

ANSTISS

CERTIFIED
PUBLIC
ACCOUNTANTS

United Teen Equality Center, Inc.

Financial Statements

June 30, 2010 and 2009

AUDIT, TAX & ADVISORY SERVICES
SINCE 1964

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

In accordance with your request, we have examined the financial statements of United Teen Equality Center, Inc. as of and for the years ending June 30, 2010 and 2009 and submit the following:

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-13

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of United Teen Equality Center, Inc. (a non-profit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated November 20, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 10 to the financial statements, the Organization determined that certain funds received during the year ended June 30, 2009 were reimbursements for expenditures incurred during the years ended June 30, 2008 and June 30, 2009, as well as an advance for expenditures to be incurred in subsequent periods. Accordingly, the financial statements have been restated to reflect these changes.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Teen Equality Center, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
May 23, 2011

United Teen Equality Center, Inc.
Statements of Financial Position
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash	\$ 682,822	\$ 131,907
Certificates of deposit	585,050	685,367
Accounts receivable	294,840	325,137
Prepaid expenses	4,166	6,365
Total current assets	<u>1,566,878</u>	<u>1,148,776</u>
Property and equipment - net (Note 4)	<u>1,691,429</u>	<u>1,120,100</u>
Total assets	<u><u>\$ 3,258,307</u></u>	<u><u>\$ 2,268,876</u></u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 343,630	\$ 44,805
Accrued expenses	89,638	144,362
Line of credit (Note 4)	49,500	49,500
Deferred revenue	108,580	108,580
Notes payable - current portion (Note 5)	-	10,706
Total current liabilities	<u>591,348</u>	<u>357,953</u>
Long-term liabilities		
Notes payable - long-term portion (Note 5)	-	306,465
Total liabilities	<u>591,348</u>	<u>664,418</u>
Net assets		
Unrestricted	1,610,293	760,030
Temporarily restricted (Note 7)	1,056,666	844,428
Total net assets	<u>2,666,959</u>	<u>1,604,458</u>
Total liabilities and net assets	<u><u>\$ 3,258,307</u></u>	<u><u>\$ 2,268,876</u></u>

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

United Teen Equality Center, Inc.
Statements of Activities
For the Years Ended June 30, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Support and revenues:				
Grants and contributions	\$ 197,167	\$ 614,782	\$ 811,949	\$ 764,380
Grants and contributions - building	-	1,089,895	1,089,895	44,052
Contract revenue (Note 8)	704,834	-	704,834	690,647
In-kind contributions (Note 9)	38,552	-	38,552	84,031
Special events	45,665	-	45,665	32,175
Interest income	8,376	-	8,376	17,719
Other income	25,487	-	25,487	7,547
Net assets released from restrictions	1,492,439	(1,492,439)	-	-
Total support and revenues	<u>2,512,520</u>	<u>212,238</u>	<u>2,724,758</u>	<u>1,640,551</u>
Expenses:				
Programs	1,286,428	-	1,286,428	1,231,874
General and administrative	261,887	-	261,887	221,972
Fundraising	113,942	-	113,942	154,285
Total expenses	<u>1,662,257</u>	<u>-</u>	<u>1,662,257</u>	<u>1,608,131</u>
Change in net assets	850,263	212,238	1,062,501	32,420
Net assets - beginning of year as previously stated	760,030	844,428	1,604,458	1,516,102
Prior period adjustment (Note 10)	-	-	-	55,936
Net assets - beginning of year as restated	<u>760,030</u>	<u>844,428</u>	<u>1,604,458</u>	<u>1,572,038</u>
Net assets - end of year	<u>\$ 1,610,293</u>	<u>\$ 1,056,666</u>	<u>\$ 2,666,959</u>	<u>\$ 1,604,458</u>

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

United Teen Equality Center, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2010 and 2009

	Programs	General and Administrative	Fundraising	2010 Total
Salaries, wages, taxes and benefits	\$ 913,972	\$ 138,936	\$ 97,382	\$ 1,150,290
Consultants	120,943	72,090	78	193,111
Other expenses	82,350	35,894	12,420	130,664
Supplies	55,036	10,950	3,185	69,171
Depreciation	49,957	962	481	51,400
Occupancy	46,776	868	135	47,779
Interest expense	17,394	2,187	261	19,842
Total expenses	<u>\$ 1,286,428</u>	<u>\$ 261,887</u>	<u>\$ 113,942</u>	<u>\$ 1,662,257</u>

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

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

United Teen Equality Center, Inc.
Statements of Cash Flows
June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 1,062,501	\$ 32,420
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	51,400	51,339
(Decrease) increase in accounts receivable	30,297	7,757
Decrease (increase) in prepaid expenses	2,199	(1,744)
Increase in accounts payable	298,825	3,708
(Decrease) increase in accrued expenses	(54,724)	43,058
Increase in deferred revenue	-	63,872
Net cash provided by operating activities	1,390,498	200,410
Cash flows from investing activities		
Purchase of certificates of deposit	-	(15,514)
Redemption of certificates of deposit	100,317	-
Acquisition of property and equipment	(622,729)	(173,434)
Net cash used by investing activities	(522,412)	(188,948)
Cash flows from financing activities		
Payments on long-term debt	(317,171)	(10,008)
Payments on line of credit	-	(891)
Net cash used by financing activities	(317,171)	(10,899)
 Net Increase in Cash and Cash Equivalents	 550,915	 563
Cash and Cash Equivalents at Beginning of Year	131,907	131,344
Cash and Cash Equivalents at End of Year	\$ 682,822	\$ 131,907
 Supplemental information:		
Cash paid during the year for:		
Interest	\$ 19,842	\$ 29,586
Income taxes	\$ -	\$ -

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

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 1 – Nature of Operations

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

Note 2 – Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with UTEK's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Use of Estimates

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

Codification

In June 2009, the Financial Accounting Standards Board (“FASB”) issued The FASB Accounting Standards Codification (“Codification” or “ASC 105-10”) and the Hierarchy of Generally Accepted Accounting Principles (“GAAP”). ASC 105-10 establishes the Codification as the sole source of authoritative accounting principles recognized by the FASB to be applied by all nongovernmental entities in the preparation of financial statements in conformity with GAAP. ASC 105-10 was prospectively effective for financial statements issued for fiscal years ending on or after September 15, 2009 and interim periods within those fiscal years. The adoption of ASC 105-10 on July 1, 2009 did not impact UTEK’s results of operations or financial condition. The Codification did not change GAAP, however, it did change the way GAAP is organized and presented. As a result, these changes impact how organizations reference GAAP in their financial statements and in their significant accounting policies. UTEK implemented the Codification in this report by providing references to the Codification topics alongside references to the corresponding standards.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 2 – Summary of Accounting Policies (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the ASC 958-205, “*Presentation of Financial Statements*” (formerly Statement of Financial Accounting Standards (“SFAS”) No. 117, “*Financial Statements of Not-For-Profit Organizations*”). Under ASC 958-205, UTEC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, UTEC is required to present a statement of cash flows.

Cash and Cash Equivalents

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

UTEC follows the provisions of ASC 820-10, “*Fair Value Measurements and Disclosures*” (formerly SFAS No. 157, “*Fair Value Measurements*”). ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

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

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

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 2 – Summary of Accounting Policies (continued)

Fair Value of Financial Instruments

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

ASC 825-10, “*Financial Instruments*” (formerly SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*”) permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis.

Property and Equipment

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

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

Classification of Net Assets

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that they be maintained permanently by UTEC. Generally, the donors of these assets permit UTEC to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2010, UTEC had no permanently restricted net assets.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 2 – Summary of Accounting Policies (continued)

Revenue Recognition

UTEC follows ASC 958-605, “*Revenue Recognition*” (formerly SFAS No. 116, “*Accounting for Contributions Received and Contributions Made*”). In accordance with ASC 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Donated Services

UTEC receives services from volunteers in various aspects of its operations. None of these services were recognized as revenue in accordance with ASC 958-605, “*Revenue Recognition*” (formerly SFAS No. 116, “*Accounting for Contributions Received and Contributions Made*”).

Expense Allocation

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

Income Taxes and Uncertain Tax Positions

UTEC has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements.

ASC 740-10, “*Income Taxes*” (formerly FASB Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes*”) requires UTEC to evaluate and disclose tax positions that could have an effect on UTEC’s financial statements. UTEC reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all of UTEC’s income, expenditures and activities relate to its exempt purpose, therefore, management has determined that UTEC is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt not-for-profit entity.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 3 – Accounts Receivable

Revenue is accounted for at established rates on the accrual basis, less allowances for contractual, charitable and other arrangements for services provided at less than established rates. UTEC's policy is to not accrue interest on trade receivables. UTEC records its accounts receivable at the outstanding principal amount less an allowance for doubtful accounts. On a periodic basis, UTEC evaluates its accounts receivable and establishes an allowance for doubtful accounts based on the history of past write-offs, collections and current credit conditions. As of June 30, 2010 and 2009, there was no allowance for doubtful accounts.

Note 4 – Property and Equipment

Fixed assets consisted of the following as of June 30, 2010 and 2009:

	2010	2009
Land	\$ 189,074	\$ 189,074
Building and improvements	1,001,182	897,794
Equipment	165,760	163,259
Furniture and fixtures	24,514	24,514
Vehicles	42,243	32,243
Construction in progress	506,840	
Total fixed assets	1,929,613	1,306,884
Less: accumulated depreciation	(238,184)	(186,784)
Total property and equipment - net	<u>\$ 1,691,429</u>	<u>\$ 1,120,100</u>

Depreciation expense relating to property and equipment for the years ended June 30, 2010 and 2009 was \$51,400 and \$51,339, respectively.

Note 5 – Line of Credit

UTEC has a \$150,000 line of credit at TD Banknorth. The interest rate applied to the outstanding principal balance was 5.25% as of June 30, 2010. The line is collateralized by substantially all of UTEC's assets. As of June 30, 2010 and 2009, the outstanding balance on the line was \$49,500 and \$49,500, respectively.

Note 6 – Notes Payable

UTEC had a mortgage payable on its building purchased in 2006. The mortgage allowed UTEC to borrow up to \$352,000, has an interest rate of 7.25%, and was payable in monthly installments of \$2,782 over five years, representing principal and interest based on a 20 year amortization. The loan was paid in full during the year ended June 30, 2010. The total outstanding principal balance on this mortgage was \$317,171 at June 30, 2009.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
To renovate UTEC's building	\$ 824,298	\$ 785,824
To expand UTEC's programming capacity	150,706	73,685
To support the Youth Organization Program	52,962	-
To support the Transitional Employment Program	22,826	-
To support the Open Schools Program	5,874	35,202
Total temporarily restricted net assets	<u>\$ 1,056,666</u>	<u>\$ 894,711</u>

Note 8 – Contract Revenue

Contract revenue is comprised of funding from the following sources:

	<u>2010</u>	<u>2009</u>
Massachusetts Service Alliance	\$ 240,588	\$ 144,757
City of Lowell	198,573	81,385
Department of Health and Human Services	107,937	108,709
Lowell Community Health Center	67,501	103,760
Executive Office of Public Safety and Security	54,897	68,389
Office of Juvenile Justice and Delinquency Prevention	17,361	80,867
Massachusetts Housing Finance Agency	10,900	-
Department of Transitional Assistance	7,077	-
Community Food Project	-	53,000
Commonwealth Corporation	-	49,780
Total contract revenue	<u>\$ 704,834</u>	<u>\$ 690,647</u>

UTECE receives funding from these contracts to assist in administrating its programs. These contracts are subject to possible audit by the appropriate agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of UTECE as of June 30, 2010 or on the change in its net assets for the year then ended.

Note 9 – In-Kind Contributions

UTECE receives in-kind services from two organizations which provide educational and maintenance staff. The estimated fair values have been recorded as in-kind contributions and an equal amount has been recorded as expenses. As of June 30, 2010 and 2009, the amounts recorded for in-kind services were \$38,552 and \$84,031, respectively.

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 10 – Prior Period Adjustments

During the year ended June 30, 2010, UTEC determined that funds received and recorded as revenue during the year ended June 30, 2009 in the amount of \$180,632 should have been recorded as reimbursements for expenditures incurred in the amounts of \$55,936 and \$16,116 during the years ended June 30, 2008 and 2009, respectively, with the remaining balance of \$108,580 to be deferred and applied to expenditures incurred in subsequent periods.

As of and for the year ended June 30, 2008, the following financial statement line items have been restated:

	As Previously Stated	Effect of 2008 Correction	Effect of 2009 Correction	As Restated
Statement of financial position:				
Accounts receivable	\$ 276,958	\$ 55,936	\$ -	\$ 332,894
Unrestricted net assets	\$ 727,742	\$ 55,936	\$ -	\$ 783,360
Statement of activities:				
Grants and contributions - building	\$ 282,500	\$ 55,936	\$ -	\$ 338,436
Net assets released from restrictions	\$ 564,145	\$ 55,936	\$ -	\$ 620,081
Change in net assets	\$ 236,002	\$ 55,936	\$ -	\$ 291,938

As of and for the year ended June 30, 2009, the following financial statement line items have been restated:

	As Previously Stated	Effect of 2008 Correction	Effect of 2009 Correction	As Restated
Statement of financial position:				
Deferred revenue	\$ -	\$ -	\$ 108,580	\$ 108,580
Unrestricted net assets	\$ 868,610	\$ 55,936	\$ (164,516)	\$ 760,030
Statement of activities:				
Grants and contributions - building	\$ 208,568	\$ -	\$ (164,516)	\$ 44,052
Net assets released from restrictions	\$ 708,417	\$ -	\$ (164,516)	\$ 543,901
Change in net assets	\$ 196,936	\$ -	\$ (164,516)	\$ 32,420

United Teen Equality Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Note 11 – Retirement Plan

UTEC maintains a qualified retirement plan under Internal Revenue Code Section 401(k) covering all employees meeting certain eligibility requirements. The plan allows for employees to contribute pre-tax income, as defined and limited by the Internal Revenue Code. UTEC may make discretionary contributions to the Plan as determined by the Board of Directors. No discretionary contributions were made in 2010 and 2009.

Note 12 – Related Party Transactions

During the year ended June 30, 2010, UTEC paid \$5,032 to a law firm where one of the members of the Board of Directors is a partner for legal services provided to UTEC. In addition, UTEC maintains a certificate of deposit with Enterprise Bank, which employs a member of UTEC's Board of Directors.

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

Note 13 – Subsequent Events

ASC 855-10, "*Subsequent Events*" (formerly SFAS No. 165, "*Subsequent Events*") defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, UTEC's management has evaluated events subsequent from June 30, 2010 through May 23, 2011, which is the date the financial statements were available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or UTEC's results going forward.