

URBAN YOUTH IMPACT, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

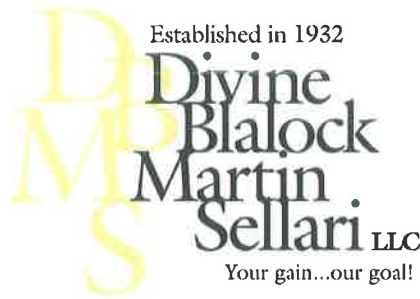
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Urban Youth Impact, Inc.

We have audited the accompanying financial statements of the Urban Youth Impact, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urban Youth Impact, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Divine Blalock Martin & Sellari

DIVINE, BLALOCK, MARTIN & SELLARI, LLC

October 31, 2018

URBAN YOUTH IMPACT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 153,761	\$ 963,415	\$ 1,117,176
Accounts receivable	16,625	-	16,625
Deposits	2,368	-	2,368
Total Current Assets	172,754	963,415	1,136,169
Property and Equipment, net	6,084,457	-	6,084,457
Total Assets	\$ 6,257,211	\$ 963,415	\$ 7,220,626
Liabilities and Net Assets			
Accounts payable	\$ 198	\$ -	\$ 198
Loan payable	335,305	-	335,305
Line of credit	150,000	-	150,000
Accrued wages	58,692	-	58,692
Total Current Liabilities	544,195	-	544,195
Net Assets	5,713,016	963,415	6,676,431
Total Liabilities and Net Assets	\$ 6,257,211	\$ 963,415	\$ 7,220,626

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

**URBAN YOUTH IMPACT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ 700,158	\$ 985,082	\$ 1,685,240
Grants & Foundations	102,225	832,058	934,283
Event Revenues	433,663	-	433,663
Event Expenses	(126,733)	-	(126,733)
Investment Income	489	-	489
Other Income	29,242	-	29,242
Net Assets Released from Restriction	1,460,360	(1,460,360)	-
Total Revenues	<u>2,599,404</u>	<u>356,780</u>	<u>2,956,184</u>
Expenses			
Program Services	1,794,974	-	1,794,974
Management and General	306,685	-	306,685
Fundraising	315,142	-	315,142
Total Expenses	<u>2,416,801</u>	<u>-</u>	<u>2,416,801</u>
Excess of Revenues over Expenses	182,603	356,780	539,383
Net Assets, beginning of year	<u>5,530,413</u>	<u>606,635</u>	<u>6,137,048</u>
Net Assets, end of year	<u>\$ 5,713,016</u>	<u>\$ 963,415</u>	<u>\$ 6,676,431</u>

The accompanying notes are an integral part of these financial statements

URBAN YOUTH IMPACT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising & promotion	\$ 1,239	\$ 124	\$ 186	\$ 1,549
Travel & transportaion	27,439	4,135	6,014	37,588
Repairs & maintenance	53,893	8,121	11,812	73,826
Bank fees	9,168	1,382	2,010	12,560
Supplies	169,965	3,539	5,308	178,812
Meals & entertainment	18,365	1,126	1,690	21,181
Dues & subscriptions	10,385	761	1,141	12,287
Field trip	9,025	-	-	9,025
Legal & accounting	4,964	748	1,088	6,800
Printing & postage	22,388	2,239	3,358	27,985
Professional services	20,722	-	-	20,722
Insurance	62,571	9,428	13,714	85,713
Interest	12,887	1,942	2,825	17,654
Cultivation & stewardship	-	-	7,709	7,709
Contract labor/consulting	35,365	3,536	23,034	61,935
License, taxes & permits	5,365	771	1,121	7,257
Service contracts	16,860	1,686	2,529	21,075
Scholarship	15,428	-	-	15,428
Telephone	8,635	1,301	1,893	11,829
Training & education	11,132	486	730	12,348
Utilities	51,940	7,827	11,384	71,151
Volunteer program	3,843	384	576	4,803
Youth wages	49,330	-	-	49,330
Depreciation	141,602	27,107	-	168,709
Donations & benevolence	15,281	2,303	3,349	20,933
Wages & salaries-supporting	408,147	207,664	194,836	810,647
Wages & salaries-direct	519,370	-	-	519,370
Payroll taxes & benefits	89,665	20,075	18,835	128,575
Total	\$ 1,794,974	306,685	\$ 315,142	\$ 2,416,801

The accompanying notes are an integral part of these financial statements

**URBAN YOUTH IMPACT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

Cash Flows from Operating Activities:	
Change in net assets	\$ 539,383
Adjustment to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Depreciation	168,709
(Increase) decrease in:	
Accounts receivable	(5,602)
Increase (decrease) in:	
Accounts payable	198
Accrued payroll	11,317
Accrued expenses	<u>(139,471)</u>
Net Cash Provided by Operating Activities	574,534
Net Cash Provided (Used in) Investing Activities:	
Purchase of assets	<u>(315,485)</u>
Net Cash Used in Investing Activities	(315,485)
Net Cash Provided by (Used in) Financing Activities:	
Proceeds from loans	190,000
Payments on loans	<u>(8,402)</u>
Net Cash Provided by (Used in) Financing Activities:	181,598
Net Increase (Decrease) in Cash and Cash Equivalents	440,647
Cash and Cash Equivalents - beginning of year	<u>676,529</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,117,176</u>

The accompanying notes are an integral part of these financial statements

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Urban Youth Impact, Inc. (the Organization), located in the West Palm Beach, Florida, is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the code. The Organization was established in 1998 for the purpose of reaching out to inner city youth with the love of Christ; equipping and empowering them to grow as a whole person so that they may have a positive impact on their community.

Basis of accounting

The Organization's financial statements presented herein have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization prepares its financial statement in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of The Organization and changes therein are classified and reported as follows:

Unrestricted Net Asset – Net assets available for the support of The Organization's operations. The unrestricted net assets may be used at the discretion of The Organization's management and the Board of Governors.

Temporarily restricted Net Assets – Net assets subject to donor-imposed stipulations that limit the use of the donated assets. When a donor restriction expires, that is when the 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.

Cash and cash equivalents

Bank deposit accounts are maintained at high credit-facility financial institutions. The Organization considers all demand deposit accounts and liquid investments available for current use with an initial maturity three months or less to be cash equivalents. Money market funds held by the custodian of the mutual funds are considered cash equivalents.

Contributions

Contributions received are recorded as unrestricted, or temporarily restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

permanently restricted support that increases those net asset classes. When a temporary 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.

Unconditional promises to give are recognized as revenues in the period received and as expenses depending on the form of the benefits received. Conditional promises to give are recognized as revenues when received.

Accounts receivable

As of June 30, 2018 the balance for accounts receivable was \$16,625, management believes that the Organization will ultimately collect the entire balance due therefore no collection allowance has been made for these receivables.

Property and equipment

Property all equipment acquisitions of \$1,500 or more are capitalized while lesser amounts are expensed. Property items received as gifts are recorded at their estimated market value as of the date of the gift. Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives, as follows:

Buildings and improvements	19-40 years
Furniture, fixtures, and equipment	5-10 years
Computer equipment	3-5 years

Income taxes

The Organization qualifies as a tax-exempt foundation other than a private foundation, under Section 501(c) (3) of the Internal Revenue Code and therefore, has no provision for federal income taxes. The Organization qualifies as a public charity under the Internal Revenue Code.

The Organization files required income tax returns in the U.S. federal jurisdiction. With few exceptions, The Organization is no longer subject to U.S. federal income tax examinations by tax authority's for years before 2014. The Organization has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year The Organization believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of credit risk

The Organization, at times, has cash in banks in excess of FDIC insurance limits and places its temporary cash investments with high credit-quality financial institutions.

Functional expenses

The Organization allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification in the statement of activities. Other expenses that are common to several functions are allocated by various statistical bases.

Special events, net

The Organization conducts special events for the purpose of raising money for operations and for the child care building. The Organization had revenues of \$433,663 less related expenses of \$126,733 for the year ended June 30, 2018.

Advertising

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising was \$1,549 for year ended June 30, 2018.

Use of estimates

The preparation of financial statements in conformity with FASB ASC 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.

NOTE B - FAIR VALUE MEASUREMENTS

The Organization uses a three-tier hierarchy established by the FASB ASC to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1: quoted prices in active markets for identical investments.
- Level 2: other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.)
- Level 3: significant unobservable inputs (including The Organization's own assumptions in determining the fair value of investments).

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and related accumulated depreciation as of June 30, 2018:

	<u>2018</u>
Buildings and improvements	\$ 6,624,378
Construction in progress	192,072
Furniture, fixtures and equipment	300,319
Autos and trucks	<u>174,288</u>
Less accumulated depreciation	<u>(1,206,600)</u>
Property and equipment, net	<u>\$ 6,084,457</u>

NOTE D – LINE OF CREDIT

On November 9, 2017 Wells Fargo Bank agreed to renew a Revolving line of credit for \$200,000. Interest shall accrue on the unpaid balance at the greater of a floating rate equal to the Index plus 1.350%, or the Floor Rate of 5.0%. The Index is the Prime Rate set by Lender from time to time. The line of credit will be due on December 15, 2018. The outstanding balance of this line as of June 30, 2018 was \$150,000.

NOTE E – CONSTRUCTION LOAN

On January 13, 2017 the Organization agreed to a construction loan from Wells Fargo Bank in the amount of \$500,000. Interest shall accrue on the outstanding unpaid principal balance at a fixed rate of 4.0%. Accrued interest shall be due and payable monthly on the 13th day of each month commencing on February 13, 2017 and continuing to and including the Conversion Date. The note shall mature on January 13, 2022. Balance due on the loan as of June 30, 2018 was \$335,305.

NOTE E – SUBSEQUENT EVENTS

In the normal course of preparing The Organization's financial statements, management reviews events that occur after the statement of financial position date, June 30, 2018, for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through October 31, 2018, which is the date the financial statements were available to be issued.

On August 28, 2018 the Organization paid off the balance of the construction loan.