



Urban League of  
**Eastern Massachusetts**

Financial Statements and Auditors' Report

June 30, 2013

with Comparative Totals for 2012



Urban League of  
Eastern Massachusetts

*Contents*

	<i>Page</i>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplemental Information	19



## **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 financial statements of Urban League of Eastern Massachusetts, Inc. (ULEM) (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 ULEM'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 ULEM'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**

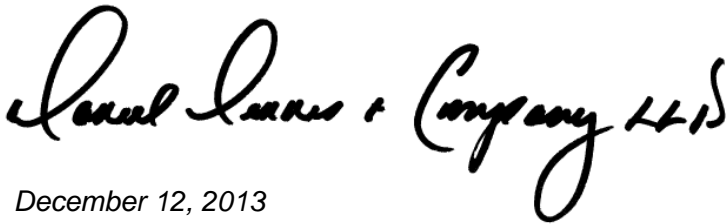
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban League of Eastern Massachusetts, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 16, the accompanying financial statements have been prepared assuming that ULEM will continue as a going concern. 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.

**Report on Summarized Comparative Information**

We have previously audited ULEM's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.



*Paul Jones & Company LLC*

December 12, 2013



Urban League of  
Eastern Massachusetts

Statement of Financial Position  
June 30, 2013 with Comparative Totals for 2012

	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 159,729	\$ 220,412
Cash restricted for Mature Workers program	7,253	12,812
Accounts receivable	65,972	72,819
Unconditional promises to give	240,904	132,134
Due from National Urban League	98,303	-
Employee receivable	2,035	8,875
Prepaid expense	16,493	10,119
Total current assets	<u>590,689</u>	<u>457,171</u>
<b>NON-CURRENT ASSETS:</b>		
Cash restricted for permanently restricted endowment	473,303	473,303
Cash restricted for purchase of property and equipment	37,351	112,851
Unconditional promises to give	89,780	99,673
Total non-current assets	<u>600,434</u>	<u>685,827</u>
<b>PROPERTY AND EQUIPMENT - net</b>	<u>946,499</u>	<u>893,330</u>
Total assets	<u>\$ 2,137,622</u>	<u>\$ 2,036,328</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 151,690	\$ 284,726
Refundable advances	39,780	92,280
Accrued expenses	89,215	72,036
Due to National Urban League	-	12,812
Lines of credit obligation	-	200,000
Capital lease obligation - current portion	4,991	3,925
Loans payable - current portion	58,447	44,095
Mortgage payable - current portion	29,358	25,407
Total current liabilities	<u>373,481</u>	<u>735,281</u>
<b>LONG-TERM LIABILITIES:</b>		
Capital lease obligation	9,939	14,250
Loan payable	233,486	93,331
Mortgage payable	240,747	272,009
Total long-term debt	<u>484,172</u>	<u>379,590</u>
Total liabilities	<u>857,653</u>	<u>1,114,871</u>
<b>NET ASSETS:</b>		
Unrestricted		
Board designated contingency reserve	148,814	148,759
Undesignated	289,348	(32,455)
Total unrestricted net assets	<u>438,162</u>	<u>116,304</u>
Temporarily restricted	368,504	331,850
Permanently restricted	473,303	473,303
Total net assets	<u>1,279,969</u>	<u>921,457</u>
Total liabilities and net assets	<u>\$ 2,137,622</u>	<u>\$ 2,036,328</u>

See accompanying notes to financial statements.



Urban League of  
Eastern Massachusetts

Statement of Activities  
For the Year Ended June 30, 2013 with Summarized Comparative Totals for 2012

	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>2013 TOTAL</b>	<b>2012 TOTAL</b>
<b>REVENUE, GAIN AND SUPPORT:</b>					
United Way	\$ 47,239	\$ -	\$ -	\$ 47,239	\$ 50,302
Grants and contributions	1,315,365	601,667	-	1,917,032	2,170,514
Contract income	403,240	-	-	403,240	195,110
Membership dues	9,871	-	-	9,871	18,892
Special events	464,659	-	-	464,659	1,222,877
Less: costs of direct benefits to donors	(48,863)	-	-	(48,863)	(865,938)
Less: other direct event costs	(51,660)	-	-	(51,660)	(814,155)
Net revenue from special events	<u>364,136</u>	<u>-</u>	<u>-</u>	<u>364,136</u>	<u>(457,216)</u>
Fees and other income	25,012	-	-	25,012	10,745
Interest income	1,848	-	-	1,848	2,922
Litigation gain	30,000	-	-	30,000	-
Net assets released from restrictions	<u>565,013</u>	<u>(565,013)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gain and support	<u>2,761,724</u>	<u>36,654</u>	<u>-</u>	<u>2,798,378</u>	<u>1,991,269</u>
<b>EXPENSES AND LOSS:</b>					
Program services	1,886,127	-	-	1,886,127	2,133,281
Management and general	359,589	-	-	359,589	390,730
Fundraising	<u>194,150</u>	<u>-</u>	<u>-</u>	<u>194,150</u>	<u>280,900</u>
Total expenses before loss	<u>2,439,866</u>	<u>-</u>	<u>-</u>	<u>2,439,866</u>	<u>2,804,911</u>
Litigation loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,500</u>
Total expenses and loss	<u>2,439,866</u>	<u>-</u>	<u>-</u>	<u>2,439,866</u>	<u>2,847,411</u>
Change in net assets	321,858	36,654	-	358,512	(856,142)
Net assets, beginning of year	<u>116,304</u>	<u>331,850</u>	<u>473,303</u>	<u>921,457</u>	<u>1,777,599</u>
<b>Net assets, end of year</b>	<u>\$ 438,162</u>	<u>\$ 368,504</u>	<u>\$ 473,303</u>	<u>\$ 1,279,969</u>	<u>\$ 921,457</u>

See accompanying notes to financial statements.



Urban League of  
Eastern Massachusetts

Statement of Functional Expenses  
For the Year Ended June 30, 2013 with Summarized Comparative Totals for 2012

<i>DESCRIPTION</i>	<i>MANAGEMENT</i>			<i>2013</i>	<i>2012</i>
	<i>PROGRAMS</i>	<i>AND</i> <i>GENERAL</i>	<i>FUND- RAISING</i>		
Personnel	\$ 532,796	\$ 225,541	\$ 164,780	\$ 923,117	\$ 1,160,945
Participant wages and stipends	987,082	-	-	987,082	1,087,308
Consumable materials and supplies	21,265	1,804	234	23,303	48,964
Travel and transportation	14,450	12,812	791	28,053	8,218
Training, conferences, and meetings	3,362	5,495	126	8,983	13,463
Membership dues	6,850	3,830	2,000	12,680	10,460
Miscellaneous	4,079	8,023	1,915	14,017	3,613
Insurance	30,721	7,802	1,942	40,465	36,571
Direct assistance to clients	58,540	-	-	58,540	77,697
Facilities	141,120	18,221	13,791	173,132	177,497
Computer and equipment	7,292	5,527	418	13,237	19,773
Printing and reproduction	3,775	661	390	4,826	6,720
Communications	46,215	13,610	5,709	65,534	62,483
Administrative costs	<u>28,580</u>	<u>56,263</u>	<u>2,054</u>	<u>86,897</u>	<u>91,198</u>
Total expenses before administrative allocation	1,886,127	359,589	194,150	2,439,866	2,804,911
Administrative allocation	<u>299,119</u>	<u>(359,589)</u>	<u>60,470</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 2,185,246</u>	<u>\$ -</u>	<u>\$ 254,620</u>	<u>\$ 2,439,866</u>	<u>\$ 2,804,911</u>

See accompanying notes to financial statements.



Urban League of  
Eastern Massachusetts

Statement of Cash Flows  
For the Year Ended June 30, 2013 with Comparative Totals for 2012

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 358,512	\$ (856,142)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	117,121	106,512
Bad debt	5,128	142,700
Collections of contributions restricted to purchase of property and equipment	(152,500)	(77,000)
(Increase)/decrease in operating assets:		
Cash restricted for Mature Workers program	5,559	(12,812)
Accounts receivable/ promises to give	(97,158)	76,156
Employee receivable	6,840	4,491
Due from National Urban League	(98,303)	-
Prepaid expenses	(6,374)	174,610
Increase/(decrease) in operating liabilities:		
Accounts payable	(133,036)	223,260
Accrued expenses	17,179	4,616
Refundable advances	(52,500)	52,500
Due to National Urban League	(12,812)	13,122
Deferred revenue	-	(69,430)
Net cash used in operating activities	<u>(42,344)</u>	<u>(217,417)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in assets restricted to investment in property and equipment	75,500	(82,000)
Property and equipment purchases	<u>(170,290)</u>	<u>(70,302)</u>
Net cash used in investing activities	<u>(94,790)</u>	<u>(152,302)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Collections of contributions restricted to purchase of property and equipment	152,500	77,000
Proceeds from lines of credit	-	25,802
Principal payments on capital lease obligation	(3,245)	(3,573)
Principal payments on loan payable	(45,493)	(41,850)
Principal payments on mortgage	<u>(27,311)</u>	<u>(25,407)</u>
Net cash (used in) provided by financing activities	<u>76,451</u>	<u>31,972</u>
Net decrease in cash and cash equivalents	<u>(60,683)</u>	<u>(337,747)</u>
Cash and cash equivalents, beginning of year	<u>220,412</u>	<u>558,159</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 159,729</b></u>	<u><b>\$ 220,412</b></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 41,719</u>	<u>\$ 48,320</u>

See accompanying notes to financial statements.





## Urban League of Eastern Massachusetts

Notes to Financial Statements  
June 30, 2013 with Comparative Totals for 2012

### 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. (NUL) 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 six 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 the programs offered in fiscal year 2013.

***Fund Accountant 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 FAPP, 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.

***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  
June 30, 2013 with Comparative Totals for 2012

1. **ORGANIZATION AND ACTIVITIES - CONTINUED**

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

**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.

**Computer Literacy and Internet Knowledge (CLIK):** 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 CLIK program gives clients the foundation and motivation 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.

**Dollars & Sense Financial Literacy Training:** This program helps participants reach the following objectives: better understand their financial options, how credit affects their lives in terms of major purchases and employment options, how to use financial resources more effectively, build confidence in making financial choices, shift from reactive to proactive decision making regarding finances, and gain wisdom on how to assess financial products and services.

**Retail Banking and Sales Training Program:** This program was designed to build the banking and sales skills of participants and prepare them for entry level positions in the banking industry. Trainees learn an overview of the U.S. banking system, banking customer service and the principles of cross selling. Graduates are interviewed by our corporate banking partner and may be eligible for full time employment.

**CLIENT SERVICES:**

**Case Management:** All clients who participate in our professional skills training programs are eligible to receive case management services. Case management is the most significant asset and strongest component of ULEM's programs, according to ULEM's evaluation, feedback from partners and employers. This is due in large part to the fact that our staff is reflective of the constituents that we serve and are able to provide resources to overcome obstacles to employment; the case manager also does follow up and tracking of the participants placements once they complete the program. Our efforts help clients develop concrete support and employment plans extending far beyond the time they spend training with us. With our support, clients are able to take clearly defined steps towards moving out of poverty through employment and we provide post-job placement support for up to 24 months.



Urban League of  
Eastern Massachusetts

Notes to Financial Statements  
June 30, 2013 with Comparative Totals for 2012

1. **ORGANIZATION AND ACTIVITIES - CONTINUED**

CLIENT SERVICES: - CONTINUED

**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.

**Placement Assistance:** All clients who participate in any of our professional skills training programs are eligible to receive placement assistance. Clients work with dedicated and professional staff who helps customize, focus and streamline their job search efforts. Through this client/staff partnership we are able to build strong and lasting relationships based on mutual trust and respect.

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, 2013 with Comparative Totals for 2012

**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, 2013 and 2012, 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 2013 returns and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. ULEM's 2010 through 2012 tax years remain subject to examination by federal and state tax authorities.

*RECLASSIFICATIONS*

Certain 2012 amounts have been reclassified to conform to the 2013 financial statement presentation.



Urban League of  
Eastern Massachusetts

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**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, 2013 and 2012, non-cash contributions received in support of programmatic and administrative functions consisted of the following:

<i>Non-Cash Contributions</i>	2013	2012
Recorded in financial statements		
Professional services:		
Advertising	\$ -	\$ 313,896
Event Labor	-	25,735
Technology equipment	-	43,244
Subtotal	-	382,875
Not recorded in the financial statements		
Non-professional services	<u>147,900</u>	<u>179,184</u>
Total non-cash contributions	<u>\$ 147,900</u>	<u>\$ 562,059</u>

*ADVERTISING*

Advertising costs are charged to operations when incurred. Advertising costs totaled \$2,448 and \$313,896, respectively, for the years ended June 30, 2013 and 2012.

*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, 2013 and 2012, all outstanding accounts were deemed collectible.



Urban League of  
Eastern Massachusetts

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**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, 2012, from which the summarized information was derived.



Urban League of  
Eastern Massachusetts

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**3. RESTRICTED CASH**

During 2013, the NUL ended its requirement to have ULEM maintain a separate cash account for its MWP. At June 30, 2012, the MWP had \$12,812 of available cash on hand.

**4. LINES OF CREDIT**

During 2013, ULEM negotiated with Boston Private Bank and Trust to combine its line of credit totaling \$200,000 and an existing \$50,000 five year-term loan into one seven-year term loan. At June 30, 2012, the total outstanding balance on the lines of credit was \$200,000.

**5. NET ASSETS**

Temporarily and permanently restricted net assets at June 30, 2013 and 2012 were restricted for the following:

<i>TEMPORARILY RESTRICTED NET ASSETS:</i>	<i>2013</i>	<i>2012</i>
Travel costs	\$ 800	\$ 12,400
Mature Worker Program	36,475	30,414
Youth Services	-	54,374
Employment Resource Center	103,524	38,524
Computer Literacy Training	83,867	-
Capital improvements	37,351	60,351
Time	8,500	-
Internet service	<u>97,987</u>	<u>135,787</u>
Total	<u>\$ 368,504</u>	<u>\$ 331,850</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>

**6. RELATED PARTY TRANSACTIONS**

ULEM operates its MWP under a grant from the NUL. For the years ended June 30, 2013 and 2012, ULEM was awarded grant funds totaling \$1,191,902 and \$1,421,972, respectively. \$98,303 was owed from NUL at June 30, 2013. At June 30, 2012 ULEM held unspent grant funds of \$12,812.





**Urban League of  
Eastern Massachusetts**

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**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, 2013 and 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>2013</b>				
Endowment net assets, beginning of year	\$ 148,759	\$ -	\$ 473,303	\$ 622,062
Interest income	55	1,695	-	1,750
Appropriated amounts	<u>-</u>	<u>(1,695)</u>	<u>-</u>	<u>(1,695)</u>
Endowment net assets, end of year	<u>\$ 148,814</u>	<u>\$ -</u>	<u>\$ 473,303</u>	<u>\$ 622,117</u>
<b>2012</b>				
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>

**8. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2013 and 2012 consisted of the following:

Description	2013	2012
Land	\$ 5,697	\$ 5,697
Building and improvements	1,922,813	1,752,522
Equipment	300,535	356,053
Furniture and fixtures	38,117	38,117
Less: accumulated depreciation	<u>(1,320,663)</u>	<u>(1,259,059)</u>
Net property and equipment	<u>\$ 946,499</u>	<u>\$ 893,330</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$117,121 and \$106,512, respectively.





Urban League of  
Eastern Massachusetts

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**9. CAPITAL LEASE OBLIGATIONS**

During 2013 and 2012, 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, 2013 and 2012 was \$21,788. Amortization of the assets recorded under the capital leases totaled \$4,350 and \$4,350 for the years ended June 30, 2013 and 2012, 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>
2014	\$ 5,472
2015	5,472
2016	<u>5,472</u>
Total	16,416
Less: interest	<u>(1,486)</u>
Present value of minimum lease payments	<u>\$ 14,930</u>

Interest expense of \$1,548 and \$1,899, respectively, was incurred for the years ended June 30, 2013 and 2012.

**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, 2013 and 2012, the outstanding principal was \$270,105 and \$297,416, respectively.

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

<i>Year Ending June 30,</i>	<i>Amount</i>
2014	\$ 29,358
2015	31,559
2016	33,924
2017	36,467
Thereafter	<u>138,796</u>
Total	<u>\$ 270,105</u>

Interest expense of \$20,667 and \$22,571, respectively, was incurred for the years ended June 30, 2013 and 2012.



Urban League of  
Eastern Massachusetts

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**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 \$4,058 and \$9,003 at June 30, 2013 and 2012, respectively. The loan is payable in monthly installments of \$520.

ULEM had a five-year 6.62% term loan, in the original amount of \$100,000, payable to Boston Private Bank and Trust Company. During 2013, ULEM negotiated with Boston Private Bank and Trust to combine the term loan and an existing \$200,000 line of credit into one seven-year term loan. The loan matures on February 20, 2020. Principal payments of \$2,837 plus interest are due monthly. The interest rate on the loan is subject to change based on changes in the Boston Private Bank & Trust Company Base Rate. The base rate was 3.25% per annum at June 30, 2013. Under no circumstances will the interest rate be less than 4.75% per annum. The outstanding balance was \$229,821 and \$50,000 at June 30, 2013 and 2012, respectively.

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 \$58,053 and \$78,423 at June 30, 2013 and 2012, respectively.

Future loan payments are as follows:

<i>Year Ending June 30,</i>	<i>Amount</i>
2014	\$ 72,545
2015	66,768
2016	59,088
2017	39,281
2018	37,664
2019	36,047
2020	<u>23,144</u>
Face amount of loan	334,537
Unamortized discount	<u>(42,605)</u>
Present value of loan payments	<u>\$ 291,932</u>

Interest expense of \$12,837 and \$12,583 was incurred on these loans for the years ended June 30, 2013 and 2012, respectively.



Urban League of  
Eastern Massachusetts

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**12. PROMISES TO GIVE**

UNCONDITIONAL

At June 30, 2013 and 2012, the outstanding unconditional promises to give were all deemed collectible and were due as follows:

	2013	2012
Promises due in one year	\$ 240,904	\$ 132,134
Promises due in two to five years	<u>93,650</u>	<u>103,850</u>
Total unconditional contributions receivable	334,554	235,984
Less discount to net present value	<u>(3,870)</u>	<u>(4,177)</u>
Net promises to give	<u>\$ 330,684</u>	<u>\$ 231,807</u>

Unconditional promise to give non-cash in-kind contributions included in net promises to give totaled \$97,987 and \$151,387, respectively, at June 30, 2013 and 2012.

CONDITIONAL

Conditional promises to give to support general operations totaled \$100,000 and \$175,000 at June 30, 2013 and 2012, respectively. The conditional promises to give will be recognized in the financial statements when the conditions on which they depend are substantially met.

**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.



Urban League of  
Eastern Massachusetts

Notes to Financial Statements - *Continued*  
June 30, 2013 with Comparative Totals for 2012

**14. LITIGATION GAIN/ LOSS**

During 2013, ULEM settled a breach of contract lawsuit against its former bookkeeping consultant for \$30,000. During 2012, ULEM lost a judgment in a breach of contract claim 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, 2013 the accounts were fully insured. At June 30, 2012, amounts on deposit in excess of the Federal Deposit Insurance Corporation insurance coverage limit totaled \$215,000. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

*REVENUE AND OTHER SUPPORT*

During 2013 and 2012, ULEM received 42% and 36%, respectively, of its total revenue and support from one grantor. In addition, its annual fundraising gala provided 18% and 12% respectively, of its total revenue and support for 2013 and 2012. At June 30, 2013 and 2012 the outstanding promises to give from two donors represented 69% and 61%, respectively, of the outstanding promises to give and accounts receivable.

**16. GOING CONCERN**

The accompanying financial statements have been prepared assuming that ULEM will continue as a 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 implemented cost cutting measures including furloughs, which ended as of June 30, 2013. In addition ULEM restructured debt and converted a \$200,000 line of credit to a 7 year term loan (Note 11). ULEM changed the venue of the annual gala to a less expensive location which increased the net proceeds of the event. ULEM ended fiscal year 2013 with a surplus and the fiscal year 2014 budget projects a surplus. 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.

**17. SUBSEQUENT EVENTS**

ULEM has evaluated subsequent events through December 12, 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, 2013 with Summarized Comparative Totals for 2012

<i>DESCRIPTION</i>	<i>WORKFORCE DEVELOPMENT</i>	<i>MATURE WORKER</i>	<i>YOUTH SERVICES</i>	<i>2013 TOTAL</i>	<i>2012 TOTAL</i>
Personnel	\$ 327,370	\$ 203,776	\$ 1,650	\$ 532,796	\$ 646,479
Participant wages and stipends	33,409	953,673	-	987,082	1,087,308
Consumable materials and supplies	17,161	3,343	761	21,265	45,953
Travel and transportation	5,012	1,438	8,000	14,450	2,532
Training, conferences, and meetings	2,380	982	-	3,362	3,228
Membership dues	4,850	2,000	-	6,850	6,025
Miscellaneous	4,004	75	-	4,079	2,139
Insurance	9,670	21,051	-	30,721	25,747
Direct assistance to clients	293	9,422	48,825	58,540	77,697
Facilities	102,149	38,971	-	141,120	142,722
Computer and equipment	3,221	4,071	-	7,292	12,731
Printing and reproduction	2,215	1,560	-	3,775	5,610
Communications	22,552	23,663	-	46,215	45,837
Administrative costs	14,340	14,192	48	28,580	29,272
Total expenses before administrative allocation	548,626	1,278,217	59,284	1,886,127	2,133,281
Administrative allocation	170,857	128,263	-	299,119	302,266
Total expenses	<u>\$ 719,483</u>	<u>\$ 1,406,480</u>	<u>\$ 59,284</u>	<u>\$ 2,185,246</u>	<u>\$ 2,435,547</u>