

**URBAN LEAGUE OF GREATER NEW ORLEANS, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Urban League of Greater New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Urban League of Greater New Orleans, Inc. and Subsidiary (the League)** (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors

Urban League of Greater New Orleans, Inc. and Subsidiary

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the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to on the previous page present fairly, in all material respects, the financial position of **the League** as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of **the League** as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors

Urban League of Greater New Orleans, Inc. and Subsidiary

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financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of **the League's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the League's** internal control over financial reporting and compliance.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 30, 2013

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents (NOTE 1)	\$ 393,569	\$ 715,275
Short-term investment	3,412	3,405
Due from funding agencies (NOTE 15)	302,251	740,330
Prepaid expenses and other assets	12,182	25,748
Promises to give (NOTE 14)	213,286	349,791
Land, building and equipment, net (NOTES 1 and 3)	4,596,948	3,891,685
Note receivable (NOTES 1 and 16)	5,089,000	5,089,000
Endowment fund (NOTE 22)	28,525	26,105
Designated fund (NOTES 17 and 22)	<u>2,553,367</u>	<u>2,553,367</u>
Total assets	<u>\$ 13,192,540</u>	<u>\$ 13,394,706</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Current portion of long-term debt (NOTE 4)	\$ 1,007,821	\$ 963,792
Accounts payable	144,164	435,674
Accrued liabilities	68,839	95,232
Advance from funding source	29,525	27,601
Revolving line of credit (NOTE 5)	255,000	276,375
Long-term debt, net (NOTE 4)	<u>5,361,730</u>	<u>5,303,221</u>
Total liabilities	<u>6,867,079</u>	<u>7,101,895</u>
Net assets (NOTE 1):		
Unrestricted	6,083,650	5,916,915
Temporarily restricted (NOTE 10)	213,286	349,791
Permanently restricted (NOTE 10)	<u>28,525</u>	<u>26,105</u>
Total net assets	<u>6,325,461</u>	<u>6,292,811</u>
Total liabilities and net assets	<u>\$ 13,192,540</u>	<u>\$ 13,394,706</u>

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

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES AND PUBLIC SUPPORT</u>				
Revenues and public support:				
Federal grants	\$ 970,924	\$ -0-	\$ -0-	\$ 970,924
State and local grants	2,096,055	-0-	-0-	2,096,055
United Way funding (NOTE 14)	-0-	50,836	-0-	50,836
Board-generated self support	523,697	62,450	-0-	586,147
Client-generated self support	380,964	-0-	-0-	380,964
Interest income	9	-0-	98	107
Other revenue	42,337	-0-	-0-	42,337
In-kind contributions (NOTE 11)	124,858	-0-	-0-	124,858
Net assets released from restrictions				
Satisfaction of purpose and time restrictions (NOTE 9)	<u>249,791</u>	<u>(249,791)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues and public support	<u>4,388,635</u>	<u>(136,505)</u>	<u>98</u>	<u>4,252,228</u>
<u>EXPENSES</u>				
Program services:				
Economic development	1,364,925	-0-	-0-	1,364,925
Education and social justice	<u>1,606,864</u>	<u>-0-</u>	<u>-0-</u>	<u>1,606,864</u>
Total program services	<u>2,971,789</u>	<u>-0-</u>	<u>-0-</u>	<u>2,971,789</u>
Support services:				
Management and general	860,493	-0-	-0-	860,493
Resource development	<u>389,618</u>	<u>-0-</u>	<u>-0-</u>	<u>389,618</u>
Total support services	<u>1,250,111</u>	<u>-0-</u>	<u>-0-</u>	<u>1,250,111</u>
Total expenses	<u>4,221,900</u>	<u>-0-</u>	<u>-0-</u>	<u>4,221,900</u>
Realized gain on investment	<u>-0-</u>	<u>-0-</u>	<u>2,322</u>	<u>2,322</u>
Changes in net assets	166,735	(136,505)	2,420	32,650
Net assets, beginning of year	<u>5,916,915</u>	<u>349,791</u>	<u>26,105</u>	<u>6,292,811</u>
Net assets, end of year	<u>\$ 6,083,650</u>	<u>\$ 213,286</u>	<u>\$ 28,525</u>	<u>\$ 6,325,461</u>

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

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES AND PUBLIC SUPPORT</u>				
Revenues and public support:				
Federal grants	\$ 2,447,772	\$ -0-	\$ -0-	\$ 2,447,772
State and local grants	2,118,389	-0-	-0-	2,118,389
United Way funding (NOTE 14)	-0-	62,161	-0-	62,161
Board-generated self support	224,255	187,630	-0-	411,885
Client-generated self support	403,112	-0-	-0-	403,112
Interest income	205	-0-	133	338
Other revenue	22,328	-0-	-0-	22,328
In-kind contributions (NOTE 11)	64,238	-0-	-0-	64,238
Net assets released from restrictions				0
Satisfaction of purpose and time restrictions (NOTE 9)	<u>182,075</u>	<u>(182,075)</u>	<u>-0-</u>	<u>0</u>
Total revenues and public support	<u>5,462,374</u>	<u>67,716</u>	<u>133</u>	<u>5,530,223</u>
<u>EXPENSES</u>				
Program services:				
Economic development	1,036,778	-0-	-0-	1,036,778
Education and social justice	<u>1,172,495</u>	<u>-0-</u>	<u>-0-</u>	<u>1,172,495</u>
Total program services	<u>2,209,273</u>	<u>-0-</u>	<u>-0-</u>	<u>2,209,273</u>
Support services:				
Management and general	1,062,438	-0-	-0-	1,062,438
Resource development	<u>138,564</u>	<u>-0-</u>	<u>-0-</u>	<u>138,564</u>
Total support services	<u>1,201,002</u>	<u>-0-</u>	<u>-0-</u>	<u>1,201,002</u>
Total expenses	<u>3,410,275</u>	<u>-0-</u>	<u>-0-</u>	<u>3,410,275</u>
Realized gain on investment	<u>-0-</u>	<u>-0-</u>	<u>469</u>	<u>469</u>
Changes in net assets	2,052,099	67,716	602	2,120,417
Net assets, beginning of year	<u>3,864,816</u>	<u>282,075</u>	<u>25,503</u>	<u>4,172,394</u>
Net assets, end of year	<u>\$ 5,916,915</u>	<u>\$ 349,791</u>	<u>\$ 26,105</u>	<u>\$ 6,292,811</u>

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

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	2013	2012
Cash Flows from Operating Activities:		
Changes in net assets	\$ 32,650	\$ 2,120,417
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,629	43,468
Realized loss on investment	2,322	469
Amortization of issuance cost	58,510	58,510
Capitalization of interest expense	100,028	115,867
Changes in assets and liabilities:		
Decrease in due from employee	-0-	5,737
Decrease (increase) in prepaid expenses	13,566	(22,469)
Decrease (increase) in promises to give	136,505	(67,716)
Decrease (increase) in due from funding agencies	438,079	(7,587)
Decrease in accounts payable	(291,510)	(145,544)
(Decrease) increase in accrued liabilities	(26,393)	15,663
Increase (decrease) in advance from funding source	1,924	(4,064)
Net cash provided by operating activities	<u>507,310</u>	<u>2,112,751</u>
Cash Flows from Investing Activities:		
Purchases of investment	(4,749)	(181)
Acquisition of building improvements and equipment	<u>(846,920)</u>	<u>(1,959,731)</u>
Net cash used in investing activities	<u>(851,669)</u>	<u>(1,959,912)</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt/line of credit	135,000	-0-
Principal payments on long-term debt and line of credit	<u>(112,347)</u>	<u>(626,887)</u>
Net cash provided by (used in) financing activities	<u>22,653</u>	<u>(626,887)</u>
Net decrease in cash and cash equivalents	(321,706)	(474,986)
Cash and cash equivalents - beginning of year	\$ <u>715,275</u>	\$ <u>1,190,261</u>
Cash and cash equivalents - end of year	\$ <u><u>393,569</u></u>	\$ <u><u>715,275</u></u>
Supplemental Disclosures:		
Interest paid	\$ <u>158,435</u>	\$ <u>151,805</u>

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

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - **NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES:**

Nature of Activities

The **Urban League of Greater New Orleans, Inc. (the League)** provides training in the areas of job skills and parenting skills, as well as provides basic education to eligible participants that reside in the New Orleans area.

Basis of Accounting

The consolidated financial statements of **the League** have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The League follows the accounting procedures and practices for not-for-profit organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on "Not-for-Profit Organizations", which constitutes accounting principles generally accepted in the United States of America.

For the years ended June 30, 2013 and 2012, **the League** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, **the League** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted net assets. In addition, **the League** is required to present a statement of cash flows.

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions Recognition

The League accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition*. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions 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 classified to unrestricted net assets.

Donated Materials and Services

Donated materials and supplies, which are utilized in several of **the League's** programs, are recorded at their estimated fair value when received.

Donated services provided by volunteers, which require specialized skills and are provided by individuals possessing those skills, are recognized at their fair value when received. Those services donated by volunteers which do not meet all of the applicable requirements of FASB ASC 958-605 are not recognized in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the consolidated financial statements. Accordingly, actual results could differ from those estimates.

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - **NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, program and support service expenses are specifically identified with or allocated to **the League's** various functions. Expenses requiring allocation include service provided by **the League's** management and administrative staff to specific program-related activities. Expense allocations are prorated based on a percentage of time or actual usage.

Federal Income Taxes

The League is exempt from Federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Service (IRS) Code and is not a private foundation.

The League files as a tax exempt organization. Should that status be challenged in the future, **the League's** 2010, 2011 and 2012 tax years are open for examination by the IRS.

Allowance for Bad Debt

The League uses the allowance method to provide for uncollectible accounts. At June 30, 2013 and 2012, the allowance was \$-0- and \$ -0-, respectively. Uncollectible amounts have been historically insignificant.

Land, Building and Equipment

Land, building and equipment purchased or acquired are recorded at cost. **The League's** policy is to capitalize all purchases of buildings and equipment in excess of \$5,000. Depreciation is computed using the straight-line basis over the useful lives of assets as follows:

Building and improvements	27.5 years
Equipment and vehicles	5-7 years

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

Notes Receivable and Allowance for Loan Losses

Notes receivable are stated at face value, net of the allowance for loan losses. Interest earned on loans is credited to operations monthly based on the principal amount outstanding and the terms of the loan.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

The allowance for loan losses is established through a provision for loan losses charged to expense. Management's judgement in determining the adequacy of the allowance is based on evaluations of the collectibility of the loans. These evaluations take into considerations such factors as changes in the nature and value of the loan portfolio, current economic conditions that may affect the borrower's ability to pay, and overall portfolio quality.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, **the League** considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 2 - ECONOMIC DEPENDENCY:

A significant source of revenue for **the League** is Federal, state and local grants provided through various funding agencies. The continued success of **the League** is dependent upon the renewal of contracts from current funding sources as well as obtaining new funding from various funding sources. At the time of completion of the audit of **the League's** consolidated financial statements, management was not aware of any actions taken that would adversely affect the amount of funds **the League** will receive in the next fiscal year.

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - LAND, BUILDING AND EQUIPMENT:

As of June 30, 2013 and 2012, **the League** held the following fixed assets:

	<u>2013</u>	<u>2012</u>
Non-depreciable assets:		
Land (contributed)	\$ 1,100,000	\$ 1,100,000
Construction in progress	3,380,023	2,654,639
Total non-depreciable assets	<u>4,480,023</u>	<u>3,754,639</u>
Depreciable assets:		
Building and building improvements	22,703	22,703
Vehicles	50,965	29,457
Furniture and equipment	242,526	242,526
Total depreciable assets	<u>316,194</u>	<u>294,686</u>
Less: accumulated depreciation	<u>(199,269)</u>	<u>(157,640)</u>
Total depreciable assets, net	<u>116,925</u>	<u>137,046</u>
Total land, building and equipment, net	<u>\$ 4,596,948</u>	<u>\$ 3,891,685</u>

Depreciation expense for the year ended June 30, 2013 and 2012 amounted to \$41,629 and \$43,468, respectively.

The League has entered into a contract to construct a Head Start Center in the Desire Community. The cost associated with this program will be depreciated at the time the facility begins to be used for its intended purpose. The construction in progress as of June 30, 2013 is as follows:

Total estimated construction costs	\$ 3,517,571
Less: Construction costs incurred to date	(3,013,121)
Capitalized interest to date	<u>(366,902)</u>
Estimated costs to completion at June 30, 2013	<u>\$ 137,548</u>

At June 30, 2013, construction in progress included funds received under grants from U.S. Department of Health and Human Services and U.S. Department of Housing and Urban Development with book values of \$3,380,023 and \$2,654,639 respectively. Under the terms of the grant agreements, the assets, or any proceeds from their sales, revert to the funding source if they cease to be used for the assigned programs. At June 30, 2013, there was no depreciation expense on these assets.

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - LAND, BUILDING AND EQUIPMENT, Continued:

Interest expense capitalized during the years ended June 30, 2013 and 2012 was \$100,028 and 115,867, respectively.

NOTE 4 - LONG-TERM DEBT:

A summary of long-term debts as of June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
7.50 percent note payable to a bank due in monthly installments of \$4,431 including principal and interest, maturing on August 14, 2021, secured by first mortgage on real estate.	\$ 145,192	\$ 187,904
6.00 percent note payable to a bank maturing on August 30, 2015, payable in monthly installments of \$2,502 including principal and interest, based on a year of 360 days, secured by pledged donation by a private foundation.	283,422	295,850
7.0 percent construction loan payable due to a bank maturing, on December 27, 2013. The loan is subject to the terms of the related agreements.	452,620	455,444
7.0 percent note payable to a bank due in full including principal and accrued interest, maturing on October 30, 2013, secured by property.	<u>105,000</u>	<u>-0-</u>

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - LONG-TERM DEBT, CONTINUED:

	<u>2013</u>	<u>2012</u>
An unsecured line of credit from a bank at 19.80 percent in the total amount of \$5,000. The unused line of credit amounted to \$366 subject to the terms of the related agreements.	\$ 4,634	\$ 5,242
Five (5) unsecured lines of credit from a bank at 12.25 percent in the total amount of \$20,000. The unused lines of credit amounted to \$3,047 subject to the terms of the related agreements.	16,953	19,352
Two (2) loans for \$1,911,000 and \$5,089,000 which are secured by real estate having quarterly interest-only payments at 0.50 percent and 2.62 percent, respectively, through March 25, 2018, at which time principal and interest for both loans are due. The loans mature on September 24, 2042.	<u>7,000,000</u>	<u>7,000,000</u>
Total long-term debt	8,007,821	7,963,792
Less: Current maturities	1,007,821	963,792
Unamortized issuance costs	<u>1,638,270</u>	<u>1,696,779</u>
Total long-term debt, net	\$ <u>5,361,730</u>	\$ <u>5,303,221</u>

Scheduled principal repayments on the long-term debts are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 1,007,821
2015	32,477
2016	34,998
2017	37,715
2018	40,643
Thereafter	<u>6,854,167</u>
	\$ <u>8,007,821</u>

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - REVOLVING LINE OF CREDIT:

At June 30, 2013 and 2012, **the League** has a 4.5 percent revolving line of credit payable to a bank due on demand with an unpaid balance of \$255,000 and \$276,375, respectively. The line of credit is secured by real estate.

NOTE 6 - PENSION PLAN:

The League sponsors a defined contribution pension plan. Under the plan, **the League** matches up to five (5) percent of the employee's contributions to the plan. Contribution expenses during the years ended June 30, 2013 and 2012 was \$28,132 and \$47,449, respectively.

NOTE 7 - OPERATING LEASE AGREEMENTS:

The League leases space at four (4) locations for its Early Head Start Program, administrative offices and various other program services. Also, **the League** leases various items of equipment at its main office. The lease of space is renewed annually and the lease of equipment is renewed on a monthly basis. Lease expense for the year ended June 30, consisted of the following:

	<u>2013</u>	<u>2012</u>
Administrative – Equipment	\$ 13,378	\$ 19,310
Program service - Space	<u>113,240</u>	<u>120,789</u>
Total	<u>\$ 126,618</u>	<u>\$ 140,099</u>

NOTE 8 - COMMITMENTS:

The League has various lease agreements for equipment and facilities under operating leases expiring at various dates through June 30, 2013. There were no other outstanding commitments as of June 30, 2013.

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions during the years ended June 30, 2013 and 2012 by incurring expenses satisfying the purpose and time restrictions as follows:

	<u>2013</u>	<u>2012</u>
Educational activities - general - United Way	\$ 62,161	\$ 82,075
Educational activities for economic inclusion	<u>187,630</u>	<u>100,000</u>
Total	<u>\$ 249,791</u>	<u>\$ 182,075</u>

NOTE 10 - RESTRICTED NET ASSETS:

Restricted net assets consisted of the following purposes as of June 30, 2013 and 2012, respectively:

Temporarily Restricted Net Assets:

	<u>2013</u>	<u>2012</u>
United Way funding	\$ 50,836	\$ 62,161
Gala event	62,450	187,630
Building improvements	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 213,286</u>	<u>\$ 349,791</u>

Permanently Restricted Net Assets:

Permanently restricted net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity. Permanently restricted net assets consist of an endowment fund of \$28,525.

NOTE 11 - IN-KIND CONTRIBUTIONS AND COSTS RECOGNIZED:

As a condition of certain grants received by **the League**, **the League** must provide a portion of the costs of the programs. To satisfy these conditions, the funding agencies will accept in-kind contributions from volunteers and certain other contributions. The accompanying consolidated financial statements include in-kind contributions in revenues and expenses. The breakdown of in-kind contributions recognized is as follows:

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - IN-KIND CONTRIBUTIONS AND COSTS RECOGNIZED, CONTINUED:

	For the years ended June 30,	
	2013	2012
Professional services	\$ 85,651	\$ 54,238
Occupancy expenses	19,200	10,000
Other – insurance proceeds	20,007	-0-
Total	<u>\$ 124,858</u>	<u>\$ 64,238</u>

NOTE 12 - GRANTS FROM GOVERNMENTAL AGENCIES:

The League has contracted with several governmental agencies to provide community and family services, and employment and economic development programs. Under the contracts, the governmental agencies reimburse **the League** based upon **the League's** allowable costs, to provide the services to program beneficiaries.

Revenues derived from the governmental agencies are subject to audit and adjustment by government auditors before any settlement amounts become final. Any adjustments made by governmental auditors are reported in the year of the audit. Management does not expect any material adjustments to allowable program costs and the related estimated settlement.

Federal grant activities at June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Grant Receipts:		
Direct Awards	\$ 142,902	\$ 110,235
Pass-throughs	828,022	2,337,537
Total receipts	<u>970,924</u>	<u>2,447,772</u>
Grand Expenditures:		
Non-capital	808,288	723,132
Capital	162,636	1,724,640
Total expenditures	<u>\$ 970,924</u>	<u>\$ 2,447,772</u>

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - RISK MANAGEMENT:

The League is exposed to various risks of loss related to torts and theft of, damage to and destruction of assets, for which **the League** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 14 - PROMISES TO GIVE:

As of June 30, 2013 and 2012, promises to give represent support from private companies and individuals related to the capital campaign and other restricted purposes totaling \$213,286 and \$349,791 respectively. The amounts are deemed collectible and available from the following sources in less than one (1) year:

	<u>2013</u>	<u>2012</u>
Private companies and individuals	\$ 162,450	\$ 287,630
United Way Services funding for the next fiscal year	<u>50,836</u>	<u>62,161</u>
Total	<u>\$ 213,286</u>	<u>\$ 349,791</u>

NOTE 15 - DUE FROM FUNDING AGENCIES:

As of June 30, 2013 and 2012, due from funding agencies consisted of the following:

	<u>2013</u>	<u>2012</u>
Private Sources:		
National Urban League	\$ 36,074	\$ 73,063
Other Private Companies	67,646	87,828
State Sources:		
State of Louisiana	9,135	9,135
Federal Sources:		
U.S. Department of Agriculture	2,055	4,167
U.S. Department of Health and Human Services	29,531	25,958
U.S. Small Business Administration	29,524	30,842
U.S. Department of Labor	63,272	-0-
U.S. Department of Housing and Urban Development	<u>65,014</u>	<u>509,337</u>
Total due from funding agencies	<u>\$ 302,251</u>	<u>\$ 740,330</u>

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - DUE FROM FUNDING AGENCIES, CONTINUED:

Receivables from various funding agencies are stated at the amount management expects to collect from outstanding balances for grants awarded and/or services performed under various contracts during the 2013 and 2012 fiscal years. All amounts are considered collectible. **The League** does not assess finance charges on receivables due. There were no bad debts for the 2013 and 2012 fiscal years.

NOTE 16 - NOTE RECEIVABLE:

The League, under the terms of the new market tax credits, entered into a leverage loan and security agreement with FNBC NMTC #1, LLC, a Louisiana limited liability company with a total carrying amount of \$5,089,000 on September 24, 2010, with an interest rate per annum equal to 0.50 per cent. The annual interest rate for the note is computed on the basis of a 360-day year consisting of twelve (12) 30-day months. The note matures on September 24, 2042.

NOTE 17 - DESIGNATED FUND:

At June 30, 2013 and 2012, a designated fund of \$2,553,367, respectively is maintained for the cost of constructing, acquiring and equipping of a new facility for the programs of **the League**.

NOTE 18 - CONCENTRATION OF CREDIT RISK:

The League maintains cash balances at three (3) local banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 on interest bearing accounts and non-interest bearing accounts.

The League also maintains an account with a stock brokerage firm. The account contains primarily money market funds. Balances are insured up to \$500,000 with a limit of \$100,000 for cash by the Securities Investor Protection Corporation.

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 19 - SUBSEQUENT EVENTS:

The League is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the consolidated financial statements. **The League** performed such an evaluation through December 30, 2013, the date which the consolidated financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

NOTE 20 - SUBSIDIARY ACTIVITY:

The League owns 99.99 percent equity and Liberty Bank and Trust Company owns 0.01 percent equity of a subsidiary company, Urban Equity Development Corporation (the Subsidiary). The Subsidiary meets the requirements of a Qualified Active Low-Income Community Business (QALICB) in accordance with the terms under the New Markets Tax Credit (NMTC) program pursuant to Section 45(D) of the Internal Revenue Code (IRC) in order to obtain loans at reduced rates. As a result, the Subsidiary obtained two (2) loans from a Community Development Entity (CDE). Under the terms of the NMTC program, the Subsidiary must continue to meet the definition of a QALICB throughout the loan period. In addition, pursuant to Section 45(D) of the IRC, the Subsidiary cannot prepay the loans prior to July 21, 2017.

NOTE 21 - BOARD COMPENSATION:

The Board of Directors of **the League** is a voluntary board; therefore, no compensation was paid to any board member during the years ended June 30, 2013 and 2012.

NOTE 22 - FAIR VALUE MEASUREMENTS:

In accordance with FASB ASC 820, fair value is defined as the price that **the League** would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 22 - FAIR VALUE MEASUREMENTS, CONTINUED:

for the asset or liability. FASB ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of **the League's** assets or liabilities. The inputs are summarized in the three broad levels listed below.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. **The League's** assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of **the League's** investments measured at fair value by the FASB ASC 820 fair value hierarchy levels as of June 30, 2013 and 2012.

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 22 - FAIR VALUE MEASUREMENTS, CONTINUED:

	<u>Fair Value</u>	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 2)
<u>June 30, 2013</u>		
Designated fund	\$ 2,553,367	\$ 2,553,367
Endowment fund	28,525	28,525
<u>June 30, 2012</u>		
Designated fund	\$ 2,553,367	\$ 2,553,367
Endowment fund	26,105	26,105

NOTE 23 - FINANCIAL INSTRUMENTS:

The estimated fair values of **the League's** financial instruments as of June 30, 2013 and 2012 are as follows:

<u>June 30, 2013</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 393,569	\$ 393,569
Short-term investment	3,412	3,412
Note receivable	5,089,000	5,089,000
Endowment fund	28,525	28,525
Designated fund	2,553,367	2,553,367
Revolving line of credit	255,000	255,000
Long-term debt	6,369,551	6,369,551
<u>June 30, 2012</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 715,275	\$ 715,275
Short-term investment	3,405	3,405
Note receivable	5,089,000	5,089,000
Endowment fund	26,105	26,105
Designated fund	2,553,367	2,553,367
Revolving line of credit	276,375	276,375
Long-term debt	6,267,013	6,267,013

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 23 - FINANCIAL INSTRUMENTS:

GAAP requires disclosure of an estimate of fair value of certain financial instruments. **The League's** significant financial instruments are cash and cash equivalents, short-term investment, note receivable, endowment fund, designated fund and long term debt. *For these financial instruments, carrying values approximate fair value.*

SUPPLEMENTARY INFORMATION

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>GRANT/ CONTRACT NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE Passed-through State of Louisiana, Department of Education: Child and Adult Care Food Program	27-041	10.558	\$ 19,775
Total U.S. Department of Agriculture			<u>19,775</u>
U.S. SMALL BUSINESS ADMINISTRATION Direct Award: Women Business Ownership Program	SBAHQ-11-W0040	59.043	<u>123,126</u>
Total U.S. Small Business Administration			<u>123,126</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed-through Total Community Action: Early Head Start (Parent Child Center)	06CH0473	93.600	<u>602,114</u>
Total U.S. Department of Health and Human Services			<u>602,114</u>

See Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>GRANT/ CONTRACT NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed-through City of New Orleans: Community Development Block Grant	CDH50-289(09)	14.218	162,636
Total U.S. Department of Housing and Urban Development			162,636
U.S. DEPARTMENT OF LABOR Passed-through National Urban League: Urban Youth Empowerment Program		17.261	63,273
Total U.S. Department of Labor			63,273
Total Expenditures of Federal Awards			\$ 970,924

The above schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audit of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in the schedule may differ from accounts presented in or used in the preparation of the basic consolidated financial statements.

See Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF REVENUE AND EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2013

	AGENCY TOTAL	SUPPORT SERVICES			PROGRAM SERVICES			
		UEDC	Total Support Services	Management and General	Resource Development	Total Program Services	Economic Development	Education and Social Justice
REVENUE								
Federal grants	\$ 970,924	\$ -0-	\$ 162,637	\$ 162,637	\$ -0-	\$ 808,287	\$ 186,400	\$ 621,887
State and local grants	2,096,055	-0-	226,290	226,290	-0-	1,869,765	1,166,795	702,970
Board generated self-support	586,147	-0-	531,147	90,000	441,147	55,000	25,000	30,000
Client generated self-support	380,964	-0-	19,825	19,825	-0-	361,139	6,088	355,051
Interest Income	107	-0-	107	107	-0-	-0-	-0-	-0-
Realized gain	2,322	-0-	2,322	2,322	-0-	-0-	-0-	-0-
Other revenue	42,337	-0-	21,440	21,440	-0-	20,897	-0-	20,897
In-kind contributions	124,858	-0-	20,007	20,007	-0-	104,851	-0-	104,851
Total self-generated revenue	4,203,714	-0-	983,775	542,629	441,147	3,219,939	1,384,283	1,835,656
United Way funding for next year	50,836	-0-	-0-	-0-	-0-	50,836	-0-	50,836
Grand total revenues	\$ 4,254,550	\$ -0-	\$ 983,775	\$ 542,629	\$ 441,147	\$ 3,270,775	\$ 1,384,283	\$ 1,886,492

See the Independent Auditors' Report on Supplementary Information.

SCHEDULE II
Page 2 of 2

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF REVENUE AND EXPENSES BY PROGRAM, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

	SUPPORT SERVICES				PROGRAM SERVICES			
	AGENCY TOTAL	UEDC	Total Support Services	Management and General	Resource Development	Total Program Services	Economic Development	Education and Social Justice
EXPENSES								
Compensation expenses	\$ 2,003,253	\$ -	\$ 500,888	\$ 500,888	\$ -	\$ 1,502,365	\$ 740,146	\$ 762,219
Occupancy expenses	198,968	-	46,556	42,775	3,781	152,412	66,755	85,658
Professional fees and contracts	547,351	-	82,103	82,103	-	465,248	207,993	257,255
Food	40,273	-	12,299	12,299	-	27,974	8,199	19,775
Travel and transportation	36,356	-	11,998	11,998	-	24,359	12,725	11,634
Gala expenses	368,992	-	368,992	-	368,992	-	-	-
Supplies	68,503	-	11,988	10,275	1,713	56,515	24,661	31,854
Equipment rental	25,381	-	5,076	5,076	-	20,305	9,137	11,168
Printing and copying	59,618	-	11,924	11,924	-	47,694	21,463	26,232
In-kind costs	124,858	-	20,007	20,007	-	104,851	-	104,851
Other direct program expenses	580,857	-	100,969	89,406	11,617	482,111	220,726	261,386
Bad debt	21,604	-	-	-	-	21,604	21,604	-
Interest	106,933	58,510	13,154	10,418	2,736	35,269	17,548	17,721
Total expenses before depreciation	4,182,947	58,510	1,185,953	797,169	388,839	2,940,708	1,350,956	1,589,752
Net Difference	71,603	(58,510)	(202,178)	(254,540)	52,308	330,067	33,327	296,740
Depreciation	\$ 41,629	\$ -	\$ 8,326	\$ 7,493	\$ 833	\$ 33,303	\$ 14,986	\$ 18,317
Expense Analysis								
Total Direct Expenses						\$ 2,940,708	\$ 1,350,956	\$ 1,589,752
Percent of Total Program Expenses						100%	46%	54%
Distribution of Support Services Expenses						1,185,953	545,539	640,415
Total Expense						\$ 4,126,661	\$ 1,896,495	\$ 2,230,166

See the Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Urban League of Greater New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of the **Urban League of Greater New Orleans, Inc. and Subsidiary (the League)** (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered **the League's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the League's** internal control. Accordingly, we do not express an opinion on the effectiveness of **the League's** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
CONTINUED

Internal Control Over Financial Reporting, Continued

statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the League's** consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
CONTINUED

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **the League's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the League's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 30, 2013



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Urban League of Greater New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Report on Compliance for Each Major Program

We have audited **Urban League of Greater New Orleans, Inc.'s and Subsidiary (the League's)** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **the League's** major federal programs for the year ended June 30, 2013. **The League's** major federal programs are identified in the summary of auditors' results section of the accompanying summary schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of the laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **the League's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
CONTINUED

Auditors' Responsibility, Continued

require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the League's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of **the League's** compliance.

Opinion on Each Major Federal Program

In our opinion, **the League** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of **the League** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered **the League's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **the League's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
CONTINUED

weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we reported to management of **the League** in a separate letter dated December 30, 2013.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 30, 2013

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Independent Auditors' Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified
that are not considered to be
material weakness(es)? yes X none reported

Noncompliance material to financial
statements noted?

 yes X no

Management letter comments

 X yes no

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified
that are not considered to be
material weaknesses? yes X none reported

Type of auditors' report issued on
compliance for major programs:

Unmodified

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Independent Auditors' Results, Continued

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133

____ yes X no

Identification of major programs:

CFDA Number

93.600

Name of Federal Program

Early Head Start (Parent Child
Center)

Dollar threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

____ yes X no

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

Section II - Financial Statement Findings

No Matters Reported

Section III - Findings and Questioned Costs Related to Federal Awards

No Matters Reported

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
STATUS OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

		Current Year's Reference <u>Number</u>	<u>Unresolved</u>	<u>Resolved</u>	<u>No Longer Applicable</u>
<u>Section II - Financial Statement Findings</u>					
2012-01	Accounting and Reporting Procedures Regarding the Schedule of Expenditures of Federal Awards,			X	
2012-02	Allowable Costs			X	

Status of Prior Year's Comments to Management

See Independent Auditors' Comments to Management

URBAN LEAGUE OF GREATER NEW ORLEANS, INC. AND SUBSIDIARY
EXIT CONFERENCE

The audit report was discussed during the course of the audit and at an exit conference held with **the League**. The individuals who participated in those discussions were as follows:

URBAN LEAGUE OF GREATER NEW ORLEANS INC. AND SUBSIDIARY

Mr. William Bostick, CPA
Mrs. Erika McConduit-Diggs
Ms. Gizelle Johnson

Chairman of Audit Committee
President and Chief Executive Officer
Vice President of Finance

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Joseph A. Akanji, CPA
Ms. Shannon M. Glapion, CPA
Mr. Jean Paul Lefort

Engagement Partner
Engagement Senior
Staff Accountant



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA
(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Officers and Board of Directors
Urban League of Greater New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

In planning and performing our audit of the consolidated financial statements of the **Urban League of New Orleans, Inc. and Subsidiary (the League)** as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered **the League's** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the League's** internal control. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Accordingly, we do not express an opinion on the effectiveness of **the League's** internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's consolidated financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

(CONTINUED)

During the course of our audit, we became aware of certain other matters that are opportunities for strengthening internal controls, improving operating deficiencies, and other conditions of **the League**. The following outlines our comments and recommendations regarding those matters:

2013-01 – Cash Receipts (Repeat)

Cash receipts are posted in total once a month without the benefit of details of individual sources. Journal entries used to allocate funds between accounts do not show enough detail descriptions to aid in the ability to analyze transactions to source documents. As a result, employees spend a lot of unproductive time at year end when trying to accurately reconcile and report cash receipts and revenue thereby causing inaccuracies and errors in information reported.

We recommend **the League** evaluate the cash receipt process already in place. Cash receipts need to be posted daily with details of the revenue source clearly identified in the related journal entries. We also recommend **the League** perform monthly reconciliations to ensure proper recordation and accountability on a timely basis.

2013-02 – Review and Approval – Outside Contractors

We noted during our audit payments made to an outside contractor who was hired to work on College Track program. However, **the League** did not perform any background checks, and there were no verifications of licenses and insurance and any other requirements prior to hiring the contractor. Good business practice requires performance of due diligence prior to hiring outside contractors to ensure **the League** is properly protected.

We recommend **the League** should implement proper policies and procedures to prevent such condition in future. The policies and procedures should include, at a minimum review of outside contractors' business practices, business rating with the Better Business Bureau, and verification of insurance and bonding, as applicable.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT

	<u>Resolved</u>	<u>Unresolved</u>	<u>Reference</u>
2012-01 - Cash Receipts (Repeated from prior year		X	Repeated in current year as Comments to management #2013-01
2012-02 - Bank Reconciliations	X		
2012-03 - Accounting and Reconciliations of Credit Card Activity	X		

This letter does not affect our report dated December 30, 2013 on the consolidated financial statements of **the League**. We have already discussed these matters with various **League** personnel, and would be pleased to discuss these matters in further detail, to perform an additional study of these matters or to assist you in implementing the recommendations. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 30, 2013



**Urban League of
Greater New Orleans**

*Empowering Communities.
Changing Lives.*

Chairman of the Board
Dorothy "Dottie" Reese

Treasurer
Dennis R. McSeveney, Ph D

Secretary
Karen Henley-Raymond

Ex-Officio
Flozell Daniels, Jr.

Honorary Members
Richard A. Henault, FACHE

Honorary Members
Dr. Norman C. Francis

President & CEO
Erika McConduit-Diggs

Directors
Justin Augustine III

William T. Bostick

Mark S. Boucree

Cheryllyn M. Branche

Jean-Guy Celestin

Chris A. D'Amour

John Dotson

Michael G. Griffin

Peggy Grandpre

Patrick A. Guillion, Jr.

Malda Jones Glover

Ellen M. Lee

Carla Major

Beverly Matheney

Anthony L. Mitchell, MD

Richard Newsom

Sonia Perez

Andre Perry

Jade B. Russell

Damon I. Singleton

Keely C. Thibodeaux, RA, PMP

Ricardo Thomas

Willie Walton

Gary C. Watson, Jr.

Constance C. Willem

January 9, 2013

Bruno & Tervalon LLP, CPA's
6424 Lakeover Rd. Suite A
Jackson, MS 39213

Thank you for the observations and recommendations in the management letter that resulted from the FY 2013 financial statements and OMB Circular A-133 audit. We recognize that the observations and recommendations are part of the ongoing effort to continually improve the accounting and financial reporting of the Urban League of Greater New Orleans, Inc. The following responses are to the observations and recommendations noted in the management letter.

2013-1- Cash Receipts

Management's Response:

Management will continue to review the cash receipts process for areas of improvement. Cash receipts are recorded as they are deposited into the bank through a cash receipts journal, where revenue sources are clearly identifiable by fund and program code. Management will ensure that detailed description is noted on the cash side of the entry.

2013-2 - Review and Approval-Outside Contractors

Management's Response:

Management will perform background checks, verification of licenses and insurance, as well as verify with the appropriate agency for any other requirements prior to hiring outside contractors for services related to the League's programs.

Thank you again for the opportunity to respond to the observations and recommendations. Should you have any questions or concerns regarding the management responses, please let me know.

Sincerely,

Erika McConduit-Diggs
President and CEO