



Urban League of
Eastern Massachusetts

Financial Statements and Auditors' Report

June 30, 2012

with Comparative Totals for 2011



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Urban League of
Eastern Massachusetts

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Daniel Dennis & Company LLP

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
URBAN LEAGUE OF EASTERN MASSACHUSETTS, INC.

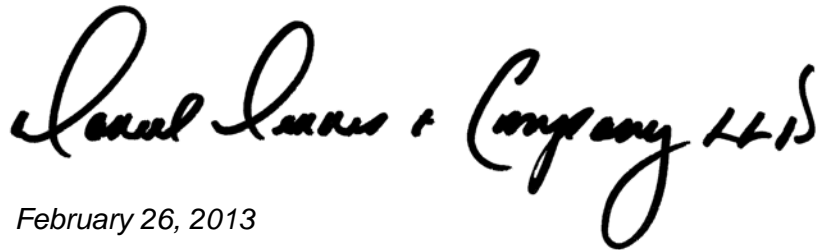
We have audited the accompanying statement of financial position of Urban League of Eastern Massachusetts, Inc. (ULEM) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ULEM's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ULEM's 2011 financial statements and, in our report dated January 26, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ULEM's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Eastern Massachusetts, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that ULEM will continue as a going concern. As discussed in note 16 to the financial statements, ULEM has suffered significant recurring reductions in revenues and has ongoing cash flow difficulties that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of program expenses on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "David L. Jones & Company LLP". The signature is written in a cursive, flowing style.

February 26, 2013



Urban League of
Eastern Massachusetts

Statement of Financial Position
June 30, 2012 with Comparative Totals for 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 220,412	\$ 558,159
Cash restricted for Mature Workers program	12,812	-
Accounts receivable	72,819	74,395
Unconditional promises to give	132,134	311,614
Employee receivable	8,875	13,366
Prepaid expense	10,119	184,729
Total current assets	<u>457,171</u>	<u>1,142,263</u>
NON-CURRENT ASSETS:		
Cash restricted for permanently restricted endowment	473,303	473,303
Cash restricted for purchase of property and equipment	112,851	30,851
Unconditional promises to give	99,673	137,473
Total non-current assets	<u>685,827</u>	<u>641,627</u>
PROPERTY AND EQUIPMENT - net	<u>893,330</u>	<u>929,540</u>
Total assets	<u>\$ 2,036,328</u>	<u>\$ 2,713,430</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 284,416	\$ 61,156
Refundable advances	92,280	39,780
Accrued expenses	72,036	67,420
Deferred revenue	-	69,430
Due to National Urban League	13,122	-
Lines of credit obligation	200,000	174,198
Capital lease obligation - current portion	3,925	3,573
Loans payable - current portion	44,095	41,979
Mortgage payable - current portion	25,407	25,407
Total current liabilities	<u>735,281</u>	<u>482,943</u>
LONG-TERM LIABILITIES:		
Capital lease obligation	14,250	18,175
Loan payable	93,331	137,297
Mortgage payable	272,009	297,416
Total long-term debt	<u>379,590</u>	<u>452,888</u>
Total liabilities	<u>1,114,871</u>	<u>935,831</u>
NET ASSETS:		
Unrestricted		
Board designated contingency reserve	148,759	148,750
Undesignated	(32,455)	228,953
Total unrestricted net assets	<u>116,304</u>	<u>377,703</u>
Temporarily restricted	331,850	926,593
Permanently restricted	473,303	473,303
Total net assets	<u>921,457</u>	<u>1,777,599</u>
Total liabilities and net assets	<u>\$ 2,036,328</u>	<u>\$ 2,713,430</u>

See accompanying notes to financial statements.



Urban League of
Eastern Massachusetts

Statement of Activities
For the Year Ended June 30, 2012 with Summarized Comparative Totals for 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2012 TOTAL	2011 TOTAL
REVENUE AND SUPPORT:					
United Way	\$ 50,302		\$ -	\$ 50,302	\$ 53,883
Grants and contributions	1,637,581	728,043	-	2,365,624	2,339,524
Membership dues	18,892		-	18,892	26,167
Special events	1,222,877		-	1,222,877	1,124,423
Less: costs of direct benefits to donors	(865,938)		-	(865,938)	(83,474)
Less: other direct event costs	(814,155)	-	-	(814,155)	(462,261)
Net revenue from special events	(457,216)	-	-	(457,216)	578,688
Fees and other income	10,745		-	10,745	207,901
Interest income	2,922		-	2,922	6,666
Net assets released from restrictions	1,322,786	(1,322,786)	-	-	-
Total revenue and support	2,586,012	(594,743)	-	1,991,269	3,212,829
EXPENSES AND LOSS:					
Program services	2,133,281	-	-	2,133,281	2,278,376
Management and general	390,730	-	-	390,730	433,226
Fundraising	280,900	-	-	280,900	151,134
Total expenses before loss	2,804,911	-	-	2,804,911	2,862,736
Litigation loss	42,500	-	-	42,500	-
Total expenses and loss	2,847,411	-	-	2,847,411	2,862,736
Change in net assets	(261,399)	(594,743)	-	(856,142)	350,093
Net assets, beginning of year	377,703	926,593	473,303	1,777,599	1,427,506
Net assets, end of year	\$ 116,304	\$ 331,850	\$ 473,303	\$ 921,457	\$ 1,777,599

See accompanying notes to financial statements.



Urban League of
Eastern Massachusetts

Statement of Functional Expenses
For the Year Ended June 30, 2012 with Summarized Comparative Totals for 2011

DESCRIPTION	MANAGEMENT AND			2012 TOTAL	2011 TOTAL
	PROGRAMS	GENERAL	FUND- RAISING		
Personnel	\$ 646,479	\$ 266,713	\$ 247,753	\$ 1,160,945	\$ 875,261
Participant wages and stipends	1,087,308	-	-	1,087,308	1,407,156
Consumable materials and supplies	45,953	2,028	983	48,964	37,917
Travel and transportation	2,532	3,626	2,060	8,218	3,806
Training, conferences, and meetings	3,228	9,801	434	13,463	17,865
Membership dues	6,025	2,435	2,000	10,460	11,833
Miscellaneous	2,139	1,474	-	3,613	29,218
Insurance	25,747	8,807	2,017	36,571	32,728
Direct assistance to clients	77,697	-	-	77,697	75,343
Facilities	142,722	20,221	14,554	177,497	198,472
Computer and equipment	12,731	2,129	4,913	19,773	11,420
Printing and reproduction	5,610	867	243	6,720	11,188
Communications	45,837	13,222	3,424	62,483	47,005
Administrative costs	<u>29,272</u>	<u>59,407</u>	<u>2,519</u>	<u>91,198</u>	<u>103,526</u>
Total expenses before administrative allocation	2,133,281	390,730	280,900	2,804,911	2,862,736
Administrative allocation	<u>302,266</u>	<u>(390,730)</u>	<u>88,463</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 2,435,547</u>	<u>\$ -</u>	<u>\$ 369,364</u>	<u>\$ 2,804,911</u>	<u>\$ 2,862,736</u>

See accompanying notes to financial statements.



Urban League of
Eastern Massachusetts

Statement of Cash Flows
For the Year Ended June 30, 2012 with Comparative Totals for 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (856,142)	\$ 350,093
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	106,512	105,303
Bad debt	142,700	22,000
Donated fixed assets	-	(45,989)
Collections of contributions restricted to purchase of property and equipment	(77,000)	(15,750)
(Increase)/decrease in operating assets:		
Cash restricted for Mature Workers program	(12,812)	6,046
Accounts receivable/ promises to give	76,156	(134,770)
Employee receivable	4,491	(988)
Prepaid expenses	174,610	(132,851)
Increase/(decrease) in operating liabilities:		
Accounts payable	223,260	(80,570)
Accrued expenses	4,616	(15,390)
Refundable advances	52,500	(6,046)
Due to National Urban League	13,122	(150,000)
Deferred revenue	(69,430)	8,780
Net cash used in operating activities	<u>(217,417)</u>	<u>(90,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in assets restricted to investment in property and equipment	(82,000)	-
Payments for property and equipment	(70,302)	-
Net cash used in investing activities	<u>(152,302)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of contributions restricted to purchase of property and equipment	77,000	15,750
Proceeds from loans	-	100,000
Proceeds from lines of credit	25,802	120,000
Principal payments on lines of credit	-	(100,802)
Principal payments on capital lease obligation	(3,573)	(6,541)
Principal payments on loan payable	(41,850)	(25,725)
Principal payments on mortgage	(25,407)	(23,634)
Net cash provided by financing activities	<u>31,972</u>	<u>79,048</u>
Net (decrease) increase in cash and cash equivalents	<u>(337,747)</u>	<u>(11,084)</u>
Cash and cash equivalents, beginning of year	<u>558,159</u>	<u>569,243</u>
Cash and cash equivalents, end of year	<u><u>\$ 220,412</u></u>	<u><u>\$ 558,159</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 48,320</u>	<u>\$ 42,774</u>
Noncash investing/ financing activity:		
Financed equipment	<u>\$ -</u>	<u>\$ 21,748</u>
Donated fixed assets	<u>\$ -</u>	<u>\$ 45,989</u>



Urban League of Eastern Massachusetts

Notes to Financial Statements
June 30, 2012 with Comparative Totals for 2011

1. ORGANIZATION AND ACTIVITIES

Urban League of Eastern Massachusetts, Inc. (ULEM) is an interracial community service and advocacy organization, located in Roxbury, Massachusetts, whose focus is to deliver services and programs that aim to increase the economic self-reliance of African Americans and other people of color throughout its service area and to advocate for their empowerment through math and English enhancement and the civil rights issues that critically affect their lives. It is affiliated with the National Urban League, Inc. and is a member of the United Way of Massachusetts Bay.

ULEM operates the following major programs:

PROFESSIONAL SKILLS TRAINING (PST) PROGRAMS:

Currently ULEM has four PST programs which cover a variety of job skills and expertise, age range, and both non-profit organizations and corporate partnerships. Below is an overview of our program services:

Fund Administration Preparatory Program (FAPP): The financial services industry offers exciting and rewarding options for companies and employees who can keep up with its fast pace. However, the rate of attrition for entry level staff in the industry can be quite costly. Modeled on the partnership developed with State Street Corporation, we have designed an extensive screening, selection, and training program that not only targets individuals that would thrive in this environment but who are committed to the work. The FAPP training program has two phases: a six-week professional development and technology training provided by ULEM and a two-week orientation followed by a six-month internship at the partner corporation. Upon completion of the program, the corporate partners offer full-time positions as Fund Accountants to select participants based on job availability and candidates' performance. Preliminary outcome evaluation indicates that participants retain their positions in partner corporations for longer than recent college graduates.

Mature Worker Program (MWP): Funded in part by the Department of Labor and administered in partnership with the National Urban League, ULEM's MWP is an innovative community-based workforce development program that combines soft and hard skills training, collaborations with employers, community service and intentional job placement with career coaching and retention support that give participants a positive work track record to obtain a self-sufficiency wage employment with opportunity for career advancement. MWP accomplishes this by partnering with 106 community-based organizations that serve as host training sites and with a variety of other community education and advocacy organizations for participants to gain a successful work track record and training support before entering the job market.

Volunteer 2 Work (V2W): As job markets change, so must our placement efforts and client marketability strategies. The V2W program was born from the concept of "On-the-Job Training" and is designed to teach the value of work through volunteer service to chronically unemployed and newly unemployed individuals who need a bridge to re-enter the job market. Our partnerships with local Community Based Organizations allow us to provide them with a screened client pool that will provide valuable hours of service, and help to offer more effective services to their constituents.



Urban League of
Eastern Massachusetts

Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

1. ORGANIZATION AND ACTIVITIES - CONTINUED

PROFESSIONAL SKILLS TRAINING (PST) PROGRAMS: - *CONTINUED*

Online Learning Readiness (OLLR): The digital divide has greatly impacted this nation's economy. In an age where technology becomes outdated upon its release, aspiring professionals must stay abreast and engaged. The OLLR program gives clients the foundation they need to hit the ground running. Clients learn the nuts and bolts of computers, software, and hardware becoming digitally competent in the process through in one of two twelve week sessions of online learning per year.

NON-PST PROGRAMS:

Employment Resource Center (ERC): In today's job market diligence alone will not lead to gainful employment. Gone are the days of "help wanted" signs and advertisements in the Sunday newspaper. Conducting a successful job search now requires skill, patience, proper techniques, and an internet connection. The ERC is a career center that not only provides one-on-one job search support, but access to all the tools individuals need for a successful independent job search.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

ULEM prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses when goods are received or services rendered.

NET ASSETS

ULEM's net assets are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor imposed stipulations.
- **Temporarily Restricted Net Assets** - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the ULEM and/or the passage of time.
- **Permanently Restricted Net Assets** - Net assets subject to donor imposed stipulations that ULEM permanently maintain certain contributed assets. Generally, donors of such assets permit ULEM to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. Permanent restrictions do not pass with the expiration of time, nor can they be removed through the ULEM's actions.

Net assets accumulated that are not subject to donor imposed restrictions, but which the Board of Directors of has earmarked for specific uses, are segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.



Urban League of
Eastern Massachusetts

Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to ULEM that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

ULEM uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include repurchase agreements and certificates of deposits with original maturities of three months or less, except restricted cash and cash held for investment.

RESTRICTED CASH

Separate bank accounts are maintained for grants or programs that are required by funding sources to maintain separate bank accounts.

INCOME TAXES

ULEM is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which ULEM had none for the years ended June 30, 2012 and 2011, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

ULEM evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, are recorded as an expense in the current year financial statements. ULEM has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2012 returns and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. ULEM's 2008 through 2011 tax years remain subject to examination by federal and state tax authorities.



Urban League of
Eastern Massachusetts

Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DONATED SERVICES, MATERIALS AND FACILITIES

ULEM receives donated services, materials and facilities in support of its programs and administrative functions. Donated materials and services are recorded at fair value. Donated facilities are recorded at fair rental value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated are recorded as contributions in the financial statements. Donated services such as fund-raising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

For the years ended June 30, 2012 and 2011, non-cash contributions received in support of programmatic and administrative functions consisted of the following:

<i>Non-Cash Contributions</i>	<i>2012</i>	<i>2011</i>
Recorded in financial statements		
Professional services:		
Training	\$ -	\$ 9,498
Advertising	313,896	81,180
Event Labor	25,735	-
Technology equipment	<u>43,244</u>	<u>45,989</u>
Subtotal	382,875	136,667
Not recorded in the financial statements		
Non-professional services	<u>179,184</u>	<u>220,118</u>
Total non-cash contributions	<u>\$ 562,059</u>	<u>\$ 356,785</u>

ADVERTISING

Advertising costs are charged to operations when incurred. During 2012, ULEM received \$313,896 in donated advertising services. During 2011, the advertising expense was \$81,180.

ACCOUNTS RECEIVABLE

Accounts receivable are presented net of the allowance for doubtful accounts. ULEM's periodic evaluation of the adequacy of the allowance is based on its past loss experience. Accounts receivable are charged off when they are over 90 days past due. At June 30, 2012 and 2011, all accounts were deemed collectible.



Urban League of
Eastern Massachusetts

Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, ULEM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ULEM reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are carried at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are charged to operations. Betterments, renewals, and purchases of more than \$5,000 are capitalized.

REFUNDABLE ADVANCES AND DEFERRED REVENUE

Advance receipts of conditional grants and advanced contract payments are recorded as liabilities until the conditions on which they depend are satisfied and services are performed and fees earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PRIOR-YEAR SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ULEM's financial statements for the year ended June 30, 2011, from which the summarized information was derived.



**Urban League of
Eastern Massachusetts**

Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

3. RESTRICTED CASH

The National Urban League, Inc. requires that ULEM hold the cash for its MATURE Worker program in a separate account. At June 30, 2012, the Mature Worker program had \$12,812 of available cash on hand. At June 30, 2011, there was no restricted cash.

4. LINES OF CREDIT

During 2012 and 2011, ULEM had a line of credit from Boston Private Bank and Trust Company in the amount of \$200,000 with a maturity date of October 2012. The line of credit is secured by all tangible and intangible business assets.

At June 30, 2012 and 2011, the total outstanding balance on the lines was \$200,000 and \$174,198, respectively. Interest expense totaled \$10,312 and \$7,247, respectively, for the years ended June 30, 2012 and 2011.

Subsequent to June 30, 2012, ULEM negotiated an extension of the line of credit to January 31, 2013, and negotiated with Boston Private Bank and Trust to combine the line of credit and an existing \$50,000 five year-term loan (Note 11) to one seven-year term loan.

5. NET ASSETS

Temporarily and permanently restricted net assets at June 30, 2012 and 2011 were restricted for the following:

<i>TEMPORARILY RESTRICTED NET ASSETS:</i>	<i>2012</i>	<i>2011</i>
Travel costs	\$ 12,400	\$ -
Mature Worker Program	30,414	17,500
Youth Services	54,374	76,173
Employment Resource Center	38,524	71,320
Capital improvements	60,351	30,851
National Urban League Conference	-	557,162
Internet service	<u>135,787</u>	<u>173,587</u>
Total	<u>\$ 331,850</u>	<u>\$ 926,593</u>

PERMANENTLY RESTRICTED NET ASSETS:

Cash contributions to be held in perpetuity,
the income from which is expendable for:

Mortgage payments	\$ 465,000	\$ 465,000
Scholarships	<u>8,303</u>	<u>8,303</u>
Total	<u>\$ 473,303</u>	<u>\$ 473,303</u>



**Urban League of
Eastern Massachusetts**

Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

6. RELATED PARTY TRANSACTIONS

ULEM operates its MWP under a grant from the National Urban League, Inc. For the years ended June 30, 2012 and 2011, ULEM was awarded grant funds totaling \$ \$1,421,972 and \$1,895,974, respectively. At June 30, 2012 ULEM held unspent grant funds of \$12,812 under its MWP grant that was funded with money from federal funds. At June 30, 2011, ULEM was owed \$10,508 for unreimbursed services performed under the grant.

7. ENDOWMENT FUNDS

ULEM has two permanently restricted endowments, and one board designated contingency reserve that serves as a quasi-endowment. The original donor contributions of the permanent endowments are to be held in perpetuity and cannot be used without approval from the donors. The investment objectives of the endowment funds are to preserve capital and provide a competitive rate of return. To achieve the investment objectives, the endowment funds are invested in certificates of deposit. The interest earned on the permanently restricted endowments is to be used for mortgage payments and scholarships. Interest earned on the board designated contingency reserve is to be used only with authorization from the board of directors.

The composition of and changes in endowment net assets for the years ended June 30, 2012 and 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2012				
Endowment net assets, beginning of year	\$ 148,750	\$ -	\$ 473,303	\$ 622,053
Interest income	9	2,487	-	2,496
Appropriated amounts	<u>-</u>	<u>(2,487)</u>	<u>-</u>	<u>(2,487)</u>
Endowment net assets, end of year	<u>\$ 148,759</u>	<u>\$ -</u>	<u>\$ 473,303</u>	<u>\$ 622,062</u>
2011				
Endowment net assets, beginning of year	\$ 148,674	\$ -	\$ 473,303	\$ 621,977
Interest income	76	6,590	-	6,666
Appropriated amounts	<u>-</u>	<u>(6,590)</u>	<u>-</u>	<u>(6,590)</u>
Endowment net assets, end of year	<u>\$ 148,750</u>	<u>\$ -</u>	<u>\$ 473,303</u>	<u>\$ 622,053</u>



**Urban League of
Eastern Massachusetts**

Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

8. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012 and 2011 consisted of the following:

Description	2012	2011
Land	\$ 5,697	\$ 5,697
Building and improvements	1,752,522	1,703,022
Equipment	356,053	338,575
Furniture and fixtures	38,117	34,793
Less: accumulated depreciation	<u>(1,259,059)</u>	<u>(1,152,547)</u>
Net property and equipment	<u>\$ 893,330</u>	<u>\$ 929,540</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$106,512 and \$105,303, respectively.

9. CAPITAL LEASE OBLIGATIONS

During 2012 and 2011, ULEM leased office equipment under capital leases, respectively. The assets and liability under the capital leases are recorded at the present value of the minimum lease payments. The assets are amortized over their estimated useful life. The amount of the assets recorded under the capital leases at June 30, 2012 and 2011 was \$18,175 and \$21,748, respectively. Amortization of the assets recorded under the capital leases totaled \$4,350 and \$8,090 for the years ended June 30, 2012 and 2011, respectively, and are included in depreciation expense.

Minimum lease payments for each of the next five years are as follows:

<i>Year Ending June 30,</i>	<i>Amount</i>
2013	\$ 5,472
2014	5,472
2015	5,472
2016	<u>5,472</u>
Total	21,888
Less: interest	<u>(3,713)</u>
Present value of minimum lease payments	<u>\$ 18,175</u>

Interest expense of \$1,899 and \$1,329, respectively, was incurred for the years ended June 30, 2012 and 2011.



Urban League of
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Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

10. MORTGAGE PAYABLE

Mortgage payable consists of a 7.25%, 25 year mortgage note due April 2020, secured by the property at 88 Warren Street, Roxbury, Massachusetts with a book value of \$697,421.

Payments of principal and interest are due in monthly installments of \$3,998. At June 30, 2012 and 2011, the outstanding principal was \$297,416 and \$322,823, respectively.

Principal payments on the mortgage for each of the next five years and thereafter are as follows:

<i>Year Ending</i> <i>June 30,</i>	<i>Amount</i>
2013	\$ 27,311
2014	29,358
2015	31,559
2016	33,924
Thereafter	<u>175,263</u>
Total	<u>\$ 297,416</u>

Interest expense of \$22,571 and \$24,343, respectively, was incurred for the years ended June 30, 2012 and 2011.

11. LOANS PAYABLE

During 2010 ULEM secured a three-year noninterest bearing loan payable to Comcast. To reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed rate of 15%. The present value of the loan payments totaled \$9,003 and \$13,388 at June 30, 2012 and 2011, respectively. Loan payments began in March 2011 and are payable in monthly installments of \$520.

ULEM has a five-year 6.62% term loan, in the original amount of \$100,000, payable to Boston Private Bank and Trust Company. The loan matures on October 31, 2014. Principal payments of \$1,667 plus interest are due monthly. The outstanding balance was \$50,000 and \$70,000 at June 30, 2012 and 2011, respectively.

Subsequent to June 30, 2012, ULEM negotiated with Boston Private Bank and Trust to combine the term loan and an existing \$200,000 line of credit (Note 4) to one seven-year term loan.

ULEM has a five-year 7.74% term loan, in the original amount of \$100,000, payable to Sovereign Bank. The loan matures on March 31, 2016. Payments of principal and interest are due in monthly installments of \$2,021. The outstanding balance was \$78,423 and \$95,888 June 30, 2012 and 2011, respectively.



Urban League of
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Notes to Financial Statements - *Continued*
June 30, 2012 with Comparative Totals for 2011

11. LOANS PAYABLE - CONTINUED

Future loan payments are as follows:

Future note payments are as follows:

<i>Year Ending June 30,</i>	<i>Amount</i>
2013	\$ 53,195
2014	49,791
2015	34,417
2016	<u>18,189</u>
Face amount of loan	155,593
Unamortized discount	<u>(18,167)</u>
Present value of loan payments	<u>\$ 137,426</u>

Interest expense of \$12,583 and \$6,283 was incurred on these loans for the years ended June 30, 2012 and 2011, respectively.

12. PROMISES TO GIVE

UNCONDITIONAL

At June 30, 2012 and 2011, the outstanding unconditional promises to give were all deemed collectible and were due as follows:

	<i>2012</i>	<i>2011</i>
Promises due in one year	\$ 132,134	\$ 316,903
Promises due in two to five years	<u>103,850</u>	<u>144,050</u>
Total unconditional contributions receivable	235,984	460,953
Less discount to net present value	<u>(4,177)</u>	<u>(10,366)</u>
Net promises to give	<u>\$ 231,807</u>	<u>\$ 450,587</u>

Unconditional promise to give non-cash in-kind contributions included in net promises to give totaled \$151,387 and \$173,587, respectively, at June 30, 2012 and 2011.



12. PROMISES TO GIVE - CONTINUED

CONDITIONAL

Conditional promises to give to support general operations totaled \$175,000 at June 30, 2012. The conditional promises to give will be recognized in the financial statements when the conditions on which they depend are substantially met. There were no outstanding conditional promises to give at June 30, 2011.

13. CONTINGENCIES

GOVERNMENT CONTRACTS

The expenses reflected in the accompanying financial statements relating to government contracts are subject to audit by the funding sources. The possible disallowance of any items recorded as contract costs cannot be determined at this time. However, management does not believe that any such disallowance would be material to ULEM's financial statements. Accordingly, no provision for any liability that may result has been made in financial statements.

LITIGATION

ULEM is a defendant in a legal action filed by a former employee. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of this matter will not have a material effect on ULEM's financial statements.

During 2011, ULEM filed a breach of contract lawsuit against its former bookkeeping consultant for \$100,000. The bookkeeping consultant countered with its own breach of contract suit for not less than \$75,000. In September 2012, a settlement was made and ULEM was awarded \$30,000. The award will be recognized in the 2013 financial statements.

14. LITIGATION LOSS

ULEM was involved in a breach of contract claim in 2011. During 2012, ULEM lost the judgment and the plaintiff was awarded \$37,500 and related legal fees of \$5,000.

15. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

CREDIT RISK

ULEM maintains checking and savings accounts at several financial institutions. At June 30, 2012 and 2011, amounts on deposit in excess of the Federal Deposit Insurance Corporation insurance coverage limit totaled \$215,000 and \$491,390, respectively. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.



15. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS - CONTINUED

REVENUE AND OTHER SUPPORT

During 2012 and 2011, ULEM received 36% and 49%, respectively, of its total revenue and support from one grantor. In addition, its annual fundraising gala provided 12% and 16% respectively, of its total revenue and support for 2012 and 2011. At June 30, 2012 and 2011 the outstanding promises to give from two donors represented 61% and 87%, respectively, of the outstanding promises to give and accounts receivable.

16. GOING CONCERN

Due to the economic downturn, ULEM experienced significant reductions in financial support during 2012. The economic downturn, ongoing cash flow issues, and the inability to secure additional financing has raised substantial doubt about ULEM's ability to continue to meet its obligations as they become due without substantial restructuring of debt and externally forced revisions of its operations. To adjust to the downturn, ULEM instituted various cost cutting measures and is pursuing various fundraising options to increase future support. Management anticipates that these actions and plans will position ULEM, to continue its operations on a sound financial basis going forward. The ability of ULEM to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if ULEM is unable to continue as a going concern.

Subsequent to June 30, 2012, ULEM negotiated with Boston Private Bank and Trust to combine its \$200,000 line of credit and \$50,000 five-year term loan into one seven-year term loan.

17. SUBSEQUENT EVENTS

ULEM has evaluated subsequent events through February 26, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION



Urban League of
Eastern Massachusetts

Supplemental Statement of Program Expenses
For the Year Ended June 30, 2012 with Summarized Comparative Totals for 2011

<i>DESCRIPTION</i>	<i>WORKFORCE DEVELOPMENT</i>	<i>MATURE WORKER</i>	<i>YOUTH SERVICES</i>	<i>2012 TOTAL</i>	<i>2011 TOTAL</i>
Personnel	\$ 416,043	\$ 221,254	\$ 9,182	\$ 646,479	\$ 535,570
Participant wages and stipends	26,108	1,061,200	-	1,087,308	1,407,156
Consumable materials and supplies	27,426	14,495	4,032	45,953	32,129
Travel and transportation	881	1,651	-	2,532	1,378
Training, conferences, and meetings	2,396	832	-	3,228	3,677
Membership dues	4,000	2,025	-	6,025	6,692
Miscellaneous	2,136	3	-	2,139	581
Insurance	10,463	15,284	-	25,747	19,477
Direct assistance to clients	-	2,122	75,575	77,697	75,343
Facilities	109,345	33,376	-	142,722	125,843
Computer and equipment	8,955	3,776	-	12,731	7,758
Printing and reproduction	4,059	1,491	61	5,610	4,897
Communications	24,949	20,861	27	45,837	30,869
Administrative costs	<u>15,128</u>	<u>14,145</u>	<u>-</u>	<u>29,272</u>	<u>27,008</u>
Total expenses before administrative allocation	651,887	1,392,517	88,877	2,133,281	2,278,376
Administrative allocation	<u>190,057</u>	<u>111,896</u>	<u>313</u>	<u>302,266</u>	<u>328,365</u>
Total expenses	<u>\$ 841,944</u>	<u>\$ 1,504,413</u>	<u>\$ 89,190</u>	<u>\$ 2,435,547</u>	<u>\$ 2,606,741</u>