)	-	(50,200)	
Total revenue and support	694,038	633	-	694,671	674,078
Expenses					
General & administration					
Administration	196,851	-	-	196,851	205,966
Fundraising	112,789	-	-	112,789	102,218
Total general & administration	309,640	-	-	309,640	308,184
Programs					
Education	250,617	-	-	250,617	150,081
Employment	92,192	-	-	92,192	6,004
Other	49,789	-	-	49,789	125,736
Total programs	392,598	-	-	392,598	281,821
Total expenses	702,238			702,238	590,005
Increase (decrease) in net assets	(8,200)	633	-	(7,567)	84,073
Net assets at beginning of fiscal year	141	50,200		50,341	(33,732)
Net assets at end of fiscal year	\$ (8,059)	\$ 50,833	\$ -	\$ 42,774	\$ 50,341

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, 2015 AND JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (7,567)	\$ 84,073
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,382	-
Decrease (increase) in contributions receivable	18,124	(20,530)
Decrease (increase) in other assets	5,174	(6,615)
(Decrease) increase in accounts payable	(6,514)	7,878
Decrease in accrued payroll	(1,010)	(7,789)
Increase in deferred rent liability	19,945	14,538
Net cash provided by operating activities	<u>34,534</u>	<u>71,555</u>
 Cash flows from investing activities		
Purchase of property and equipment	<u>(57,518)</u>	<u>-</u>
Net cash used by investing activities	(57,518)	-
 Cash flows from financing activities		
Proceeds from line of credit	-	33,270
Principal payments on line of credit	<u>(19,209)</u>	<u>(26,866)</u>
Net cash (used) provided by financing activities	<u>(19,209)</u>	<u>6,404</u>
 Net change in cash and cash equivalents	(42,193)	77,959
Cash and cash equivalents, beginning of fiscal year	<u>126,198</u>	<u>48,239</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 84,005</u></u>	<u><u>\$ 126,198</u></u>
 Interest Paid	<u><u>\$ 3,682</u></u>	<u><u>\$ 4,275</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, 2015

	Administration	Development and fundraising	Education (Youth dev.)	Education (Adult dev.)	Employment (Workforce dev.)	Know Hunger Project	Programs (other)	Total
Salaries & wages	\$ 92,579	\$ 45,120	\$ 38,563	\$ -	\$ 36,942	\$ -	\$ 7,437	\$ 220,641
Payroll taxes & fringe benefits	18,293	4,276	5,508	-	4,213	-	6,736	39,026
Contract Labor	16,040	2,861	41,396	2,335	2,589	4,701	820	70,742
Conferences & meetings	3,262	20	40	109	-	-	-	3,431
Supplies	3,232	247	2,108	165	87	3,090	619	9,548
Travel - other	5,905	109	9,890	2,471	3	15	503	18,896
Computer technology	318	-	375	-	-	-	3,512	4,205
Program events	-	-	-	3,798	-	2,187	-	5,985
Stipends	-	-	9,696	1,175	-	-	-	10,871
Other program expenses	-	-	19,906	63,843	477	2,854	29	87,109
Advertising	425	-	-	-	-	-	-	425
Dues & subscriptions	10,226	130	4,154	-	4,154	-	-	18,664
Legal & professional fees	10,783	-	-	-	-	-	-	10,783
Printing & reproduction	663	2,868	-	-	33	137	-	3,701
Postage & delivery	793	466	64	14	67	-	-	1,404
Rent	9,832	-	35,669	-	35,669	-	17,149	98,319
Insurance	2,028	-	5,147	-	4,147	-	-	11,322
Equipment rental	3,471	-	-	-	-	-	-	3,471
Repairs & maintenance	725	-	-	-	-	-	-	725
Telephone	566	-	2,546	-	2,546	-	-	5,658
Utilities	281	-	1,265	-	1,265	-	-	2,811
Interest & finance charges	3,807	-	-	-	-	-	-	3,807
Bank charges	673	22	380	-	-	-	-	1,075
Fundraising expenses	-	56,670	-	-	-	-	-	56,670
Miscellaneous expenses	6,567	-	-	-	-	-	-	6,567
Depreciation	6,382	-	-	-	-	-	-	6,382
TOTAL	\$ 196,851	\$ 112,789	\$ 176,707	\$ 73,910	\$ 92,192	\$ 12,984	\$ 36,805	\$ 702,238

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, 2014**

	Administration	Development and fundraising	Education (Youth dev.)	Education (Adult dev.)	Employment (Workforce dev.)	Social Enterprise	Know Hunger Project	Programs (other)	Total
Salaries & wages	\$ 90,497	\$ 38,656	\$ 4,000	\$ 9,288	\$ -	\$ -	\$ -	\$ 30,683	\$ 173,124
Payroll taxes & fringe benefits	16,115	3,911	619	711	-	-	-	4,972	26,328
Workman's compensation	952	136	-	-	-	-	-	816	1,904
Contract Labor	18,794	245	55,964	9,450	200	8,660	7,104	970	101,387
Conferences & meetings	2,688	-	-	-	-	-	-	-	2,688
Supplies	1,388	47	3,814	-	-	-	-	381	5,630
Travel - other	4,696	1,007	19,633	-	-	-	-	-	25,336
Computer technology	4,681	100	-	-	1,075	-	-	276	6,132
Support Services	-	-	8,774	10,000	-	5,550	4,225	-	28,549
Stipends	-	-	6,609	1,210	-	-	-	-	7,819
Other program expenses	-	-	10,714	5,141	-	-	7,850	3,002	26,707
Advertising	200	-	-	-	-	-	1,491	-	1,691
Dues & subscriptions	10,816	-	-	-	-	600	-	-	11,416
Licenses & fees	410	-	-	-	-	-	-	-	410
Legal & professional fees	1,650	-	-	-	-	-	-	6,300	7,950
Printing & reproduction	-	2,817	-	-	-	-	-	-	2,817
Postage & delivery	220	449	-	-	-	-	-	-	669
Rent	20,227	-	3,612	-	3,611	-	-	36,875	64,325
Insurance	1,069	-	500	-	-	-	-	4,610	6,179
Equipment rental	2,317	159	-	-	-	-	-	-	2,476
Repairs & maintenance	2,925	-	-	-	-	-	-	-	2,925
Telephone	4,606	-	-	-	983	-	-	1,371	6,960
Interest & finance charges	4,275	-	-	-	-	-	-	-	4,275
Fundraising expenses	-	43,166	-	-	-	-	-	-	43,166
Miscellaneous expenses	5,090	2,025	42	-	135	-	-	-	7,292
Young Professional Group	12,350	-	-	-	-	-	-	-	12,350
Bad debt expense	-	9,500	-	-	-	-	-	-	9,500
TOTAL	\$ 205,966	\$ 102,218	\$ 114,281	\$ 35,800	\$ 6,004	\$ 14,810	\$ 20,670	\$ 90,256	\$ 590,005

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, 2015 AND JUNE 30, 2014

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 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, 2015 and 2014, the Organization had no 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, 2015 AND JUNE 30, 2014

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 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, 2015 AND JUNE 30, 2014

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.

NOTE 2---OTHER CURRENT ASSETS

Other current assets consist of the following:

	2015	2014
Prepaid expense	\$ 1,613	\$ 3,163
Security deposit	7,462	11,086
Total	\$ 9,075	\$ 14,249

NOTE 3---PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2015	June 30, 2014
Art collection	\$ 2,000	\$ 2,000
Computer equipment	59,197	18,121
Furniture and fixtures	23,386	13,702
Machinery and equipment	6,758	-
Less: accumulated depreciation	(40,205)	(33,823)
Total	\$ 51,136	\$ -

Depreciation expense for the years ended June 30, 2015 and 2014 was \$6,382 and \$0 respectively.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

NOTE 4---TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	June 30, 2015	June 30, 2014
Education Development	\$ 33,333	\$ -
Youth Development	17,500	33,750
Other Programs	-	16,450
Total	<u>\$ 50,833</u>	<u>\$ 50,200</u>

Temporarily restricted net assets were released during the fiscal for the following purposes:

	June 30, 2015	June 30, 2014
Youth Development	\$ 33,750	\$ -
Other Programs	16,450	-
Total	<u>\$ 50,200</u>	<u>\$ -</u>

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, 2015 and June 30, 2014 was \$54,116 and \$73,325 respectively. The balance is due on demand. The assets of the Organization secure the line of credit.

NOTE 6---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, 2019. The monthly lease payment as of June 30, 2015 was \$7,461; which began on October 1, 2014. The Organization leased office space under a three year lease agreement that commenced on August 1, 2011, and expired on August 31, 2014. The monthly lease payment under the lease was \$4,133 for year ended June 30, 2015 and June 30, 2014, respectively. Rent expense for the years ended June 30, 2015 and June 30, 2014, was \$98,319 and \$64,325, respectively.

URBAN LEAGUE OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

NOTE 6---OPERATING LEASES (continued)

The future minimum lease payments are as follows:

- 2016	\$ 90,870
- 2017	93,594
- 2018	96,396
- 2019	99,270
- 2020	25,182
- Thereafter	<u>-</u>
Total	<u>\$ 405,312</u>

NOTE 7---RELATED PARTY

The Organization is affiliated with the National Urban League (NUL) through a charter agreement.

NUL had a 3 year contract agreement with the Organization to provide grant funds for the Equity and Excellence Project that started on June 30, 2011, and ended on August 31, 2015. Grant funds received from NUL for this project for the years ended June 30, 2015 and June 30, 2014 was \$8,000 and \$41,230, respectively.

NUL had a contract agreement with the Organization to provide grant funds for the KNOW Hunger project that commenced in January 2014, and will end in December 2015. Grant funds received from the NUL for this project for the year ended June 30, 2015 and June 30, 2014 was \$60,000 for each year respectively.

NUL had a contract agreement with the Organization to provide grant funds for the Communications Campaign for Common Core State Standards project that commenced in March 2014, and ends in December 2015. Grant funds received from the NUL for this project for the year ended June 30, 2015 and June 30, 2014 was \$12,500 and \$10,000, respectively.

NUL had a contract agreement with the Organization to provide grant funds for Project Ready that commenced in January 2014, and will end in December 2015. Grant funds received from the NUL for this project for the year ended June 30, 2015 and June 30, 2014 was \$52,000 and \$16,000, respectively.

NOTE 8---SUBSEQUENT EVENTS

In October 2015, a \$15,000 draw was made on the line of credit, leaving an available balance of \$35,000.

Subsequent events were evaluated through December 1, 2015, which is the date the financial statements were available to be issued.