

AUSTIN AREA URBAN LEAGUE, INC.

INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2008

AUSTIN AREA URBAN LEAGUE, INC.

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Montemayor Hill & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Austin Area Urban League, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the statement of financial position of Austin Area Urban League, Inc. (AAUL) as of December 31, 2008 and the related statement of activities, and cash flows for the year then ended. These financial statements are the responsibility of AAUL's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 AAUL as of December 31, 2008 and the changes in net assets, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated 30 June 2009 on our consideration of AAUL's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of AAUL taken as a whole. The Schedule of Expenditures of Federal Awards (page 17) is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local*

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Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been prepared assuming that AAUL will continue as a going concern. As discussed in Note 11 to the financial statements, AAUL has had difficulty generating unrestricted funds, has a net deficiency in total net assets of \$99,122 and a net deficiency in unrestricted net assets of \$400,923. Further, AAUL incurred a negative change in unrestricted net assets of \$103,780 during the year ended December 31, 2008. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Montemayor Hill & Company, P.C.

30 June 2009
Austin, Texas

AUSTIN AREA URBAN LEAGUE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

ASSETS

CURRENT ASSETS

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$150,541 |
| Grants receivable | 97,014 |
| Accounts receivable | 102,305 |
| Other | <u>24,135</u> |

373,995

FIXED ASSETS

121,606

\$495,601

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|----------------------------------|---------------|
| Accounts payable | \$264,040 |
| Accrued liabilities | 76,402 |
| Due to National Urban League | 18,356 |
| Line of credit | 143,903 |
| Current portion of notes payable | <u>83,107</u> |

585,808

LONG-TERM DEBT

8,915

594,723

NET ASSETS

| | |
|-----------------------------------|------------------|
| Unrestricted net assets | (400,923) |
| Temporarily restricted net assets | <u>301,801</u> |
| | <u>(99,122)</u> |
| | <u>\$495,601</u> |

The accompanying notes are an integral part of this financial statement presentation.

AUSTIN AREA URBAN LEAGUE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Revenue | | | |
| Government contracts | \$1,168,207 | \$0 | \$1,168,207 |
| Grants | 84,785 | 234,691 | 319,476 |
| Contributions | 44,590 | 0 | 44,590 |
| Special events, net of \$56,963 in direct costs | 41,978 | 0 | 41,978 |
| Program fees | 40,970 | 0 | 40,970 |
| Other | 24,357 | 0 | 24,357 |
| Net assets released from restriction | <u>614,143</u> | <u>(614,143)</u> | <u>0</u> |
| | <u>2,019,030</u> | <u>(379,452)</u> | <u>1,639,578</u> |
| Expenses | | | |
| Payroll and related | 863,634 | 0 | 863,634 |
| Home repair services | 623,622 | 0 | 623,622 |
| Rent | 227,275 | 0 | 227,275 |
| Direct program expenses | 102,193 | 0 | 102,193 |
| Accounting and audit | 75,355 | 0 | 75,355 |
| Depreciation | 58,236 | 0 | 58,236 |
| Technology | 35,652 | 0 | 35,652 |
| Interest | 21,866 | 0 | 21,866 |
| Insurance | 18,686 | 0 | 18,686 |
| Equipment rental | 16,550 | 0 | 16,550 |
| National dues | 15,100 | 0 | 15,100 |
| Other | <u>64,641</u> | <u>0</u> | <u>64,641</u> |
| | <u>2,122,810</u> | <u>0</u> | <u>2,122,810</u> |
| Change in net assets | <u>(103,780)</u> | <u>(379,452)</u> | <u>(483,232)</u> |
| Beginning net assets, as previously reported | (400,640) | 544,120 | 143,480 |
| Prior period adjustment | <u>103,497</u> | <u>137,133</u> | <u>240,630</u> |
| Beginning net assets, as adjusted | <u>(297,143)</u> | <u>681,253</u> | <u>384,110</u> |
| Ending net assets | <u>(\$400,923)</u> | <u>\$301,801</u> | <u>(\$99,122)</u> |

The accompanying notes are an integral part of this financial statement presentation.

AUSTIN AREA URBAN LEAGUE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--------------------------------|-----------------|
| Change in net assets | (\$483,232) |
| Depreciation | 58,246 |
| Change in grants receivable | 254,379 |
| Change in accounts receivable | (53,454) |
| Change in other current assets | 2,695 |
| Change in accounts payable | 159,292 |
| Change in accrued liabilities | <u>34,579</u> |
| | <u>(27,495)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------|----------------|
| Purchases of fixed assets | <u>(2,889)</u> |
|---------------------------|----------------|

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|----------------------------|------------------|
| Proceeds from debt | 234,822 |
| Principal payments on debt | <u>(267,440)</u> |
| | <u>(32,618)</u> |

NET CHANGE IN CASH (63,002)

BEGINNING CASH 213,543

ENDING CASH \$150,541

CASH PAID FOR INTEREST \$21,866

The accompanying notes are an integral part of this financial statement presentation.

AUSTIN AREA URBAN LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Austin Area Urban League, Inc. (AAUL) is a corporation organized under the Nonprofit Corporation Act of the State of Texas as of June 1976. The organization exists to provide a variety of social services in the areas of employment, housing, and general welfare for low and moderate-income individuals in the Austin, Texas area.

The following is a description of AAUL's programs for the year ended December 31, 2008:

Housing - This program is a home maintenance program that provides home repairs to senior citizens and low-income homeowners within the Austin area.

Health and Human Services - This program is an umbrella for a variety of educational programs designed to educate and enhance the lives of youth, which include the *Dream Team After School Tutorial Program*, *Summer Enrichment Program*, *Youth Diversion Program*, and *Male/Female Responsibility Program*.

Employment Training - This program provides computer training, employability skills classes, professional development and job placement assistance to unemployed and underemployed individuals. The goal of this program is to develop the technological skills of participants in order to create marketable individuals for Austin's high-tech job market. In addition, the *Youth Opportunities Program* provides year-round training and employment programs for youth both in and out of school. Program services may include all authorized adult services, limited internships in the private sector, school-to-work transition services and alternative high-school services.

Community Education - This program allows AAUL to serve as a voice of the community for its constituents.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ESTIMATES

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

CASH AND CASH EQUIVALENTS

AAUL considers all highly liquid investments purchased with a maturity of three months or less, all deposits held at financial institutions or investment companies which are subject to withdrawal, and cash on hand, to be cash and cash equivalents.

AUSTIN AREA URBAN LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets that result from contributions and other inflow of assets that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor imposed stipulations that they must be maintained permanently by the organization. AAUL has not received any permanently restricted contributions as of year end.

INCOME TAXES

AAUL is an organization other than a private foundation exempt from Federal income taxes under IRS Code Section 501(c)(3). Therefore, no provision has been made for Federal income taxes in the accompanying financial statements.

GRANTS AND CONTRACTS

Unconditional grants and pledges are recorded as revenue and receivable at fair value on the date of the award. Government grants are recognized as revenue as services are performed as required by the contracts.

CONTRIBUTIONS

Contributions received (including unconditional promises to give) are recorded at fair value on the date of donation as unrestricted, temporarily restricted, or permanently restricted support at fair value in the period received depending on the existence and/or nature of any donors restrictions.

AUSTIN AREA URBAN LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FIXED ASSETS

Fixed asset purchases of \$500 or greater are recorded at cost. Donations of fixed assets valued at \$500 or greater are recorded as support revenue at their estimated fair value. Depreciation on fixed assets is provided using the straight line method over estimated useful lives of the respective assets, ranging from 3 to 10 years. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as an increase or decrease in unrestricted net assets.

RECEIVABLES

AAUL has not recorded an allowance for uncollectible accounts against the grants or accounts receivable balances because the receivables are considered to be 100% collectible. All receivables on the statement of financial position are due within the next fiscal year. AAUL estimates allowances for doubtful accounts by evaluating the creditworthiness, the historical collections, and the aging of the accounts. Once an account is deemed uncollectible, it is written off. Receivables are considered delinquent based on how recently payments have been received.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefitted as summarized in the statements of functional expenses.

NOTE 3: CONTINGENCY

AAUL receives grants for specific purposes that are subject to grantor review. Such reviews could result in a request for reimbursement by the grantor if unallowable costs are identified. Management believes all significant terms and conditions have been met.

NOTE 4: CONCENTRATIONS

The City of Austin Community Development Block Grant revenue accounted for 47% of AAUL's total revenue, and the related receivable amounted to 15% of total assets for the year ended December 31, 2008.

NOTE 5: RELATED PARTY TRANSACTION

AAUL has \$92,023 in notes payable to a credit union, an employee of which serves as a member of the AAUL Board of Directors.

AUSTIN AREA URBAN LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6: FIXED ASSETS

| | |
|--------------------------|------------------|
| Furniture and equipment | \$243,686 |
| Leasehold improvements | 95,977 |
| Vehicles | 32,000 |
| Accumulated depreciation | <u>(250,057)</u> |
| | <u>\$121,606</u> |

NOTE 7: OPERATING LEASES

AAUL has operating leases for office space and a copier with remaining or original maturities greater than one year. Expenses related to these leases were approximately \$227,000 for the year ended December 31, 2008. Future minimum lease payments required under these agreements are as follows:

| | |
|------|------------------|
| 2009 | \$160,310 |
| 2010 | <u>150,040</u> |
| | <u>\$310,350</u> |

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

| | |
|-------------------------------|------------------|
| High School Redesign Program | \$202,419 |
| Computer Club | 50,000 |
| First Time Home Buyer Program | 33,750 |
| Music and arts program | <u>15,632</u> |
| | <u>\$301,801</u> |

NOTE 9: LINE OF CREDIT

AAUL has a \$150,000 revolving bank line of credit and bears an interest rate of 1% above the bank's prime lending rate. At December 31, 2008, the effective interest rate on the line of credit was 4.25% and the outstanding balance was \$143,903. The line of credit requires monthly interest payments and is secured by all inventory, chattel paper, accounts, equipment and general intangibles owned by AAUL during the term of the facility. In addition, AAUL has another revolving bank line of credit and bears an interest rate of .25% above the bank's prime lending rate. The line of credit is secured by time deposits with the bank and owned by the borrower. At December 31, 2008 there was no balance on this line of credit.

AUSTIN AREA URBAN LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: NOTES PAYABLE

AAUL has six notes payable with University Federal Credit Union. All notes are collateralized by the certificate of deposit held with the bank.

| <u>Notes</u> | <u>Terms</u> | <u>Maturity Date</u> | |
|-------------------------------|--------------|----------------------|-----------------|
| UFCU Notes 9, 11, 12, 13 | 6.15% | 12/11/2008 | \$74,191 |
| UFCU Note 15 | 3.99% | 7/27/2009 | 4,171 |
| UFCU Auto Loan | 6.40% | 9/15/2011 | <u>13,660</u> |
| Total | | | 92,022 |
| Current portion | | | <u>(83,107)</u> |
| Long-term portion due in 2009 | | | <u>\$8,915</u> |

NOTE 11: GOING CONCERN UNCERTAINTY

AAUL has had difficulty generating unrestricted funds, has a net deficiency in total net assets of \$99,122 and a net deficiency in unrestricted net assets of \$400,923. Further, AAUL incurred a negative change in unrestricted net assets of \$103,780 during the year ended December 31, 2008. The restricted net assets are restricted by donors for specific purposes or future periods. AAUL has used some of these funds for programs or operations other than its specific purpose. The result is a deficiency in restricted net assets and AAUL may not be able to cover the remaining expenses for the restricted purposes. These factors create an uncertainty about AAUL's ability to continue as a going concern. In 2009 Management, with Board approval developed and implemented a plan to generate additional unrestricted resources and to reduce operating costs (including reducing personnel and restructuring the lease agreement). The ability of AAUL to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if AAUL is unable to continue as a going concern.

NOTE 12: PRIOR PERIOD ADJUSTMENT

| | <u>Unrestricted Net Assets</u> | <u>Temporarily Restricted Net Assets</u> | <u>Total Net Assets</u> |
|--------------------------------------|--------------------------------|--|-------------------------|
| Contributions receivable understated | \$0 | \$240,630 | \$240,630 |
| Unrestricted net assets understated | <u>103,497</u> | <u>(103,497)</u> | <u>0</u> |
| | <u>\$103,497</u> | <u>\$137,133</u> | <u>\$240,630</u> |

AUSTIN AREA URBAN LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13: FUNCTIONAL EXPENSES

| | |
|----------------|--------------------|
| Program | \$1,623,027 |
| Administrative | 350,471 |
| Fundraising | <u>149,312</u> |
| | <u>\$2,122,810</u> |



Montemayor Hill & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Austin Area Urban League, Inc.

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*

We have audited the financial statements of Austin Area Urban League, Inc. (AAUL) as of and for the year ended December 31, 2008, and have issued our report thereon dated 30 June 2009. 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 AAUL'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 AAUL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AAUL's internal control over financial reporting.

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 combination of control deficiencies, that adversely affects an organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of an organization's financial statements that is more than inconsequential will not be prevented or detected by an organization's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

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might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AAUL'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-1.

This report is intended solely for the information and use of the Board of Directors, 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.

Montemayor Hill & Company, P.C.

30 June 2009
Austin, Texas



Montemayor Hill & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Austin Area Urban League, Inc.

Compliance

We have audited the compliance of the Austin Area Urban League, Inc.(AAUL) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. AAUL's major federal programs 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 is the responsibility of AAUL's management. Our responsibility is to express an opinion on AAUL'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 ; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about ABC Organization'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 AAUL's compliance with those requirements.

As described in item 2008-1 in the accompanying schedule of findings and questioned costs, AAUL does not comply with requirements regarding cash management that are applicable to its major federal program. Compliance with such requirements is necessary, in our opinion, for AAUL to comply with requirements applicable to that program.

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In our opinion, except for the noncompliance described in the preceding paragraph, AAUL complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of AAUL is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered AAUL's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 AAUL's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses, as defined above.

AAUL's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit AAUL's response and, accordingly, we express no opinion on it.

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

Montemayer Hill & Company, P.C.

30 June 2009
Austin, Texas

AUSTIN AREA URBAN LEAGUE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2008

| Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u> | <u>Federal CFDA Number</u> | Pass- Through Grantors' <u>Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|---------------------|
| U.S. Department of Housing and Urban Development | | | |
| Passed Through the City of Austin Texas Community Development Block Grant Programs | | | |
| Emergency Home Repair Program | 14.218 | N/A | <u>\$909,594</u> |

NOTE: This schedule is prepared using the same accounting policies as the financial statements. See the notes to the financial statements on pages 7-11.

AUSTIN AREA URBAN LEAGUE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008

A. Financial Statement Audit

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements.
2. The 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* did not report and deficiencies in internal control over financial reporting which were considered to be material weaknesses.
3. No instances of noncompliance material to the consolidated financial statements were reported in the 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*.

4. Findings:

Current Year: None

Prior Year: None

B. Federal Awards

1. No material weaknesses relating to the audit of the major federal award programs are reported in the independent auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*.
2. The independent auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133* expresses an unqualified opinion.
3. There are no audit findings that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133*.
4. U.S. Department of Housing and Urban Development grants under CFDA #14.218 was tested as a major program.
6. Austin Area Urban League did qualify as a low risk auditee.

AUSTIN AREA URBAN LEAGUE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008

B. Federal Awards

7. Findings:

Current Year:

| | |
|--------------------|--|
| Reference #: | 2008-1 |
| Federal program: | CFDA 14.218 |
| Criteria: | The cash management requirements of this federal program require that grant funds be used within 30 days of receipt. |
| Condition: | At times during the year, AAUL was not able to pay contractors within 30 days of receipt of the funds. |
| Questioned costs: | None |
| Perspective/Cause: | This appears to be a systemic problem during the year due to cash flow difficulties. |
| Recommendations: | None |
| Management views: | Management agrees with the finding and, with Board approval, has established plans to cut down general expenses (including reducing personnel and restructuring the lease agreement) and increase unrestricted resources to enhance its cash flows position. |

Prior Year: None