

**URBAN YOUTH IMPACT, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
AUGUST 31, 2019**

**URBAN YOUTH IMPACT, INC.**  
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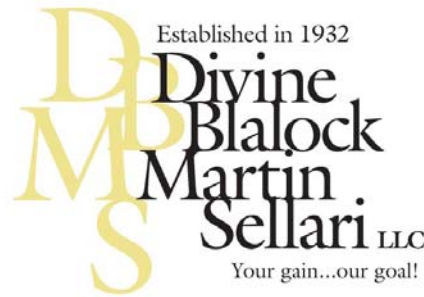
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Urban Youth Impact, Inc.  
West Palm Beach, FL

We have audited the accompanying financial statements of Urban Youth Impact, Inc. (a nonprofit organization) which comprise the statements of financial position as of August 31, 2019 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 audits. 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 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 Urban Youth Impact, Inc. as of August 31, 2019, 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, LLC*

**DIVINE, BLALOCK, MARTIN & SELLARI, LLC**

**West Palm Beach, Florida**

**March 11, 2020**

**URBAN YOUTH IMPACT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2019**

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<b>Assets</b>	
Cash and cash equivalents	\$ 746,884
Unconditional promise to give, current	50,000
Prepaid expenses and other assets	<u>25,197</u>
<b>Total Current Assets</b>	822,081
Unconditional promise to give, net	200,000
Property and Equipment, net	<u>6,060,329</u>
<b>Total Assets</b>	<u><u>\$ 7,082,410</u></u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 40,687
Accrued expenses	34,010
Line of credit	<u>150,000</u>
<b>Total Liabilities</b>	224,697
<b>Net Assets</b>	
Without donor restrictions	5,920,911
With donor restrictions	<u>936,802</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 7,082,410</u></u>

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

**URBAN YOUTH IMPACT, INC.**  
**STATEMENT OF ACTIVITY**  
**FOR THE PERIOD ENDING AUGUST 31, 2019**

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Contributions	\$ 1,112,154	\$ 703,012	\$ 1,815,166
Grants & Foundations	401,289	575,185	976,474
Special Events, net	505,731	-	505,731
Other Income	90,077	-	90,077
Net assets released from restriction	1,304,810	(1,304,810)	-
<b>Total Revenues</b>	<u>3,414,061</u>	<u>(26,613)</u>	<u>3,387,448</u>
<b>Expenses</b>			
Program Services	2,468,352	-	2,468,352
Management and General	399,512	-	399,512
Fundraising	338,302	-	338,302
<b>Total Expenses</b>	<u>3,206,166</u>	<u>-</u>	<u>3,206,166</u>
<b>Change in Net Assets</b>	207,895	(26,613)	181,282
Net Assets, beginning of year	<u>5,713,016</u>	<u>963,415</u>	<u>6,676,431</u>
<b>Net Assets, end of year</b>	<u>\$ 5,920,911</u>	<u>\$ 936,802</u>	<u>\$ 6,857,713</u>

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

**URBAN YOUTH IMPACT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE PERIOD ENDED AUGUST 31, 2019**

	<u>Program Expenses</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising & promotion	\$ 811	\$ 81	\$ 122	\$ 1,014
Travel & transportaion	25,380	3,805	5,535	34,720
Repairs & maintenance	34,354	5,176	7,530	47,060
Bank fees	17,371	2,618	3,808	23,797
Supplies	167,800	3,136	4,705	175,641
Meals & entertainment	20,766	1,128	1,691	23,585
Dues & subscriptions	14,342	662	994	15,998
Field trip	13,436	-	-	13,436
Legal & accounting	11,526	1,737	2,526	15,789
Printing & postage	39,645	3,963	5,946	49,554
Professional services	25,240	-	-	25,240
In-kind expenses	30,500	-	-	30,500
Insurance	74,377	11,208	16,302	101,887
Interest	6,479	976	1,420	8,875
Cultivation & stewardship	11,755	1,176	1,763	14,694
Contract labor/consulting	41,317	4,132	6,198	51,647
License, taxes & permits	8,155	811	1,180	10,146
Service contracts	27,021	2,702	4,053	33,776
Scholarship	12,803	-	-	12,803
Software	9,286	929	1,393	11,608
Telephone	16,191	2,440	3,549	22,180
Training & education	25,945	2,133	3,200	31,278
Utilities	55,308	8,334	12,122	75,764
Volunteer program	2,486	249	372	3,107
Youth wages	90,827	-	-	90,827
Depreciation	174,194	33,180	-	207,374
Donations & benevolence	86,423	13,029	18,951	118,403
Wages & salaries-supporting	721,523	273,405	216,941	1,211,869
Wages & salaries-direct	593,581	-	-	593,581
Payroll taxes & benefits	109,510	22,502	18,001	150,013
<b>Total</b>	<b><u>\$ 2,468,352</u></b>	<b><u>\$ 399,512</u></b>	<b><u>\$ 338,302</u></b>	<b><u>\$ 3,206,166</u></b>

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

**URBAN YOUTH IMPACT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED AUGUST 31, 2019**

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<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 181,282
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	207,374
Bad debt recovery	(2,879)
(Increase) decrease in:	
Accounts receivable	(230,495)
Prepaid expense	(22,829)
Increase (decrease) in:	
Accounts payable	40,489
Accrued expenses	<u>(24,682)</u>
<b>Net Cash Provided by Operating Activities:</b>	148,260
 <b>Net Cash Used in Investing Activities:</b>	
Purchases of property and equipment	<u>(183,247)</u>
 <b>Net Cash Used in Financing Activities:</b>	
Payments on long-term debt	<u>(335,305)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(370,292)
Cash and Cash Equivalents - beginning of year	<u>1,117,176</u>
<b>Cash and Cash Equivalents - end of year</b>	<u><u>\$ 746,884</u></u>
 <b>Additional Supplemental Information</b>	
Interest Expense Paid	<u><u>\$ 8,876</u></u>

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



**URBAN YOUTH IMPACT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**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 are prepared on the accrual basis of accounting and in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities.

**Fiscal year change**

The Organization changed its fiscal year end from June 30, 2019 to August 31, 2019 to better capture all of Organization's activities and better align itself with the school year. Accordingly, the current financial statements are prepared for a fourteen month period from July 1, 2018 through August 31, 2019. A normal operating cycle is considered a twelve month period of time.

**Basis of presentation**

Net assets and revenue, expenses, gains and losses are classified as net assets with donor restrictions and net assets without donor restrictions based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

**Net assets without donor restrictions** – Net assets available for the support of the Organization's operations. The net assets without donor restrictions may be used at the discretion of the Organization's management and the Board of Governors.

**Net assets with donor restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time and Net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on related investments for general or specific purposes.

The amounts for each class of net assets are required to be displayed in a statement of financial position and the amount of the change in each class of net assets are required to be displayed in a statement of activities.

**URBAN YOUTH IMPACT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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**

The Organization recognizes contributions, including promises to give without donor restrictions, as revenue in the period received, at their fair value. Contributions are reported as changes in net assets with or without donor restrictions depending on the existence or absence of donor stipulations that limit the use of the support. The Organization reports gifts of cash and other assets as assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Management believes that the Organization will ultimately collect the entire balance due therefore no collection allowance has been made for promises to give.

**Grants Accounts receivable**

Grants receivable represent allowable expenditures, which have not yet been reimbursed by the grantor agency. 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.

**URBAN YOUTH IMPACT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income taxes (continued)**

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 2015. 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

**Concentrations of credit risk**

The Organization maintains its cash in high quality financial institutions and at times may exceed the federal deposit insurance limits. The Organization has not experienced any losses in such accounts and does not believe its cash accounts are exposed to any significant credit risk. At August 31, 2019, the deposits with financial institutions exceeded federal deposit insurance by \$471,550.

**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 \$678,945 less related expenses of \$173,214 for the year ended August 31, 2019.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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. The use of estimates include, but are not limited to, amounts earned in the reporting period under grant contracts, the estimated value of in-kind services, the allocation of expenses among program and support categories, and useful lives of depreciable assets. Actual results could differ from those estimates.

**URBAN YOUTH IMPACT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising**

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising was \$1,014 for year ended August 31, 2019.

**Changes in Accounting Principles**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly.

The new standard changes the following aspects of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note H)

**Recent Accounting Pronouncements**

The FASB has issued the following accounting standards updates that may affect the Foundation in future years. Management has not completed its analysis of effects, if any, of the following updates:

ASU 2014-09, Revenue from Contracts with Customers, will be effective for the Organization for the year ended August 31, 2020. ASU 2014-09 seeks to clarify the principles for recognizing revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services.

ASU 2016-02, Leases, will be effective for the Foundation for the year ending August 31, 2021 and must be adopted using a modified retrospective method. ASU 2016-02 generally requires lessees to recognize assets and liabilities arising from leases on the statement of financial position.

ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made will be effective for the Foundation for the year ending August 31, 2020. ASU 2018-08 clarifies the guidance for evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

**URBAN YOUTH IMPACT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**NOTE B – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment and related accumulated depreciation as of August 31, 2019:

Building and improvements	6,981,120
Furniture, fixtures and equipment	310,231
Autos and trucks	129,175
Construction in progress	<u>8,664</u>
Less: accumulated depreciation	<u>(1,368,861)</u>
Property and equipment, net	<u>\$ 6,060,329</u>

Depreciation expense for the year ended August 31, 2019 was \$207,374.

**NOTE C – LINE OF CREDIT**

On February 01, 2019, 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 and was 5.25% as of August 31, 2019. The line of credit will be due on February 10, 2020. On February 5, 2020, the line of credit was extended to May 10, 2020. The outstanding balance of this line as of August 31, 2019 was \$150,000.

**NOTE D – 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 13<sup>th</sup> 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. On August 28, 2018 the Organization paid off the balance of the construction loan.

**URBAN YOUTH IMPACT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE E – NET ASSETS**

Net assets with donor restrictions include restrictions for specified purposes. For the year ended August 31, 2019, net assets were released from donor restrictions by incurring expenses satisfying the stated restrictions.

Changes in net assets with donor restrictions at August 31, 2019 consisted of the following:

	<u>June 30, 2018</u>	<u>Contributions</u>	<u>Released</u>	<u>August 31, 2019</u>
Grant Funds	\$421,364	\$ 575,185	\$ (693,399)	\$ 303,150
Capital Funds	<u>542,051</u>	<u>703,012</u>	<u>(611,411)</u>	<u>633,652</u>
	<u>\$963,415</u>	<u>\$ 1,278,197</u>	<u>\$(1,304,810)</u>	<u>\$ 936,802</u>

**NOTE F - 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).

**NOTE G – COMMITMENTS AND CONTINGENCIES**

The Organization leases certain office equipment under operating lease arrangements.

Future annual lease payments for the administrative office, clinics, and office equipment for the remaining terms of the leases in effect at August 31, 2019 are as follows:

<u>Year Ending August 31,</u>	<u>Total</u>
2020	\$ 17,124
2021	17,124
2022	17,124
2023	17,124
2024	7,918
	<u>\$ 76,414</u>

**URBAN YOUTH IMPACT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**NOTE H – LIQUIDITY**

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditures within one year of the statement of financial position date.

Financial assets:	
Cash and cash equivalents	\$ 746,884
Unconditional Promise to give	250,000
Total Financial assets, at year end	<u>996,884</u>
Less those unavailable for general expenditures within one year due to:	
Donor restricted	<u>(936,802)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 60,082</u>

As part of the Foundation's liquidity management, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE K – COMPENSATED ABSENCES**

The Organization's obligation for employees' rights to receive compensation for future absences such as vacation and sick pay could not be reasonably estimated due to errors by the service organization that provides payroll services upon the conversion of the fiscal year end of the Organization as of August 31, 2019. The error led to the payout of all remaining PTO balances to employees as of June 30, 2019. On September 1, 2019, employees were given/provided the maximum carryover amount of 40 hours and all employees began accruing PTO going forward.

**NOTE K – 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, August 31, 2019, for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through March 11, 2020, which is the date the financial statements were available to be issued.