

JACKSONVILLE URBAN LEAGUE, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED SEPTEMBER 30, 2011

JACKSONVILLE URBAN LEAGUE, INC.

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Harbeson, Fletcher & Bateh, LLP

Certified Public Accountants

E. Cobb Harbeson
John C. Fletcher, Jr.
Raymond Z. Bateh
M. Ronald Hargraves, Jr.

INDEPENDENT AUDITORS' REPORT

January 16, 2012

To the Board of Directors
Jacksonville Urban League, Inc.

We have audited the accompanying statement of financial position of Jacksonville Urban League, Inc. as of September 30, 2011, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 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 the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jacksonville Urban League, Inc., as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012 on our consideration of Jacksonville Urban League, Inc.'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* and should be considered in assessing the results of our audit.

To the Board of Directors
Jacksonville Urban League, Inc.
January 16, 2012
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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the State of Florida Office of the Auditor General*, and is not a required part of the basic financial statements. Also, the schedule on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Harbeson, Fletcher & Bateh, LLP

JACKSONVILLE URBAN LEAGUE, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

CURRENT ASSETS:

Cash	\$1,164,159
Certificates of deposit	127,806
Grants and contracts receivable	461,304
Other receivables	4,436
Prepaid expenses	<u>227,372</u>
Total Current Assets	<u>1,985,077</u>

PROPERTY AND EQUIPMENT:

Equipment and leasehold improvements	718,740
Accumulated depreciation	<u>(353,595)</u>
Total Property and Equipment, Net	<u>365,145</u>

\$2,350,222

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 198,939
Accrued payroll and payroll taxes	499,378
Accrued expenses	156,549
Deferred revenue	<u>68,525</u>
Total Current Liabilities	<u>923,391</u>

NET ASSETS:

Unrestricted	<u>1,426,831</u>
Total Net Assets	<u>1,426,831</u>

\$2,350,222

See Accompanying Notes to Financial Statements.

JACKSONVILLE URBAN LEAGUE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

UNRESTRICTED NET ASSETS

Support:

Government grants	\$18,797,949
Other grants	166,030
Donations	108,756
Fundraising	66,750
Interest and other	15,204
In-kind contributions	<u>2,040,200</u>
Total support	<u>21,194,889</u>

Expenses:

Program services:	
Head Start	15,322,179
U.S. Department of Agriculture	2,092,898
Voluntary Pre-kindergarten Education Program	2,096,068
Youth Crime Prevention	236,387
Black on Black Crime Prevention	52,357
Early Literacy Program	199,707
Community Partnership	157,917
National Urban League:	
Housing Counseling	5,178
National Foreclosure Mitigation Counseling	61,038
State Housing Initiative Partnership	81,262
Other Programs	<u>4,914</u>
	20,309,905
Support services:	
Administration	1,441,115
Fundraising	<u>221,273</u>
Total expenses	<u>21,972,293</u>

Decrease in Net Assets	(777,404)
Net Assets, Beginning of Year	<u>2,204,235</u>
Net Asset, End of Year	<u>\$ 1,426,831</u>

See Accompanying Notes to Financial Statements.

JACKSONVILLE URBAN LEAGUE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (777,404)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	14,343
(Increase) decrease in operating assets:	
Grants and contracts receivable	85,311
Other receivables	2,207
Prepaid expenses	351,195
Certificate of deposit	(530)
Increase (decrease) in operating liabilities:	
Accounts payable	(18,390)
Accrued payroll and payroll taxes	(379,947)
Accrued expenses	97,785
Deferred revenue	<u>(16,531)</u>
Net cash used in operating activities	<u>(641,961)</u>
 NET DECREASE IN CASH	 (641,961)
 CASH, BEGINNING OF YEAR	 <u>1,806,120</u>
 CASH, END OF YEAR	 <u>\$1,164,159</u>

See Accompanying Notes to Financial Statements.

JACKSONVILLE URBAN LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Note 1 – Summary of Significant Accounting Policies

Organization

Jacksonville Urban League, Inc. (the Organization) is a non-profit organization engaged in the administration of federal, state, and local grants intended to aid in the reduction of the effects of poverty on the economically disadvantaged. It is all dependent on contributions and grants as its sources of funds. All of its services and programs are provided in the northeast Florida area.

Basis of Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Organization reports 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. There were no temporarily or permanently restricted net assets at September 30, 2011.

Income Taxes

The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Expenditures for consumable supplies and equipment purchases are charged directly into program operations if the grantor holds title or has a reversionary interest in these items. All other expenditures of property and equipment in excess of \$5,000 are capitalized. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets.

Recognition of Grantor/Donor Restrictions

Support that is restricted by the grantor/donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other grantor/donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management Estimates and Assumptions

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.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, management has evaluated subsequent events through January 16, 2012, the date financial statements were available to be issued.

Note 2 – Concentration of Credit Risks

At times, cash balances held at financial institutions were in excess of FDIC insurance limits. The Organization maintains all of its cash investments with high-credit, quality financial institutions. The Organization had \$919,124 in excess of federally insured limits at September 30, 2011.

A significant portion (73%) of the Organization's revenue was earned through the Department of Health and Human Services in conjunction with the Head Start Program.

Note 3 – Grants and Contracts Receivable

Grants and contracts receivable at September 30, 2011 are summarized as follows:

Early Learning Coalition – VPK Program	\$137,986
U.S. Department of Agriculture	220,192
City of Jacksonville – SHIP Housing Counseling	11,439
Early Learning Partnership/Rally Jax Program	85,937
National Urban League	<u>5,750</u>
	<u>\$461,304</u>

Note 4 – Donated Supplies, Facilities, Equipment and Services

Significant services, supplies, equipment and facilities are donated to the Organization by various individuals and other Organizations. Donated materials and facilities were recorded at fair market value at the date of donation, and have been included in support and expenses for the year.

Donated non-professional services have not been recognized in the Statement of Activities because the criteria for recognition under FASB ASC 908-605-25-16 have not been satisfied. This value is based on time sheets maintained on the volunteers, using reasonable rates. Both recognized and unrecognized donations are summarized as follows:

	<u>Head Start</u>
Professional services	\$ 386,241
Facilities	1,310,188
Consumables, supplies and equipment	<u>343,771</u>
Total in-kind contributions reflected in Statement of Activities	2,040,200
Non-professional services	<u>1,526,096</u>
Total in-kind contributions	<u>\$3,566,296</u>

Note 5 – Retirement Plan

The Organization has established a tax-deferred annuity for all eligible employees. Employees become eligible upon completion of one year of service. Employer contributions are 7% of eligible employee salaries. Employer contributions vest after three years of service. Employees are allowed to contribute up to 15% of their salary, subject to IRS maximum contribution limits.

The Organization incurred \$653,600 in retirement costs for the year ended September 30, 2011.

Note 6 – Financial Instruments

The Organization’s financial instruments consists of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. It is management’s opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair values of these financial instruments are the market values of these financial instruments, and approximate their carrying values.

Note 7 – Fundraising Expense

Total fundraising expense for the year ended September 30, 2011 was \$221,273. Fundraising expenses related to the annual Equal Opportunity Luncheon and annual Golf Tournament.

Note 8 – Leases

The Organization leases facilities, various office equipment and vehicles under operating leases. Minimum lease commitments outstanding under operating leases at September 30, 2011 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2012	\$101,646
2013	98,944
2014	87,477
2015	18,156
2016	<u>672</u>
	<u>\$306,895</u>

Total rental expense was \$565,254 for the year ended September 30, 2011.

Note 9 – Compensated Absences

Annual Leave – Full-time employees accrue annual leave at rates that vary based on years of service. Annual leave accrued is required to be paid upon termination and, accordingly, has been recorded as a liability. Accrued annual leave totaled \$255,286 as of September 30, 2011.

Sick Leave – Full-time employees accrue sick leave at rates that vary based on years of service. Sick leave accrued is not required to be paid upon termination and, accordingly, has not been recorded as a liability.

Note 10 – Related Parties

The Organization has an affiliation with the Jacksonville Urban League Economic and Community Development Foundation, Inc. (Foundation). The Organization rents its administrative office space and one Head Start Center from the Foundation. Rent paid was \$166,688 for the year ended September 30, 2011.

Note 11 – Contingencies

Grants and contracts require the fulfillment of certain conditions set forth in the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the possibility remains, management deems the contingency remote, as by accepting awards and their terms, it has accommodated the objectives of the Organization to the provisions of the grant.

The Organization, in the normal course of business, is subject to claims and litigation. Although the ultimate disposition of these legal matters cannot be predicted with certainty, it is the present opinion of the Organization's management that the outcome of the current litigation will not have a material effect on the financial condition of the Organization.

Note 12 – Schedule of Receipts and Expenditures – City of Jacksonville

City of Jacksonville – Early Learning Partnership/Rally Jax Program:

Receipt of Funds

Grant Number	4192-50	4192-52
Grant Period	<u>10/1/09-9/30/10</u>	<u>10/1/10-9/30/11</u>
Amount of Award	\$200,000	\$200,000
Funds received – prior audit period	(101,587)	-
Fund received – current audit period	(98,228)	(113,770)
Due from City – 9/30/11	<u>-</u>	<u>(85,937)</u>
Amount remaining	\$ <u>185</u>	\$ <u>293</u>

Expenditure of Funds

Grant Number 4192-52:

<u>Budget Item</u>	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>Remaining Balance</u>
Salaries & benefits	\$109,364	\$ -	\$109,359	\$109,359	\$ 5
Management & general	20,080	-	20,080	20,080	-
Program supplies	16,971	-	16,971	16,971	-
Equipment rental	1,575	-	1,575	1,575	-
Insurance	2,500	-	2,500	2,500	-
Telephone	5,158	-	5,158	5,158	-
Learning materials and training	7,531	-	7,530	7,530	1
Staff travel (non-amusement)	3,501	-	3,218	3,218	283
Office expenses	7,845	-	7,842	7,842	3
Program consultants	<u>25,475</u>	<u>-</u>	<u>25,474</u>	<u>25,474</u>	<u>1</u>
Total	<u>\$200,000</u>	<u>\$ -</u>	<u>\$199,707</u>	<u>\$199,707</u>	<u>\$293</u>



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**INDEPENDENT AUDITOR'S 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**

January 16, 2012

To the Board of Directors of
Jacksonville Urban League, Inc.

We have audited the financial statements of Jacksonville Urban League, Inc. as of and for the year ended September 30, 2011, and have issued our report thereon dated January 16, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jacksonville Urban League, Inc.'s internal control over financial reporting 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 Jacksonville Urban League, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

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 internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors of
Jacksonville Urban League, Inc.
January 16, 2012
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jacksonville Urban League, Inc.'s 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 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Jacksonville Urban League, Inc. in a separate letter dated January 16, 2012.

This report is intended solely for the information and use of the Board of Directors, finance committee, management, Federal and state-awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harbeson, Fletcher & Bateh, LLP



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

January 16, 2012

To the Board of Directors of
Jacksonville Urban League, Inc.

Compliance

We have audited Jacksonville Urban League, Inc.'s compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of Jacksonville Urban League, Inc.'s major federal programs and state projects for the year ended September 30, 2011. Jacksonville Urban League, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of Jacksonville Urban League, Inc.'s management. Our responsibility is to express an opinion on Jacksonville Urban League, Inc.'s compliance based on our audit.

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, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Jacksonville Urban League, Inc.'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. Our audit does not provide a legal determination of Jacksonville Urban League, Inc.'s compliance with those requirements.

In our opinion, Jacksonville Urban League, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2011.

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To the Board of Directors of
Jacksonville Urban League, Inc.
January 16, 2012
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Internal Control Over Compliance

Management of Jacksonville Urban League, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Jacksonville Urban League, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, 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 Jacksonville Urban League, Inc.'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 or state project on a timely basis. A material 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 or state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, finance committee, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harbeson, Fletcher & Bateh, LLP

SUPPLEMENTAL INFORMATION

JACKSONVILLE URBAN LEAGUE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2011

FEDERAL AWARDS

<u>Federal/State Agency, Pass-through Entity/ Federal Program/State Project</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Direct program:</i>			
Head Start Grant	93.600	04CH0592/15	\$14,735,541
ARRA – Head Start Grant	93.709	04SA0592/02	756,815
<u>U.S. Department of Agriculture</u>			
<i>Passed through State of Florida</i>			
<i>Department of Health:</i>			
Child and Adult Care Food Program	10.558	S-0367	1,332,279
Child and Adult Care Food Program	10.558	S-3495	34,164
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through National Urban League:</i>			
Comprehensive Housing Counseling Program	14.169		24,699
<u>U.S. Department of the Treasury</u>			
<i>Passed through National Urban League:</i>			
National Foreclosure Mitigation Counseling	21.000		<u>32,553</u>
Total Expenditures of Federal Awards			<u>\$16,916,051</u>

See Accompanying note to Schedule of Expenditures of Federal Awards and State Financial Assistance.

JACKSONVILLE URBAN LEAGUE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2011

STATE FINANCIAL ASSISTANCE

<u>Federal/State Agency, Pass-through Entity/ Federal Program/State Project</u>	<u>CSFA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
<u>State of Florida, Department of Legal Affairs</u>			
<i>Passed through Pinellas County Urban League:</i>			
Youth Crime Prevention and Intervention	41.005		\$ 216,374
Black-On-Black Crime Prevention	41.012		43,718
<i>Passed through Broward County Urban League:</i>			
Youth Crime Prevention and Intervention	41.005		46,801
Black-On-Black Crime Prevention	41.012		35,034
<u>State of Florida, Department of Community Affairs</u>			
<i>Passed through City of Jacksonville:</i>			
State Housing Initiative Partnership Program	52.901	4192-51	25,995
State Housing Initiative Partnership Program	52.901	4192-53	50,000
<u>State of Florida, Agency for Workforce Innovation</u>			
<i>Passed through Early Learning Coalition of Duval County:</i>			
Voluntary Pre-Kindergarten Education Program	75.007		<u>1,288,968</u>
Total Expenditures of State Financial Assistance			<u>\$1,706,890</u>

See Accompanying note to Schedule of Expenditures of Federal Awards and State Financial Assistance.

JACKSONVILLE URBAN LEAGUE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2011

Note 1 – Basis of Accounting:

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Jacksonville Urban League, Inc. and 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, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

JACKSONVILLE URBAN LEAGUE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED SEPTEMBER 30, 2011

Section A – Summary of Auditor’s Results:

1. The auditor’s report expresses an unqualified opinion on the (general purpose) financial statements of Jacksonville Urban League, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Jacksonville Urban League, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs or state projects were identified during the audit.
5. The auditor’s report on compliance for the major federal award programs and state projects for Jacksonville Urban League, Inc. expresses an unqualified opinion.
6. There were no reportable audit findings relative to major federal award programs or state projects for Jacksonville Urban League, Inc.
7. The Federal programs tested as a major program:
 - U.S. Department of Health and Human Services:
 - Head Start, CFDA #93.600
 - ARRA – Head Start, CFDA #93.709
 - The State projects tested as a major program:
 - State of Florida, Agency for Workforce Innovation through Early Learning Coalition of Duval County:
 - Voluntary Pre-Kindergarten Education Program, CSFA #75.007
8. Determination of Type A programs were defined as programs with total federal expenditures greater than \$507,482 and state expenditures greater than \$300,000 for the year under audit. All other programs were defined as Type B programs.
9. Jacksonville Urban League, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.
10. A management letter was not required under Section 215.97, *Florida Statutes*, because there were no findings required to be reported and a Summary Schedule of Prior Audit Findings was not required because there were no prior audit findings related to Federal programs or State projects.

Section B – Findings – Financial Statement Audit:

None – as stated in Section A above.

Section C – Findings and Questioned Costs – Major Federal Award Programs Audit:

None – as stated in Section A above.

JACKSONVILLE URBAN LEAGUE, INC.
SCHEDULE OF SUPPORT AND EXPENSES – BUDGET AND ACTUAL
HEAD START GRANT NUMBER 04CH0592/15
CONTRACT PERIOD 10/01/10 TO 09/30/11

	<u>Approved Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Support			
HHS funds awarded	\$14,420,492	\$14,420,492	\$ -
Grantee's contributions:			
In-kind	<u>3,605,123</u>	<u>3,642,630</u>	<u>37,507</u>
Total support	<u>18,025,615</u>	<u>18,063,122</u>	<u>37,507</u>
Expenses			
Direct costs:			
Personnel	8,377,632	7,954,333	423,299
Fringe benefits	2,914,889	2,102,445	812,444
Travel	15,000	54,206	(39,206)
Equipment	90,000	146,223	(56,223)
Supplies	100,000	197,257	(97,257)
Contractual	489,909	207,194	282,715
Other costs	1,077,960	1,958,005	(880,045)
USDA costs	<u>-</u>	<u>594,015</u>	<u>(594,015)</u>
Total direct costs	<u>13,065,390</u>	<u>13,213,678</u>	<u>(148,288)</u>
Indirect costs	<u>1,355,102</u>	<u>1,206,814</u>	<u>148,288</u>
Total HHS funds	<u>14,420,492</u>	<u>14,420,492</u>	<u>-</u>
Grantee's Share			
Personnel	1,160,000	572,535	587,465
Professional services	430,000	251,261	178,739
Facilities	1,750,000	1,264,171	485,829
Consumables, supplies, and equipment	180,000	276,882	(96,882)
Other	<u>85,123</u>	<u>1,277,781</u>	<u>(1,192,658)</u>
Total grantee's share	<u>3,605,123</u>	<u>3,642,630</u>	<u>(37,507)</u>
Total expenses	<u>18,025,615</u>	<u>18,063,122</u>	<u>(37,507)</u>
Support over Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Harbeson, Fletcher & Bateh, LLP
Certified Public Accountants

E. Cobb Harbeson
John C. Fletcher, Jr.
Raymond Z. Bateh
M. Ronald Hargraves, Jr.

January 16, 2012

Board of Directors
Jacksonville Urban League, Inc.
Jacksonville, Florida 32202

In planning and performing our audit of Jacksonville Urban League, Inc. for the year ended September 30, 2011 we considered the Company's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 16, 2012 on the financial statements of Jacksonville Urban League, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Harbeson, Fletcher & Bateh, LLP

Memorandum

Improve Organizational Structure (repeat from prior year)

During our review of the Organization structure and inquiry of accounting personnel, it was noted that the payroll specialist reports to the Human Resources Director. Typically, the payroll function is an accounting function and should report to the finance director. There are tax compliance reports that are filed and general ledger reconciliations prepared that should be reviewed by a knowledgeable financial person on a routine basis. Errors or omissions of these reports could have adverse tax consequences. We recommend that the payroll specialist report to the finance department head.

Review Bank Reconciliations

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During much of the year, the operating bank account and payroll account reconciliations appeared to be generally incomplete. Specifically, they contained unreconciled differences. An unreconciled difference that appears immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the manager of accounting. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded.

Check the Calculation of Gross Pay

During our test of the payroll, we noted several errors in the calculation of gross pay. In all instances overtime pay was not calculated correctly. Such errors can cause an over or under payment of wages and misstate the financial statements if the errors are not detected and corrected. We recommend that as a routine procedure, the accuracy of the payroll calculation be rechecked by an employee other than the one originally preparing the payroll.