

United Teen Equality Center, Inc.

Financial Statements

June 30, 2009

Anstiss & Co., P.C.

Certified Public Accountants

21 George Street

Lowell, Massachusetts 01852

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To the Board of Directors of
United Teen Equality Center, Inc.

In accordance with your request, we have examined the financial statements of United Teen Equality Center, Inc. as of and for the years ending June 30, 2009 and 2008 and submit the following:

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Anstiss & Co., P.C.
Lowell, MA.
November 20, 2009

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Independent Auditor's Report

To the Board of Directors of
United Teen Equality Center, Inc.
34 Hurd Street
Lowell, MA 01852

We have audited the accompanying statements of financial position of United Teen Equality Center, Inc. (a non-profit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated May 13, 2009, we expressed an unqualified opinion on those financial statements.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Teen Equality Center, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
November 20, 2009

United Teen Equality Center, Inc.
Statements of Financial Position
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash	\$ 131,907	\$ 131,344
Certificates of deposit	685,367	669,853
Accounts receivable	325,137	276,958
Prepaid expenses	6,365	4,621
Total current assets	<u>1,148,776</u>	<u>1,082,776</u>
Property and equipment - net (Note 2)	<u>1,120,100</u>	<u>998,005</u>
Total assets	<u><u>\$ 2,268,876</u></u>	<u><u>\$ 2,080,781</u></u>
 Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 44,805	\$ 41,097
Accrued expenses	144,362	101,304
Line of credit (Note 3)	49,500	50,391
Notes payable - current portion (Note 4)	10,706	9,959
Deferred revenue	-	44,708
Total current liabilities	<u>249,373</u>	<u>247,459</u>
Long-term liabilities		
Notes payable - long-term portion (Note 4)	<u>306,465</u>	<u>317,220</u>
Total liabilities	<u>555,838</u>	<u>564,679</u>
Net assets		
Unrestricted	868,610	727,742
Temporarily restricted (Note 5)	844,428	788,360
Total net assets	<u>1,713,038</u>	<u>1,516,102</u>
Total liabilities and net assets	<u><u>\$ 2,268,876</u></u>	<u><u>\$ 2,080,781</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

United Teen Equality Center, Inc.
Statements of Activities
For the Years Ended June 30, 2009 and 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Support and revenues:				
Grants and contributions	\$ 208,463	\$ 555,917	\$ 764,380	\$ 264,420
Grants and contributions - building	-	208,568	208,568	282,500
Contract revenue (Note 6)	690,647	-	690,647	751,474
In-kind contributions (Note 7)	84,031	-	84,031	9,555
Special events	32,175	-	32,175	35,564
Interest income	17,719	-	17,719	28,170
Other income	7,547	-	7,547	261
Net assets released from restrictions	708,417	(708,417)	-	-
Total support and revenues	<u>1,748,999</u>	<u>56,068</u>	<u>1,805,067</u>	<u>1,371,944</u>
Expenses:				
Programs	1,231,874	-	1,231,874	797,918
General and administrative	221,972	-	221,972	201,698
Fundraising	154,285	-	154,285	136,326
Total expenses	<u>1,608,131</u>	<u>-</u>	<u>1,608,131</u>	<u>1,135,942</u>
Change in net assets	140,868	56,068	196,936	236,002
Net assets - beginning of year	<u>727,742</u>	<u>788,360</u>	<u>1,516,102</u>	<u>1,280,100</u>
Net assets - end of year	<u>\$ 868,610</u>	<u>\$ 844,428</u>	<u>\$ 1,713,038</u>	<u>\$ 1,516,102</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

United Teen Equality Center, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2009 and 2008

	Programs	General and Administrative	Fundraising	2009 Total
Salaries, wages, taxes and benefits	\$ 792,792	\$ 121,403	\$ 113,199	\$ 1,027,394
Consultants	161,147	46,626	24,670	232,443
Occupancy	60,324	794	614	61,732
Supplies	57,004	11,123	758	68,885
Depreciation	49,893	964	482	51,339
Other expenses	84,800	37,657	14,295	136,752
Interest expense	25,914	3,405	267	29,586
Total expenses	<u>\$ 1,231,874</u>	<u>\$ 221,972</u>	<u>\$ 154,285</u>	<u>\$ 1,608,131</u>

	Programs	General and Administrative	Fundraising	2008 Total
Salaries, wages, taxes and benefits	\$ 483,942	\$ 54,931	\$ 106,650	\$ 645,523
Consultants	91,446	62,546	1,933	155,925
Occupancy	40,423	5,739	413	46,575
Supplies	60,434	8,973	8,943	78,350
Depreciation	34,245	680	340	35,265
Other expenses	64,941	63,245	17,815	146,001
Interest expense	22,487	5,584	232	28,303
Total expenses	<u>\$ 797,918</u>	<u>\$ 201,698</u>	<u>\$ 136,326</u>	<u>\$ 1,135,942</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

United Teen Equality Center, Inc.
Statements of Cash Flows
June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 196,936	\$ 236,002
Adjustments to reconcile change in net assets to net cash provided by operating activities		
In-kind contribution of property and equipment	-	(9,555)
Depreciation	51,339	35,265
Increase in accounts receivable	(48,179)	(182,612)
Decrease in prepaid expenses	(1,744)	5,315
Increase in accounts payable	3,708	34,076
Increase in accrued expenses	43,058	26,656
Increase in deferred revenue	(44,708)	4,708
Net cash provided by operating activities	200,410	149,855
Cash flows from investing activities		
Purchase of certificates of deposit	(15,514)	(669,853)
Acquisition of property and equipment	(173,434)	(273,768)
Net cash used by investing activities	(188,948)	(943,621)
Cash flows from financing activities		
Payments on long-term debt	(10,008)	(10,204)
Payments on line of credit	(891)	(3,644)
Net cash used by financing activities	(10,899)	(13,848)
Net Increase (Decrease) in Cash and Cash Equivalents	563	(807,614)
Cash and Cash Equivalents at Beginning of Year	131,344	938,958
Cash and Cash Equivalents at End of Year	\$ 131,907	\$ 131,344
Supplemental information:		
Cash paid during the year for:		
Interest	\$ 29,586	\$ 28,303
Income taxes	\$ -	\$ -
Non-cash investing activities		
In-kind contribution of property and equipment	\$ -	\$ 9,555

The Accompanying Notes are an Integral Part of These Financial Statements.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies

United Teen Equality Center, Inc. (UTEC) was established in 1999 to be a “by teens, for teens” safehaven for youth development and grassroots organizing. UTEC provides a safe and multicultural place of belonging emphasizing the holistic development of Lowell’s young people, ages 13-20, particularly those most often overlooked and labeled as “at-risk”. UTEC reaches out to these young people through intensive street outreach, builds upon their unique strengths within a youth development framework, and creates opportunities to best support them in becoming agents of social change and organizers in the community.

Income Taxes

UTEC has been recognized as a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified to be an organization that is not a private foundation. Contributions to UTEC are deductible under the Internal Revenue Code Section 170.

Uncertain Tax Positions

UTEC elected to defer the application of Financial Accounting Standards Board Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (FIN-48) as allowed by FASB Staff position 48-3 (FIN 48-3). The Financial Accounting Standards Board announced in FIN 48-3 that further guidance will be forthcoming on the application of FIN 48 to non-profit entities. As a non-profit organization that traditionally has no income tax liability, UTEC will defer adoption until further guidance is issued.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with UTEC's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-For-Profit Organizations.” Under SFAS No. 117, UTEC is required to report 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. In addition, UTEC is required to present a statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in UTEC's bank accounts and certificates of deposit with maturities of three months or less.

Concentration of Credit Risk

UTEC places its cash investments with high quality financial institutions. Such investments are covered by Federal Deposit Insurance Commission (FDIC) insurance and by state level insurance for balances in excess of FDIC limits. Management routinely assesses the financial strength of the institutions in order to minimize risk. UTEC has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash.

Fair Value of Financial Instruments

On July 1, 2008, UTEC adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS 157). SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that UTEC has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (FASB 159). The standard became effective during the current year. The standard permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. UTEC has not adopted any of the additional fair value options allowed under the standard.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts Receivable

Revenue is accounted for at established rates on the accrual basis, less allowances for contractual, charitable and other arrangements for services provided at less than established rates. UTEC's policy is to not accrue interest on trade receivables. UTEC records its accounts receivable at the outstanding principal amount less an allowance for doubtful accounts. On a periodic basis, UTEC evaluates its accounts receivable and establishes an allowance for doubtful accounts based on the history of past write-offs, collections and current credit conditions. As of June 30, 2009 and 2008, there was no allowance for doubtful accounts.

Property and Equipment

UTEC capitalizes major purchases of fixed assets, which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance, and repairs are charged to expense as incurred.

Capitalized assets are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets capitalized.

Classification of Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of UTEC and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets subject to donor imposed stipulations that may or will be met, either by actions of UTEC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that they be maintained permanently by UTEC. Generally, the donors of these assets permit UTEC to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2009, UTEC had no permanently restricted net assets.

Donated Services

UTEC receives services from volunteers in various aspects of its operations. None of these services were recognized as revenue in accordance with SFAS No. 116.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

Expense Allocation

Expenses are allocated among program and supporting services directly based or based on time records and utilization estimates made by management. Management and General expense includes those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of UTEC.

Reclassifications

During 2009 certain amounts from the prior year financial statements were reclassified to conform to the current year's presentation.

Note 2 – Property and Equipment

Fixed assets consisted of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 189,074	\$ 189,074
Building and improvements	897,794	733,728
Equipment	163,259	153,891
Furniture and fixtures	24,514	24,514
Vehicles	32,243	32,243
Total fixed assets	<u>1,306,884</u>	<u>1,133,450</u>
Less: accumulated depreciation	<u>(186,784)</u>	<u>(135,445)</u>
Total property and equipment - net	<u>\$ 1,120,100</u>	<u>\$ 998,005</u>

Depreciation expense relating to property and equipment for the years ended June 30, 2009 and 2008 was \$51,339 and \$35,265, respectively.

Note 3 – Line of Credit

UTEC has a \$150,000 line of credit at TD Banknorth. The interest rate applied to the outstanding principal balance was 5.25% as of June 30, 2009. The line is collateralized by substantially all of UTEC's assets. As of June 30, 2009 and 2008, the outstanding balance on the line was \$49,500 and \$50,391, respectively.

Note 4 – Notes Payable

UTEC has a mortgage payable on its building purchased in 2006. The mortgage allows UTEC to borrow up to \$352,000, has an interest rate of 7.25%, and is payable in monthly installments of \$2,782 over five years, representing principal and interest based on a 20 year amortization. A balloon payment of all outstanding principal and interest will be due on February 23, 2011. At June 30, 2009 and 2008, the total outstanding principal balance on this mortgage was \$317,171 and \$327,179, respectively.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2009

Note 4 – Notes Payable (continued)

Minimum required payments for fiscal years ending June 30th are as follows:

2010	\$ 10,706
2011	306,465
Total	<u>\$ 317,171</u>

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
To renovate UTEC's building	\$ 735,541	\$ 712,640
To expand UTEC's programming capacity	73,685	-
To support the Open Schools Program	35,202	23,417
To purchase a van	-	18,800
To purchase fitness equipment for UTEC's fitness center	-	13,847
To support the Video Production Program	-	13,656
To purchase donor database software	-	4,000
To purchase a multifunction copy machine	-	2,000
Total temporarily restricted net assets	<u>\$ 844,428</u>	<u>\$ 788,360</u>

Note 6 – Contract Revenue

Contract revenue is comprised of funding from the following sources:

	<u>2009</u>	<u>2008</u>
Department of Health and Human Services	\$ 108,709	\$ 205,000
Massachusetts Service Alliance	144,757	-
Lowell Community Health Center	103,760	124,325
City of Lowell	81,385	108,368
Office of Juvenile Justice and Delinquency Prevention	80,867	75,000
Executive Office of Public Safety and Security	68,389	43,572
Community Food Project	53,000	117,000
Commonwealth Corporation	49,780	66,230
Massachusetts Housing Finance Agency	-	11,379
Lowell Cultural Council	-	600
Total contract revenue	<u>\$ 690,647</u>	<u>\$ 751,474</u>

UTECE receives funding from these contracts to assist in administrating its programs. These contracts are subject to possible audit by the appropriate agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of UTECE as of June 30, 2009 or on the change in its net assets for the year then ended.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2009

Note 7 - In-Kind Contributions

During the year ended June 30, 2009, UTEC received in-kind services from two organizations which provided educational and maintenance staff. The estimated fair value of \$84,031 has been recorded as in-kind contributions and an equal amount has been recorded as expenses.

During the year ended June 30, 2008, UTEC received an in-kind contribution of a vehicle. The estimated fair market value of \$9,555 has been recorded as in-kind contributions and an equal amount has been capitalized as a fixed asset.

Note 8 – Retirement Plan

UTEC maintains a qualified retirement plan under Internal Revenue Code Section 401(k) covering all employees meeting certain eligibility requirements. The plan allows for employees to contribute pre-tax income, as defined and limited by the Internal Revenue Code. UTEC may make discretionary contributions to the Plan as determined by the Board of Directors. No discretionary contributions were made in 2009 and 2008.

Note 9 - Related Party Transactions

During the year ended June 30, 2009, UTEC paid \$4,500 to a law firm where one of the members of the Board of Directors is a partner for legal services provided to UTEC. UTEC also paid \$9,228 in amounts ranging from \$100 to \$2,994 to six board members for services provided as part of UTEC's Teen Leadership. In addition, UTEC maintains a certificate of deposit with Enterprise Bank, which employs a member of UTEC's Board of Directors.

During the year ended June 30, 2008, UTEC paid \$21,780 to a member of the Board of Directors for services provided as UTEC's Executive Assistant.

Note 10 – Subsequent Events

In May 2009, the FASB issued SFAS No. 165 *Subsequent Events* (SFAS No. 165), which defines further disclosure requirements for events that occur after the balance sheet date but before financial statements are issued. SFAS No. 165 is effective for UTEC beginning on July 1, 2008. In accordance with SFAS No. 165, UTEC's management has evaluated events subsequent from June 30, 2009 through November 20, 2009, which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or UTEC's results going forward.