

UrbanPromise International, Inc.

Financial Statements

June 30, 2016 and 2015



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UrbanPromise International, Inc.

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Independent Auditors' Report

Board of Directors
UrbanPromise International, Inc.

We have audited the accompanying financial statements of UrbanPromise International, Inc. which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years 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.

Auditors' 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 UrbanPromise International, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
June 26, 2017

UrbanPromise International, Inc.

Statement of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 304,358	\$ 366,893
Noncurrent Assets		
Property	<u>54,500</u>	<u>-</u>
Total Assets	<u>\$ 358,858</u>	<u>\$ 366,893</u>
Liabilities and Net Assets		
Current Liabilities		
Grants payable	\$ 568	\$ 568
Accounts payable and accrued expenses	13,634	19,568
Due to related party	<u>34,834</u>	<u>60,058</u>
Total current liabilities	<u>49,036</u>	<u>80,194</u>
Net Assets		
Unrestricted	67,352	113,130
Temporarily restricted	<u>242,470</u>	<u>173,569</u>
Total net assets	<u>309,822</u>	<u>286,699</u>
Total liabilities and net assets	<u>\$ 358,858</u>	<u>\$ 366,893</u>

See notes to financial statements

UrbanPromise International, Inc.

Statement of Activities

Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Grants and contributions	\$ 460,148	\$ 1,263,865	\$ 1,724,013	\$ 485,951	\$ 1,279,749	\$ 1,765,700
Other income (loss)	-	(17,583)	(17,583)	-	3,316	3,316
Interest income	-	875	875	-	851	851
Net assets released from restriction	1,178,256	(1,178,256)	-	1,243,544	(1,243,544)	-
Total revenue and support	1,638,404	68,901	1,707,305	1,729,495	40,372	1,769,867
Expenses						
Program services	1,227,126	-	1,227,126	1,320,423	-	1,320,423
Management and general	358,661	-	358,661	299,838	-	299,838
Fundraising	98,395	-	98,395	92,691	-	92,691
Total expenses	1,684,182	-	1,684,182	1,712,952	-	1,712,952
Change in net assets	(45,778)	68,901	23,123	16,543	40,372	56,915
Net Assets, Beginning of Year	113,130	173,569	286,699	96,587	133,197	229,784
Net Assets, End of Year	\$ 67,352	\$ 242,470	\$ 309,822	\$ 113,130	\$ 173,569	\$ 286,699

See notes to financial statements

UrbanPromise International, Inc.

Statement of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 23,123	\$ 56,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated property	(52,000)	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(5,934)	(5,516)
Due from/to related party	(25,224)	63,112
	<u>(60,035)</u>	<u>114,511</u>
Net cash (used in) provided by operating activities	(60,035)	114,511
Cash Flows Used in Investing Activities		
Cash paid for property	(2,500)	-
	<u>(2,500)</u>	<u>-</u>
Net (decrease) increase in cash	(62,535)	114,511
Cash, Beginning of Year	<u>366,893</u>	<u>252,382</u>
Cash, End of Year	<u>\$ 304,358</u>	<u>\$ 366,893</u>
Noncash Investing and Financing Activity		
Donated property	<u>\$ 52,000</u>	<u>\$ -</u>

See notes to financial statements

UrbanPromise International, Inc.

Statement of Functional Expenses

Years Ended June 30, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 170,560	\$ 148,910	\$ 35,000	\$ 354,470	\$ 329,238	\$ 150,000	\$ 45,000	\$ 524,238
Employee benefits	-	37,476	4,190	41,666	-	29,618	4,900	34,518
Payroll taxes	52,376	44,417	10,748	107,541	82,310	37,500	11,323	131,133
	<u>222,936</u>	<u>230,803</u>	<u>49,938</u>	<u>503,677</u>	<u>411,548</u>	<u>217,118</u>	<u>61,223</u>	<u>689,889</u>
Grants	721,408	-	-	721,408	690,667	-	-	690,667
Travel and conferences	81,047	-	-	81,047	49,293	-	-	49,293
Direct program expense	105,847	-	-	105,847	69,462	-	-	69,462
Professional services	56,598	47,998	11,614	116,210	25,236	11,498	3,472	40,206
Office expenses	6,890	5,843	1,414	14,147	8,761	3,991	1,205	13,957
Equipment rental	1,338	1,135	275	2,748	722	329	99	1,150
Insurance	9,066	7,688	1,860	18,614	29,735	13,547	4,090	47,372
Miscellaneous	-	46,540	-	46,540	-	37,384	-	37,384
Direct fundraising expenses	-	-	28,780	28,780	-	-	17,787	17,787
Telephone	2,811	2,384	577	5,772	1,549	706	213	2,468
Postage and delivery	1,094	928	225	2,247	1,189	567	164	1,920
Occupancy	18,091	15,342	3,712	37,145	32,261	14,698	4,438	51,397
	<u>1,004,190</u>	<u>127,858</u>	<u>48,457</u>	<u>1,180,505</u>	<u>908,875</u>	<u>82,720</u>	<u>31,468</u>	<u>1,023,063</u>
	<u>\$ 1,227,126</u>	<u>\$ 358,661</u>	<u>\$ 98,395</u>	<u>\$ 1,684,182</u>	<u>\$ 1,320,423</u>	<u>\$ 299,838</u>	<u>\$ 92,691</u>	<u>\$ 1,712,952</u>

See notes to financial statements

UrbanPromise International, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

1. Nature of Operations

UrbanPromise International, Inc. (the "Organization") was incorporated under the non-profit corporation laws of the State of New Jersey on September 17, 2008.

The mission of UrbanPromise International, Inc. is to prepare emerging leaders to initiate, develop, and sustain Christian-based youth development organizations and to seed their new ministries as they serve vulnerable children and teens in our world's most under-resourced communities.

Prior to its formation as a separate entity, UPI was an operating ministry of UrbanPromise Ministries, Inc., a Camden-based charitable organization.

2. Summary of Significant Policies

Basis of Presentation

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

Unrestricted net assets are those assets of the Organization not subject to donor-imposed stipulations.

Temporarily restricted net assets of the Organization are assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets of the Organization are assets subject to donor-imposed stipulations and are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no permanently restricted net assets as of June 30, 2016 or 2015.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

UrbanPromise International, Inc.

Notes to Financial Statements
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Contributed Services and Property

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Income Taxes

The Organization is a nonprofit entity that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, therefore, has made no provision for federal, state or local income tax in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

The Organization accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met.

Currently, the 2015, 2014 and 2013 tax years are open and subject to examination by the IRS and the New Jersey Department of Revenue. However, the Organization is not currently under audit nor has the Organization been contacted by these jurisdictions. There were no interest and penalties related to income taxes.

The Organization's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no unrecognized tax benefits recorded during the periods presented in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program, general and administrative, and fundraising functions based upon management's estimates.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the useful lives of the respective assets. Management's policy is to capitalize property and equipment acquisitions having a cost exceeding \$2,500. Expenditures for repairs and maintenance are expensed when paid.

The estimated useful lives of depreciable assets are:

	<u>Years</u>
Furniture and fixtures	7
Office equipment	5
Buildings	40

UrbanPromise International, Inc.

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New Accounting Standards

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its consolidated financial statements.

Subsequent Events

The Organization has evaluated events through June 26, 2017, which is the date the financial statements were available to be issued.

3. Grants Payable

Grants payable represent all unconditional grants that have been authorized and identified prior to year-end, but remain unpaid as of the statement of financial position date. The unpaid grants were \$568 for the years ended June 30, 2016 and 2015.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Birmingham	\$ 3,561	\$ 50
Blair Quinius	-	2,966
Wilmington	-	132
Charlotte	388	51,010
Toronto	-	1,000
Mukono	-	2,498
Cornerstone	16,200	4,955
Trenton	36,172	53,321
ChristCares	69,677	6,521
Rays of Hope	6,506	38,432
YouthCare	15,717	12,684
Honduras Pilot Program	13,000	-
Project TEACH	1,425	-
Miami Pilot Program	1,254	-
Rise Malawi	19,712	-
Dominican Republic	3,892	-
Arkansas	37,224	-
CELDI	17,742	-
	<u>\$ 242,470</u>	<u>\$ 173,569</u>

UrbanPromise International, Inc.

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5. Restricted Donations Released

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the year ended June 30:

	<u>2016</u>	<u>2015</u>
Blair Quinius	\$ 28,592	\$ 11,113
Charlotte	138,186	214,687
Toronto	3,500	2,250
Mukono	47,361	45,642
Cornerstone	67,230	40,098
Trenton	302,456	319,793
Project TEACH	7,065	7,628
ChristCares	117,288	73,360
Rays of Hope	74,898	51,255
Rise Malawi	71,120	62,200
YouthCare	43,479	102,132
Miami Pilot Program	44,495	113,253
Honduras Pilot Program	145,168	111,590
CELDI	9,433	-
Arkansas	7,446	-
Birmingham	1,983	-
Wilmington	133	-
Student Entrepreneurial Leadership Program	68,423	88,543
	<u>\$ 1,178,256</u>	<u>\$ 1,243,544</u>

6. Concentration of Credit Risk

The Organization maintains cash balances in major financial institutions in excess of the federally insured limit by the Federal Deposit Insurance Corporation ("FDIC").

The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash.

7. Related Party Transactions

The Organization was formed by UrbanPromise Ministries, Inc. as a separately governed and operated charitable organization. The two organizations share facilities and certain personnel. The Organization reimburses such costs on a periodic basis. As of June 30, 2016 and 2015, the amounts due to UrbanPromise Ministries from the Organization were \$34,834 and \$60,058, respectively.