

NATIONAL URBAN LEAGUE, INC.

Financial Statements

For the Years Ended December 31, 2010 and 2009

With Report of Independent Auditors

NATIONAL URBAN LEAGUE, INC.
December 31, 2010 and 2009

TABLE OF CONTENTS

	<u>Page(s)</u>
REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statements of Financial Position as of December 31, 2010 and 2009	2
Statement of Activities for the Year Ended December 31, 2010	3
Statement of Activities for the Year Ended December 31, 2009	4
Statements of Cash Flows for the Years Ended December 31, 2010 and 2009	5
Statement of Functional Expenses for the Year Ended December 31, 2010	6
Statement of Functional Expenses for the Year Ended December 31, 2009	7
Notes to Financial Statements	8–31

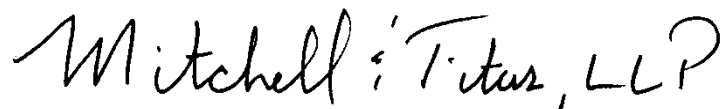
REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
National Urban League, Inc.

We have audited the accompanying statements of financial position of the National Urban League, Inc. (the League, or NUL) as of December 31, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of NUL's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of NUL's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NUL's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Urban League, Inc. as of December 31, 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.



May 31, 2011

NATIONAL URBAN LEAGUE, INC.

Statements of Financial Position
As of December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 7,876,876	\$ 9,989,778
Investments	19,201,709	17,604,657
Interest receivable	-	67,662
Grants and pledges receivable, net	12,761,683	10,337,068
Franchise fees receivable, net	663,909	647,748
Other receivables	4,671,079	3,058,773
Prepaid expenses and other assets	321,581	502,339
Property and equipment—net of accumulated depreciation/amortization	1,568,443	1,760,970
Total assets	\$ 47,065,280	\$ 43,968,995
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 3,849,718	\$ 3,105,819
Accrued payroll and vacation benefits	1,002,027	631,912
Accrued pension benefit costs	5,629,966	5,289,448
Accrued defined contribution costs	559,370	395,724
Deferred rent credit	383,259	443,377
Contract advances and other deposits	2,669,064	1,522,358
Total liabilities	14,093,404	11,388,638
<i>Net assets</i>		
Unrestricted—		
Undesignated	4,977,942	3,142,585
Pension related	(7,657,883)	(7,319,322)
Total unrestricted net assets	(2,679,941)	(4,176,737)
Temporarily restricted	15,629,752	16,735,029
Permanently restricted	20,022,065	20,022,065
Total net assets	32,971,876	32,580,357
Total liabilities and net assets	\$ 47,065,280	\$ 43,968,995

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

NATIONAL URBAN LEAGUE, INC.
Statement of Activities
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
<i>Revenue, gains, and other support</i>				
Government grants and contracts	\$ 19,886,746	\$ -	\$ -	\$ 19,886,746
Donated materials and services	6,662,193	-	-	6,662,193
Contributions	4,074,797	15,837,329	-	19,912,126
Legacies and bequests	47,987	-	-	47,987
Special events	2,162,707	-	-	2,162,707
Federated fundraising agencies	3,321	-	-	3,321
Program service fees	8,231,523	-	-	8,231,523
Franchise fees	981,000	-	-	981,000
Investment return designated for current operations	593,479	-	-	593,479
Sale of publications	72,202	-	-	72,202
Other	732,470	-	-	732,470
<i>Net assets released from restrictions</i>				
Satisfaction of restrictions	16,942,606	(16,942,606)	-	-
Total revenue, gains, and other support	<u>60,391,031</u>	<u>(1,105,277)</u>	<u>-</u>	<u>59,285,754</u>
<i>Operating expenses</i>				
<i>Program services</i>				
Economic empowerment	26,798,054	-	-	26,798,054
Education and youth empowerment	4,993,847	-	-	4,993,847
Civic engagement and leadership empowerment	7,327,048	-	-	7,327,048
Centennial Celebration	8,875,883	-	-	8,875,883
Technical assistance to affiliates	1,855,053	-	-	1,855,053
Health and quality of life empowerment	2,375,181	-	-	2,375,181
Civil rights and racial justice empowerment	287,666	-	-	287,666
Total program services	52,512,732	-	-	52,512,732
<i>Supporting services</i>				
Management and general	4,484,735	-	-	4,484,735
Fundraising	3,258,168	-	-	3,258,168
Total expenses	<u>60,255,635</u>	<u>-</u>	<u>-</u>	<u>60,255,635</u>
Changes in net assets from operations	<u>135,396</u>	<u>(1,105,277)</u>	<u>-</u>	<u>(969,881)</u>
NON-OPERATING ACTIVITIES				
Investment return net of amount designated for current operations	1,699,961	-	-	1,699,961
Pension-related changes other than net periodic pension credit	(338,561)	-	-	(338,561)
Total non-operating activities	<u>1,361,400</u>	<u>-</u>	<u>-</u>	<u>1,361,400</u>
Changes in net assets	1,496,796	(1,105,277)	-	391,519
Net assets, beginning of year	<u>(4,176,737)</u>	<u>16,735,029</u>	<u>20,022,065</u>	<u>32,580,357</u>
Net assets, end of year	<u>\$ (2,679,941)</u>	<u>\$ 15,629,752</u>	<u>\$ 20,022,065</u>	<u>\$ 32,971,876</u>

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

NATIONAL URBAN LEAGUE, INC.

Statement of Activities

For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
<i>Revenue, gains, and other support</i>				
Government grants and contracts	\$ 17,008,890	\$ -	\$ -	\$ 17,008,890
Donated materials and services	2,946,511	-	-	2,946,511
Contributions	4,035,050	14,032,458	57,000	18,124,508
Legacies and bequests	184,049	-	-	184,049
Special events	1,966,850	-	-	1,966,850
Federated fundraising agencies	3,468	-	-	3,468
Program service fees	5,382,576	-	-	5,382,576
Franchise fees	1,000,000	-	-	1,000,000
Investment return designated for current operations	563,427	-	4,000	567,427
Sale of publications	102,538	-	-	102,538
Other	574,545	-	-	574,545
<i>Net assets released from restrictions</i>				
Satisfaction of restrictions	15,548,804	(15,598,429)	49,625	-
Total revenue, gains, and other support	<u>49,316,708</u>	<u>(1,565,971)</u>	<u>110,625</u>	<u>47,861,362</u>
<i>Operating expenses</i>				
<i>Program services</i>				
Economic empowerment	24,067,192	-	-	24,067,192
Education and youth empowerment	3,813,818	-	-	3,813,818
Civic engagement and leadership empowermen	7,574,065	-	-	7,574,065
Centennial Celebration	966,181	-	-	966,181
Technical assistance to affiliates	1,881,874	-	-	1,881,874
Health and quality of life empowerment	2,441,477	-	-	2,441,477
Civil rights and racial justice empowerment	251,968	-	-	251,968
Total program services	40,996,575	-	-	40,996,575
<i>Supporting services</i>				
Management and general	4,897,022	-	-	4,897,022
Fundraising	3,385,858	-	-	3,385,858
Total expenses	<u>49,279,455</u>	<u>-</u>	<u>-</u>	<u>49,279,455</u>
Change in net assets from operations	37,253	(1,565,971)	110,625	(1,418,093)
NON-OPERATING ACTIVITIES				
Investment return net of amount designated for current operations	2,315,153	-	-	2,315,153
Pension-related changes other than net periodic pension cost	512,748	-	-	512,748
Total non-operating activities	<u>2,827,901</u>	<u>-</u>	<u>-</u>	<u>2,827,901</u>
Change in net assets	2,865,154	(1,565,971)	110,625	1,409,808
Net assets, beginning of year	<u>(7,041,891)</u>	<u>18,301,000</u>	<u>19,911,440</u>	<u>31,170,549</u>
Net assets, end of year	<u>\$ (4,176,737)</u>	<u>\$ 16,735,029</u>	<u>\$ 20,022,065</u>	<u>\$ 32,580,357</u>

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

NATIONAL URBAN LEAGUE, INC.
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING ACTIVITIES		
Change in net assets	\$ 391,519	\$ 1,409,808
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Pension-related changes other than net periodic pension costs (credit)	338,561	(512,748)
Depreciation and amortization	396,575	363,138
Amortization of deferred rent credit	(60,118)	(60,119)
Gain on sale of automobile	(10,700)	-
Loss on sale of other fixed assets	9,210	-
Realized (gain) loss on sale of investments	(764,385)	56,214
Bad debt written off	47,063	90,616
Provision for doubtful receivables	4,500	55,354
Unrealized appreciation of investments	(1,147,156)	(2,452,051)
Contributions for long-term investment	-	(57,000)
<i>Changes in operating assets and liabilities</i>		
Decrease / (increase) in interest receivable	67,662	(15,516)
Increase in grants and pledges receivable	(2,424,615)	(3,013,992)
Increase in franchise fees receivable	(16,161)	(164,058)
Increase in other receivables	(1,663,869)	(1,313,060)
Decrease / (increase) in prepaid expenses and other assets	180,758	(19,199)
Increase in accounts payable and accrued expenses	743,899	816,320
Increase / (decrease) in accrued payroll and vacation benefits	370,115	(133,682)
Increase in accrued pension benefit cost	1,957	852,801
Increase in accrued defined contribution costs	163,646	89,904
Increase / (decrease) in contract advances and other deposits	1,146,706	(472,480)
Net cash used in operating activities	(2,224,833)	(4,479,750)
INVESTING ACTIVITIES		
Purchases of fixed assets	(222,558)	(392,816)
Disposal of automobile	20,000	-
Purchases of investments	(761,101)	(40,325)
Proceeds from sale of investment	1,075,590	-
Net cash provided by (used in) investing activities	111,931	(433,141)
FINANCING ACTIVITIES		
Contributions for long-term investments	-	57,000
Net decrease in cash and cash equivalents	(2,112,902)	(4,855,891)
Cash and cash equivalents, beginning of year	9,989,778	14,845,669
Cash and cash equivalents, end of year	\$ 7,876,876	\$ 9,989,778

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

NATIONAL URBAN LEAGUE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program Services</u>							<u>Supporting Services</u>			
	<u>Economic Empowerment</u>	<u>Education and Youth Empowerment</u>	<u>Civic Engagement and Leadership Empowerment</u>	<u>Centennial Celebration</u>	<u>Technical Assistance to Affiliates</u>	<u>Health and Quality of Life Empowerment</u>	<u>Civil Rights and Racial Justice Empowerment</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,638,805	\$ 1,156,788	\$ 1,715,616	\$ 897,182	\$ 743,315	\$ 269,221	\$ 100,839	\$ 6,521,766	\$ 2,049,732	\$ 1,013,761	\$ 9,585,259
Payroll taxes and related benefits	586,710	416,008	609,388	331,666	266,019	96,092	36,216	2,342,099	725,918	358,313	3,426,330
Subcontract payments	20,122,765	1,254,875	30,000	-	-	391,307	-	21,798,947	-	-	21,798,947
Donated materials and services	1,958,884	184,429	-	3,218,880	-	1,300,000	-	6,662,193	-	50,000	6,712,193
Professional contract services	1,205,564	763,712	2,436,882	3,781,036	184,725	155,714	59,228	8,586,861	395,934	1,067,496	10,050,291
Supplies	43,719	68,660	227,116	55,435	19,615	7,565	2,608	424,718	47,276	21,355	493,349
Telephone and telegraph	33,367	23,653	41,876	15,759	21,626	6,929	4,465	147,675	66,832	19,746	234,253
Occupancy	309,881	219,722	321,859	175,175	140,581	50,753	19,128	1,237,099	387,718	189,256	1,814,073
Commercial insurance	19,693	13,963	20,455	11,132	8,929	3,225	1,216	78,613	24,640	12,019	115,272
Postage and shipping	31,330	24,690	55,864	19,225	13,725	2,721	1,424	148,979	22,587	30,583	202,149
Printing, duplication, and artwork	15,153	28,446	277,886	13,736	16,132	894	433	352,680	16,342	55,495	424,517
Travel, conferences, and conventions	453,391	641,220	1,234,492	185,525	332,739	51,429	39,826	2,938,622	276,709	268,054	3,483,385
Subscription and publication	9,635	5,277	69,847	5,565	2,695	1,861	1,593	96,473	16,501	41,355	154,329
Furniture and equipment	85,052	59,942	97,910	47,229	39,346	14,386	5,859	349,724	115,817	51,023	516,564
Award and grant	12	24,774	6,854	-	6,012	12	12	37,676	2,632	3,621	43,929
Bad debts	-	-	-	-	-	-	-	-	47,063	-	47,063
Miscellaneous	216,347	59,652	110,638	80,041	28,877	11,976	10,637	518,168	203,328	35,661	757,157
Depreciation and amortization	67,746	48,036	70,365	38,297	30,717	11,096	4,182	270,439	85,706	40,430	396,575
Total expenses	<u>\$ 26,798,054</u>	<u>\$ 4,993,847</u>	<u>\$ 7,327,048</u>	<u>\$ 8,875,883</u>	<u>\$ 1,855,053</u>	<u>\$ 2,375,181</u>	<u>\$ 287,666</u>	<u>\$ 52,512,732</u>	<u>\$ 4,484,735</u>	<u>\$ 3,258,168</u>	<u>\$ 60,255,635</u>

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

NATIONAL URBAN LEAGUE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2009

	<u>Program Services</u>							<u>Supporting Services</u>			
	<u>Economic Empowerment</u>	<u>Education and Youth Empowerment</u>	<u>Civic Engagement and Leadership Empowerment</u>	<u>Centennial Celebration</u>	<u>Technical Assistance to Affiliates</u>	<u>Health and Quality of Life Empowerment</u>	<u>Civil Rights and Racial Justice Empowerment</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,696,544	\$ 862,167	\$ 1,792,685	\$ 241,802	\$ 663,872	\$ 262,620	\$ 84,339	\$ 5,604,029	\$ 2,158,453	\$ 1,015,840	\$ 8,778,322
Payroll taxes and related benefits	653,386	332,045	688,832	94,715	255,681	101,143	32,482	2,158,284	834,106	391,232	3,383,622
Subcontract payments	17,180,081	880,638	306,300	-	-	337,000	-	18,704,019	-	-	18,704,019
Donated materials and services	1,396,332	201,179	49,000	-	-	1,300,000	-	2,946,511	-	25,000	2,971,511
Professional contract services	1,579,093	435,689	2,195,422	400,874	437,175	232,660	43,935	5,324,848	494,352	1,150,578	6,969,778
Supplies	39,018	35,484	101,847	96,909	28,762	16,663	1,666	320,349	78,323	18,737	417,409
Telephone and telegraph	37,366	28,024	57,417	5,629	21,965	7,769	4,904	163,074	75,981	24,881	263,936
Occupancy	371,407	188,746	392,020	53,375	145,338	57,493	18,464	1,226,843	472,537	227,392	1,926,772
Commercial insurance	22,979	11,678	24,271	3,286	8,992	3,557	1,142	75,905	29,237	13,759	118,901
Postage and shipping	16,889	11,779	72,705	3,746	7,279	3,513	957	116,868	41,655	49,718	208,241
Printing, duplication, and artwork	98,433	5,224	206,921	470	4,962	598	204	316,812	4,776	18,932	340,520
Travel, conferences, and conventions	609,669	673,780	1,290,332	33,760	182,502	79,723	45,064	2,914,830	353,433	287,018	3,555,281
Subscription and publication	13,785	14,003	95,760	4,669	6,089	3,542	2,544	140,392	29,990	39,890	210,272
Furniture and equipment	73,506	54,231	108,525	8,857	31,935	11,236	4,001	292,291	83,321	46,607	422,219
Award and grant	238	36,659	9,999	-	6,100	100	100	53,196	5,185	2,320	60,701
Bad debts	-	-	-	-	-	-	-	-	35,262	-	35,262
Miscellaneous	208,285	6,827	107,965	7,991	53,759	12,996	8,677	406,500	111,117	31,934	549,551
Depreciation and amortization	70,181	35,665	74,064	10,098	27,463	10,864	3,489	231,824	89,294	42,020	363,138
Total expenses	<u>\$24,067,192</u>	<u>\$ 3,813,818</u>	<u>\$ 7,574,065</u>	<u>\$ 966,181</u>	<u>\$ 1,881,874</u>	<u>\$ 2,441,477</u>	<u>\$ 251,968</u>	<u>\$40,996,575</u>	<u>\$ 4,897,022</u>	<u>\$ 3,385,858</u>	<u>\$49,279,455</u>

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

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 1 ORGANIZATION

The National Urban League, Inc. (the League, or NUL) is a non-profit organization incorporated in the State of New York in 1910. The League is substantially funded through grants and contracts awarded by government agencies, foundations, and corporations.

The League is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in code Sections 509(a) (1) and 170(b) (A) (VI).

The Urban League is a non-partisan, civil rights, and community-based movement that serves over two million people each year, providing direct services, research, and policy advocacy to assist individuals and communities reach their fullest potential. Primarily working with African-Americans and other emerging ethnic communities, the League's network of nearly 100 professionally staffed affiliates in 36 states and the District of Columbia across the nation works to close equality gaps for people at all economic levels and stages of life, enabling citizens a chance to give back as volunteers. In pursuit of its mission—helping African Americans to secure economic self-reliance, parity, empowerment, and civil rights—the League's five-point approach to empowerment consists of:

Economic Empowerment invests in the financial literacy and employability of adults through job training, homeownership counseling, and entrepreneurship support.

Education and Youth Development ensures the education of all children by providing access to early childhood literacy, after-school programs, and college preparation.

Civic Engagement and Leadership Empowerment encourages all people to take an active role to improve quality of life through participation in community service projects and public policy initiatives.

Health and Quality of Life Empowerment promotes community wellness through a focus on prevention, including fitness, healthy eating, and access to affordable healthcare.

Civil Rights and Racial Justice Empowerment guarantees equal participation in all facets of American society through proactive public policies and community-based programs.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 1 ORGANIZATION *(continued)*

National Urban League Affiliates offer services in 36 states and the District of Columbia to over 350 communities across the country. These professionally staffed offices are where NUL's services are fulfilled: where people and their neighborhoods grow, change, and are strengthened. The League's Affiliate Services Department goal is to provide information and training to affiliate CEOs, boards, staff, and volunteers to increase their understanding of the League's mission, and to enhance their professional skills and effectiveness.

Centennial Celebration – see Note 15.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statement presentation conforms to accounting principles generally accepted in the United States for non-profit organizations, which requires NUL to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, as defined below.

Unrestricted net assets: not subject to donor-imposed restrictions. Unrestricted net assets include General Operations and Board-designated amounts. The latter has been designated for specific purposes by actions on behalf of the Board of Trustees.

Temporarily restricted net assets: subject to donor-imposed stipulations that may be fulfilled by an action of the League to satisfy the stipulations or become unrestricted at the date specified by the donor.

Permanently restricted net assets: subject to donor-imposed stipulations that require the assets to be maintained by the League in perpetuity. The donors of the assets generally permit the League to use all or part of the investment returns on these assets.

Cash and Cash Equivalents

For purposes of financial statement presentation, the League considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash equivalents at December 31, 2010 and 2009, were \$7,176,200 and \$5,063,683, respectively, and consist of money market funds and U.S. Treasury bills.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents (continued)

The League maintains cash and cash equivalent balances in financial institutions, which from time to time exceed the Federal Depository Insurance Corporation limit and subject the League to concentration of credit risk. However, the League monitors this risk on a regular basis.

Investments

Investments are carried at the fair value of the securities. The League records investments at fair value based on the quoted market price of the underlying securities. Realized gains and losses and unrealized depreciation and appreciation are included in the statement of activities as increases or decreases in the unrestricted class of net assets, unless donor or relevant laws place temporary or permanent restrictions on these gains and losses. For purposes of determining the gain or loss on sale, the cost of securities sold is based on the average costs of all shares of those securities sold.

The investments noted as mutual funds (see Note 3) are valued at net asset value (NAV), and are calculated as (assets-liabilities)/outstanding units.

The Board of Trustees has adopted a “spending formula,” whereby a specified percentage of the rolling average balance of its long-term reserves is used to support current operations. All investment income over this amount is retained to support operations of future years and to offset potential market declines.

The League targets the portfolio for its endowment (long-term investment) to be a 60/40 ratio between equities and fixed income.

Companies are required to classify and disclose the fair value of financial instruments according to a fair value hierarchy, which ranks the quality and reliability of the information used to determine fair values. The three levels of fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3: Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

A review of fair value hierarchy classifications is conducted annually and changes in the observability of valuation inputs may necessitate a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

For those investments that are valued at NAV, they should be classified at Level 2 or Level 3 depending on the investee's ability to redeem those investments at NAV as of that given year end.

The League has the ability to redeem those investments at NAV as of the respective year end.

Pledges Receivable

Pledges receivable generally consists of unconditional promises received from donors. Contributions to be collected or paid after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management determines the allowance for uncollectible accounts based on its estimate of realization of the underlying contributions receivable. Individual pledges are written off when deemed uncollectible. Prior to fiscal year 2010, contributions receivable were recorded at their estimated net realizable values. Beginning in fiscal year 2010, pledges receivable are recorded at their fair values when received. Fair values are measured based on the present value of future cash flows, with consideration of expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also include consideration of donors' credit risk.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and Equipment

Furniture and fixtures, equipment, and leasehold improvements are stated at cost, less accumulated depreciation or amortization computed by the straight-line method over the lease term or the following useful lives:

	<u>Years</u>
Leasehold improvements	10–20
Furniture and fixtures	10
Equipment	3–7
Software	5–7
Automobiles	5

The League capitalizes all expenditures for property and equipment in excess of \$1,000. Donated property and equipment are recorded at their estimated fair value on the date of donation in accordance with the League's capitalization policies.

Operating Lease

NUL occupies its space facilities under an operating lease agreement. Rent waivers are accounted for as deferred rent credits that are amortized against lease payments on a straight-line basis over the life of the lease.

Pension Costs

The League is required to disclose the over-funded or under-funded status of its defined benefits plan as an asset or liability in its statement of financial position, and also to recognize changes in unrestricted net assets, as non-operating activity, in the year that the changes occur. As of December 31, 2010 and 2009, the under-funded status of the plan is a deficit of the fair value of plan assets over the projected benefit obligation, amounting to \$5,629,966 and \$5,289,448, respectively.

Revenue Recognition

Contributions

Unconditional contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the nature of any donor restrictions. When a 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.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition (continued)

Government Grants

Federal, state, and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific grant terms. The unexpended funds are reported as contract advances.

Program Service Fees

Program service fees are recorded as earned income that is generated from different conference activities that occur during the year.

Franchise Fees

Franchise fees are recorded as earned annual fees when billed and are based on the budget size of each affiliate.

Donated Materials and Services

Donated materials and services are reflected as contributions in the accompanying financial statements at their fair value at the date of receipt.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited and are determined by management in accordance with grant provisions or other equitable bases.

Measure of Operations

The League uses a “change in net assets from operations” as the measure of net assets that are available to support services in future periods. Measuring of operations excludes gains or losses on sales of fixed assets, and the results of the League’s endowment spending policy (both positive and negative).

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

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

Income Taxes

The League is exempt from federal income taxes under Section 509(a)(1) and classified as a section 501(c)(3) of the IRC. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

Management believes that the League has not taken any uncertain tax positions that should be accounted for in the accompanying financial statements.

Reclassifications

Certain items in the 2009 financial statements have been reclassified to conform to the 2010 financial statement presentation.

NOTE 3 INVESTMENTS

Investments held by the League at December 31 consisted of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate stocks	\$ 3,061,993	\$ 3,579,829	\$ 3,053,137	\$ 3,409,034
Government agency bonds	-	-	3,189,581	3,198,342
Asset-backed securities	-	-	2,786,715	3,087,215
U.S. corporate bonds	-	-	1,383,379	1,395,300
Mutual funds	497,542	880,319	900,454	691,825
Hedge funds	<u>14,141,626</u>	<u>14,741,561</u>	<u>5,937,999</u>	<u>5,822,941</u>
Total investments	<u>\$ 17,701,161</u>	<u>\$ 19,201,709</u>	<u>\$ 17,251,265</u>	<u>\$ 17,604,657</u>

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 3 INVESTMENTS *(continued)*

Fair Value Measurement and Levels

Fair values are determined using quoted market prices and broker quotes.

The following tables set forth, by level within the fair value hierarchy, investment assets and liabilities as of December 31, 2010 and 2009:

	Fair Value—2010			Total
	Level 1	Level 2	Level 3	
<i>Cash and cash equivalents</i>				
Interest-bearing cash deposits	\$ 6,401,386	\$ -	\$ -	\$ 6,401,386
Money market	774,814	-	-	774,814
	<u>\$ 7,176,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,176,200</u>
<i>Investments</i>				
<i>Equity securities</i>				
Consumer discretionary	\$ 171,448	\$ -	\$ -	\$ 171,448
Consumer staples	327,818	-	-	327,818
Energy	271,490	-	-	271,490
Financials	502,140	-	-	502,140
Health care	428,951	-	-	428,951
Industrials	247,032	-	-	247,032
Information technology	1,173,798	-	-	1,173,798
Materials	302,587	-	-	302,587
Telecommunications services	88,140	-	-	88,140
Other	66,425	-	-	66,425
Mutual fund—international equity	880,319	-	-	880,319
<i>Hedge funds</i>				
Small cap	-	631,355	-	631,355
Large cap	-	3,248,365	-	3,248,365
Fixed income	-	2,308,764	-	2,308,764
Offshore funds	-	-	8,553,077	8,553,077
	<u>\$ 4,460,148</u>	<u>\$ 6,188,484</u>	<u>\$ 8,553,077</u>	<u>\$ 19,201,709</u>

	Fair Value—2009			Total
	Level 1	Level 2	Level 3	
Corporate stocks	\$ 3,409,034	\$ -	\$ -	\$ 3,409,034
U.S. Government and agency bonds	3,198,342	-	-	3,198,342
Asset-backed securities	2,801,627	285,588	-	3,087,215
U.S. corporate bonds	1,395,300	-	-	1,395,300
Mutual funds	691,825	-	-	691,825
Hedge funds	-	5,822,941	-	5,822,941
Total	<u>\$ 11,496,128</u>	<u>\$ 6,108,529</u>	<u>\$ -</u>	<u>\$ 17,604,657</u>

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 3 INVESTMENTS *(continued)*

Fair Value Measurement and Levels (continued)

The changes in investments that used Level 3 inputs to determine fair value are as follows:

Balance, January 1, 2010	\$ -
Purchase of investment securities	<u>8,553,077</u>
Balance, December 31, 2010	<u><u>\$ 8,553,077</u></u>

The following schedule summarizes the investment return and its classification in the statement of activities:

	2010	2009
Dividends and interest	\$ 381,899	\$ 486,743
Net realized gains/(losses)	764,385	(56,214)
Unrealized appreciation	<u>1,147,156</u>	<u>2,452,051</u>
Total investment return	<u><u>\$ 2,293,440</u></u>	<u><u>\$ 2,882,580</u></u>

Under the League's endowment spending policy in 2010 and 2009, 3.5% and 3%, respectively, of the 12-month rolling average fair value of its long-term reserves was appropriated to support current operations. The following schedule summarizes the classification of the investment return in the statement of activities in accordance with this policy.

	2010	2009
(Loss) Gains on non-long-term reserves Board-designated for current operations from prior-year earnings	\$ (21,607)	\$ 52,693
	<u>615,086</u>	<u>514,734</u>
Total designated for current operations	<u>593,479</u>	<u>567,427</u>
Investment return on long-term reserves Board-designated for current operations from prior year earnings	2,315,047	2,829,887
	<u>(615,086)</u>	<u>(514,734)</u>
Non-operating investment return	<u>1,699,961</u>	<u>2,315,153</u>
Total investment return	<u><u>\$ 2,293,440</u></u>	<u><u>\$ 2,882,580</u></u>

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 4 GRANTS AND PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using an appropriate discount rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Grants and pledges receivable at December 31 are comprised of the following:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 10,900,108	\$ 8,905,087
One to five years	<u>1,950,000</u>	<u>1,500,000</u>
	12,850,108	10,405,087
<i>Less: Fair value discount</i>	<u>(88,425)</u>	<u>(68,019)</u>
Total	<u>\$ 12,761,683</u>	<u>\$ 10,337,068</u>

Discount rates used to determine the value of the pledges were 4.75% at December 31, 2010 and 2009.

NOTE 5 FRANCHISE FEES RECEIVABLE

The League has agreements with several of its affiliates for the payment of fees in arrears. The agreements provide for installment payments over periods varying from one to five years.

	<u>2010</u>	<u>2009</u>
Gross franchise fees receivable	\$ 1,154,055	\$ 1,142,395
<i>Less: Allowance for doubtful amounts</i>	<u>(490,146)</u>	<u>(494,647)</u>
Net franchise fees receivable	<u>\$ 663,909</u>	<u>\$ 647,748</u>

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 6 PROPERTY AND EQUIPMENT

At December 31, 2010 and 2009, property, equipment, and leasehold improvements consisted of the following:

	2010		
	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Leasehold improvements	\$ 2,383,569	\$ 1,480,351	\$ 903,218
Furniture and fixtures	1,210,097	971,391	238,706
Equipment	1,052,754	841,344	211,410
Software	<u>740,919</u>	<u>525,810</u>	<u>215,109</u>
Total	<u>\$ 5,387,339</u>	<u>\$ 3,818,896</u>	<u>\$ 1,568,443</u>

	2009		
	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Leasehold improvements	\$ 2,423,267	\$ 1,348,424	\$ 1,074,843
Furniture and fixtures	1,285,172	1,071,593	213,579
Equipment	1,941,170	1,743,505	197,665
Software	963,359	707,076	256,283
Automobile	<u>46,500</u>	<u>27,900</u>	<u>18,600</u>
Total	<u>\$ 6,659,468</u>	<u>\$ 4,898,498</u>	<u>\$ 1,760,970</u>

Depreciation and amortization expenses for 2010 and 2009 were \$396,575 and \$363,138, respectively.

During 2010, the League established a process to ensure the completeness of its fixed assets. For those non-automobile items that were determined to be disposed, they were removed with an insignificant book value of \$9,210.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 7 ACCRUED PENSION BENEFITS

The League sponsors a non-contributory defined contribution plan and a defined benefit plan covering substantially all of its employees. The defined benefit plan was frozen to new entrants in 2002.

Contributions to the defined contribution plan are based on employees' annual compensation; the expense for 2010 and 2009 was \$559,370 and \$395,126, respectively; the accrued defined contribution costs balances are \$559,370 and \$395,126 as of December 31, 2010 and 2009, respectively.

The defined benefit plan provides benefits based on a participants' earnings and years of service. Net periodic pension costs are determined using the projected unit credit method in accordance with the provisions of financial accounting standards.

The following tables provide a reconciliation of benefit obligations, plan assets, and funded status of the plan.

	<u>2010</u>	<u>2009</u>
<i>Change in benefit obligation</i>		
Benefit obligation at beginning of year	\$ 18,319,478	\$ 17,086,635
Service cost	89,398	93,149
Interest cost	1,019,846	1,098,779
Actuarial (gain) loss	1,153,886	1,852,772
Impact of curtailment	-	(616,937)
Benefit payments and settlements	(1,171,828)	(1,194,920)
Benefit obligation at end of year	<u>\$ 19,410,780</u>	<u>\$ 18,319,478</u>
<i>Change in plan assets</i>		
Fair value of plan assets at beginning of year	\$ 13,030,030	\$ 12,137,240
Actual return on plan assets (net of expenses)	1,031,612	1,787,710
Employer contributions	891,000	300,000
Benefit payments and settlements	(1,171,828)	(1,194,920)
Fair value of plan assets at end of year	<u>\$ 13,780,814</u>	<u>\$ 13,030,030</u>
Funded status	<u>\$ (5,629,966)</u>	<u>\$ (5,289,448)</u>

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

The curtailment is due to the freezing of plan accruals for all highly compensated employees, effective December 31, 2010.

	2010	2009
Reconciliation of funded status		
Funded status	\$ 5,629,966	\$ 5,289,448
Prior service cost	(3,470)	(5,249)
Actuarial (loss)	(7,654,413)	(7,314,073)
Accrued benefit cost (gain)	\$ (2,027,917)	\$ (2,029,874)
	2010	2009
Amounts recognized in the statements of financial position as of December 31,		
Accrued benefit gain	\$ 2,027,917	\$ 2,029,874
Pension related	(7,319,322)	(7,832,070)
Pension-related changes other than net periodic pension (costs) credit	(338,561)	512,748
Accrued pension benefit costs	\$ (5,629,966)	\$ (5,289,448)

An employer is required to recognize the funded status of a benefit plan in its statement of financial position. In addition, the gains or losses and prior service costs or credits that arise during the period, but are not recognized as components of net periodic benefit cost, must be recognized. Additional information about certain effects on net periodic benefit cost for the next fiscal year arising from the delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations must be disclosed in the notes to the financial statements.

In addition, the League's statement of financial position as of December 31, 2010, required an additional liability associated with the defined benefit plan of (\$338,561) (actuarial gains or losses and prior service costs or credits that arise during 2010 but are not recognized as components of net periodic benefit cost). This increase in liability was reflected as an increase in the accrued pension cost and a corresponding decrease in unrestricted net assets.

The League's statement of financial position as of December 31, 2009, required an additional credit toward its liability associated with the defined benefit plan of \$512,748 (actuarial gains or losses and prior service costs or credits that arise during 2009 but are not recognized as components of net periodic benefit cost). This decrease in liability was reflected as a decrease in the accrued pension cost and a corresponding increase in unrestricted net assets.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

The accumulated benefit obligation for the defined benefit pension plan was \$18,753,147 and \$17,587,494 at December 31, 2010 and 2009, respectively.

	<u>2010</u>	<u>2009</u>
Components of net periodic benefit cost		
Service cost	\$ 89,398	\$ 93,149
Interest cost	1,019,846	1,098,779
Expected return on plan assets	(770,671)	(673,352)
Impact of curtailment	-	1,273
Amortization of prior service cost	1,779	1,779
Amortization of net actuarial loss	552,604	631,174
Net periodic benefit cost	<u>\$ 892,956</u>	<u>\$ 1,152,802</u>

Weighted-average assumptions used to determine benefit obligations as of December 31,

	<u>2010</u>	<u>2009</u>
<i>Additional information</i>		
Discount rate	5.20%	5.75%
Rate of compensation increase	3.00%	3.00%

Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31,

	<u>2010</u>	<u>2009</u>
Discount rate	5.75%	6.63%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	3.00%	3.00%

The League based its expected return on plan assets on a building-block approach, determining risk-free asset return assumptions, and applying a weighted-average methodology to the proportion of plan assets in each applicable asset class.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 7 ACCRUED PENSION BENEFITS *(continued)*

Plan Assets

The League's pension plan weighted-average asset allocations at December 31, 2010 and 2009, by asset category, are as follows:

Asset category	<u>2010</u>	<u>2009</u>
Equity securities	46%	44%
Debt securities	38	39
Insurance contracts	14	15
Other	<u>2</u>	<u>2</u>
Total	<u>100%</u>	<u>100%</u>

Cash Flows

Pension Contributions—The League expects to contribute approximately \$800,000 to its pension plan in 2011.

Estimated Future Pension Benefit Payments—The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2011	\$ 1,262,323
2012	1,306,768
2013	1,390,455
2014	1,439,578
2015	1,490,055
2016–2018	7,305,306

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 7 ACCRUED PENSION BENEFITS (continued)

The following table provides the fair value hierarchy of the Plan's assets as of December 31, 2010:

	Fair Value-2010			Total
	Level 1	Level 2	Level 3	
<i>Investments</i>				
Commingled separate account funds	\$ -	\$ 11,882,917	\$ -	\$ 11,882,917
Group pension contracts—				
Insurance contracts	-	-	1,897,897	1,897,897
	<u>\$ -</u>	<u>\$ 11,882,917</u>	<u>\$ 1,897,897</u>	<u>\$ 13,780,814</u>

The following table sets forth a summary of changes in value of the Plan's Level 3 investment for the year ended December 31, 2010:

Group pension contracts

Balance, December 31, 2009	\$ 2,070,367
Investment income	57,124
Payments and settlements	<u>(229,594)</u>
Balance, December 31, 2010	<u>\$ 1,897,897</u>

NOTE 8 DONATED SERVICES AND MATERIALS

NUL received total donated materials and services valued at \$6,662,193 and \$2,946,511 in 2010 and 2009, respectively. Included in the donated material and services, NUL received \$1,300,000 in donated services and material for the Health Tour that occurred in 2010 and 2009, respectively; \$3,218,880 in donated services and material for its Centennial celebration; and, \$1,958,884 and \$1,391,332 in donated services and materials provided from affiliates for 2010 and 2009, respectively.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 9 SPECIAL EVENTS

The League sponsored two special events: 1) A Benefit Concert in July 2010, and 2) The Equal Opportunity Day Dinner in November 2010.

At December 31, total revenue and expenses related to the events were as follows:

	<u>2010</u>	<u>2009</u>
Special event—revenues (gross)	\$ 2,162,707	\$ 1,966,850
Special event—expenses (gross)	<u>789,756</u>	<u>542,499</u>
Net special event revenue	<u>\$ 1,372,951</u>	<u>\$ 1,424,351</u>

Special events revenue and expenses are shown on the statement of activities as gross amounts.

NOTE 10 COMMITMENTS AND CONTINGENT ASSETS

Operating Lease

NUL leases its office space under a 20-year lease agreement expiring in 2017, which provided for waivers of rent payments from April 15, 1997, to September 30, 1998. The balance of \$383,258 and \$443,377 in deferred rent credits represents the unamortized balance of the rent waivers as of December 31, 2010 and 2009, respectively. Future base rentals, excluding rent escalations, under the lease are as follows:

	<u>Amount</u>
2011	\$ 1,104,436
2012	1,201,572
2013	1,298,708
2014	1,298,708
2015	1,298,708
Thereafter	<u>1,948,064</u>
Total	<u>\$ 8,150,196</u>

The rental expense for the years ended December 31, 2010 and 2009 was \$1,288,091 and \$1,375,179, respectively.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 10 **COMMITMENTS AND CONTINGENT ASSETS** *(continued)*

New Markets Tax Credit

In 2006, a joint venture was created between Stonehenge Community Development, LLC, NUL, and the Urban Leagues of Atlanta, Cincinnati, Cleveland, and Jacksonville.

The purposes of the joint venture were, among other things, to qualify and operate as a qualified active business serving low-income communities; to provide financial counseling and other services through economic empowerment centers and other vehicles; and to provide financial consulting services, primarily to residents of qualified low-income communities.

The financial counseling services were funded by 1.5% of each tax credits allocation, which amounts to \$1.9 million from the first allocation in 2004 and \$1.1 million from the second allocation in 2006.

By the end of 2009, all \$3 million for financial counseling services were earned and paid and the joint venture ended.

On August 21, 2009, NUL and Stonehenge Community Development LLC signed a new agreement. This agreement enlists the consulting assistance of the League and its national network of affiliates in performing economic impact assessments for each Qualified Low Income Community Investment (QLICI) under Stonehenge Community Development's New Market Tax Credits authority. For each QLICI, the League will be paid an Economic Assessment Consulting Fee equal to 0.50% of the amount of each QLICI. Eight and two such investments were completed in 2010 and 2009, respectively.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Economic Empowerment	\$ 5,730,071	\$ 4,624,127
Education and Youth Development	3,367,741	2,730,668
Civic Engagement/Leadership Empowerment	3,296,413	4,563,243
Health and Quality of Life Empowerment	606,492	551,536
Future periods	<u>2,629,035</u>	<u>4,265,455</u>
	<u>\$ 15,629,752</u>	<u>\$ 16,735,029</u>

Permanently restricted net assets were restricted for investment in perpetuity:

	<u>2010</u>	<u>2009</u>
Permanent Development Fund	\$ 4,980,505	\$ 4,980,505
Breakthrough Campaign	14,762,433	14,762,433
Other	<u>279,127</u>	<u>279,127</u>
	<u>\$ 20,022,065</u>	<u>\$ 20,022,065</u>

NOTE 12 UNRESTRICTED NET ASSETS

During 2010, the League generated an operating surplus of \$135,396. Additionally, the League recognized a surplus of \$1,699,961 for its 2010 long-term investment return over the 2010 spending formula. The net results of these areas increased the unrestricted undesignated net assets to \$4,977,942. In accordance with accounting standards, the League is also required to recognize actuarial gains or losses and prior service credits of \$338,561 that arose from its defined benefit pension plan during 2010 but are not recognized as components of net periodic benefit cost. This result caused the pension-related costs balance to be (\$7,657,883) as of December 31, 2010.

During 2009, the League generated an operating surplus of \$194,095, however, \$156,842 of board-designated expenses for NUL's Centennial Anniversary were incurred during 2009. Therefore, \$37,253 is the net amount of the 2009 unrestricted surplus. Additionally, the League recognized a surplus of \$2,315,153 for its 2009 long-term investment return over the 2009 spending formula. The net results of these areas increased the unrestricted undesignated net assets to \$3,142,585. In accordance with accounting standards, the League is also required to recognize actuarial gains or losses and prior service credits of \$512,748 that arose from its defined benefit pension plan during 2009 but are not recognized as components of net periodic benefit cost. This result caused the pension-related costs balance to be (\$7,312,322) as of December 31, 2009.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 13 ENDOWMENTS

NUL's endowment consists of funds received through separate fundraising campaigns established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as an endowment. As required by generally accepted accounting principles (GAAP), the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence, if any, of donor-imposed restrictions.

NUL classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until NUL appropriates those amounts for expenditure. NUL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return of income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the organization.

Endowment net asset composition by type of fund as of:

December 31, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (107,967)	\$ -	\$ 20,022,065	\$ 19,914,098
Total funds as of December 31, 2010	<u>\$ (107,967)</u>	<u>\$ -</u>	<u>\$ 20,022,065</u>	<u>\$ 19,914,098</u>
December 31, 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (1,364,726)	\$ -	\$ 20,022,065	\$ 18,657,339
Total funds as of December 31, 2009	<u>\$ (1,364,726)</u>	<u>\$ -</u>	<u>\$ 20,022,065</u>	<u>\$ 18,657,339</u>

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 13 ENDOWMENTS *(continued)*

Changes in endowment net assets for the fiscal year ended December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ (1,364,726)	\$ -	\$20,022,065	\$18,657,339
<i>Investment return</i>				
Investment income—				
Interest and dividends	365,653	-	-	365,653
Net appreciation	1,949,394	-	-	1,949,394
<i>Board-approved appropriations</i>				
Appropriations to current operations	<u>(1,058,288)</u>	<u>-</u>	<u>-</u>	<u>(1,058,288)</u>
Endowment net assets, end of year	<u><u>\$ (107,967)</u></u>	<u><u>\$ -</u></u>	<u><u>\$20,022,065</u></u>	<u><u>\$19,914,098</u></u>

Changes in endowment net assets for the fiscal year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ (3,992,426)	\$ -	\$19,911,440	\$ 15,919,014
Expiration of restrictions	(49,625)	-	49,625	-
Contributions	-	-	57,000	57,000
<i>Investment return</i>				
Investment income—				
Interest and dividends	430,277	-	4,000	434,277
Net appreciation	2,395,610	-	-	2,395,610
<i>Board-approved appropriations</i>				
Appropriations to current operations	<u>(148,562)</u>	<u>-</u>	<u>-</u>	<u>(148,562)</u>
Endowment net assets, end of year	<u><u>\$ (1,364,726)</u></u>	<u><u>\$ -</u></u>	<u><u>\$20,022,065</u></u>	<u><u>\$ 18,657,339</u></u>

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 13 **ENDOWMENTS** *(continued)*

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires NUL to retain as a fund of perpetual duration. In accordance with GAAP, returns and deficiencies of this nature that are reported in unrestricted net assets, were \$107,967 and \$1,364,726 as of December 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred for permanently restricted contributions.

Return Objectives and Risk Parameters

NUL has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that NUL must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets shall be so diversified so as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. Over the long term, the entire portfolio should increase the purchasing power of the assets and be so organized as to take into consideration the cash flow requirements and administration of NUL. Safety should be evaluated on an overall basis rather than for each individual investment.

A long-term investment objective has been set for a real return of at least 5% per year, net of fees, over inflation as measured by the Consumer Price Index. NUL seeks a total investment rate of return in excess of the rate of return of an investment in representative indices in the target allocation of the fund. The representative indices shall be as follows: The S&P 500 Stock Index for Large Cap Domestic Equity; the Russell 2000 for the Small Cap Domestic Equity; the MSCI All Country World Ex—U.S. Index for International Equities, and the Lehman Government/Credit Bond Index for fixed income investments.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 13 **ENDOWMENTS** *(continued)*

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, NUL relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NUL targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

NUL has a policy of appropriating for distribution a percentage set each year of its endowment fund's average fair value over the prior 12 quarters through the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, NUL considered the long-term expected return on its endowment. Over the long term, NUL expects its endowment will grow at an average rate of 5% annually. This policy is consistent with NUL's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through market results.

NOTE 14 **RELATED-PARTY TRANSACTIONS**

Affiliates of the League are separately incorporated, non-profit organizations. Franchise fees are paid annually based on the budget size of the affiliates, for an amount not to exceed \$15,000. In 2010 and 2009, NUL recognized franchise fees of \$981,000 and \$1,000,000, respectively.

Subcontractual payments are made by the League to affiliates for their services in carrying out specific projects. In 2010 and 2009, subcontract payments totaled \$21,798,947 and \$18,704,019, respectively.

The League received \$1,958,884 and \$1,391,332 in donated services and materials from affiliates in 2010 and 2009, respectively.

During 2006, a joint venture was entered into with Stonehenge Community Development, LLC, and the Urban Leagues of Atlanta, Cincinnati, Cleveland, and Jacksonville, as discussed in Note 10. In 2010 and 2009, NUL recognized fee income of \$0 and \$160,817, respectively, related to Capital Empowerment Fund activities.

NATIONAL URBAN LEAGUE, INC.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 15 CENTENNIAL CELEBRATION

During 2010, the League celebrated its 100th anniversary and developed the “I am Empowered” campaign, which is based on four Empowerment Goals: equitable education, employment, housing, and health care. The League also created and launched an “I am Empowered” social mobilization website, and through a robust national multi-media campaign, individuals, communities, corporations, and government agencies were engaged in an ongoing campaign to improve the state of America and achieve the Empowerment Goals by 2025. Part of this campaign consisted of \$3,400,000 of in-kind donations from Comcast Corporation of its advertising inventory and the Scrips Network of production. The League also created a museum-quality exhibit of its history and held a record-setting annual conference in July 2010 in Washington, D.C. The Centennial concluded at the annual Equal Opportunity Day Dinner in November 2010.

NOTE 16 SUBSEQUENT EVENTS

The League evaluated events and transactions occurring between January 1, 2011 and May 31, 2011, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events for disclosure and recognition in the financial statements.