

URBAN YOUTH IMPACT, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2020**

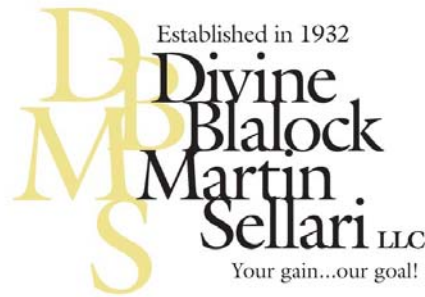
URBAN YOUTH IMPACT, INC.
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to the Financial Statements	7

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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 statement of financial position as of August 31, 2020 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 Urban Youth Impact, Inc. as of August 31, 2020, 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

February 19, 2021

URBAN YOUTH IMPACT, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020

Assets	
Cash and cash equivalents	\$ 1,511,001
Unconditional promise to give, current	57,105
Prepaid expenses and other assets	<u>9,555</u>
Total Current Assets	1,577,661
Unconditional promise to give, net	150,000
Property and equipment, net	<u>5,940,543</u>
Total Assets	<u><u>\$ 7,668,204</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 45,085
Accrued expenses	<u>88,454</u>
Total Current Liabilities	133,539
Long-term debt	<u>332,293</u>
Total Liabilities	465,832
Net Assets	
Without donor restrictions	5,779,551
With donor restrictions	<u>1,422,821</u>
Total Liabilities and Net Assets	<u><u>\$ 7,668,204</u></u>

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

URBAN YOUTH IMPACT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 1,259,173	\$ 600,281	\$ 1,859,454
Grants & foundations	597,383	505,388	1,102,771
Special events, net	182,709	-	182,709
Other income	52,222	-	52,222
Net assets released from restriction	619,650	(619,650)	-
Total Revenues	<u>2,711,137</u>	<u>486,019</u>	<u>3,197,156</u>
Expenses			
Program services	2,086,946	-	2,086,946
Management and general	349,593	-	349,593
Fundraising	415,958	-	415,958
Total Expenses	<u>2,852,497</u>	<u>-</u>	<u>2,852,497</u>
Change in Net Assets	(141,360)	486,019	344,659
Net Assets, beginning of period	<u>5,920,911</u>	<u>936,802</u>	<u>6,857,713</u>
Net Assets, end of period	<u>\$ 5,779,551</u>	<u>\$ 1,422,821</u>	<u>\$ 7,202,372</u>

The accompanying notes are an integral part of these financial statements

URBAN YOUTH IMPACT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Program Expenses	Management & General	Fundraising	Total
Advertising & promotion	\$ 1,033	\$ 103	\$ 155	\$ 1,291
Travel & transportaion	14,340	2,161	3,143	19,644
Repairs & maintenance	29,602	4,461	6,488	40,551
Bank fees	9,954	1,500	2,182	13,636
Supplies	79,852	1,747	2,620	84,219
Meals & entertainment	55,749	96	143	55,988
Dues & subscriptions	11,385	1,112	1,666	14,163
Field trip	7,720	-	-	7,720
Legal & accounting	9,794	1,476	2,147	13,417
Printing & postage	43,984	4,399	6,597	54,980
Professional services	14,105	-	-	14,105
In-kind expenses	7,200	-	-	7,200
Insurance	86,237	12,995	18,901	118,133
Interest	4,554	686	998	6,238
Cultivation & stewardship	9,451	945	1,418	11,814
Contract labor/consulting	17,940	1,794	2,691	22,425
License, taxes & permits	12,007	858	1,248	14,113
Service contracts	33,039	3,304	4,956	41,299
Scholarship	15,317	-	-	15,317
Software	11,942	1,078	1,617	14,637
Telephone	11,706	1,764	2,566	16,036
Training & education	21,518	859	1,289	23,666
Utilities	47,700	7,188	10,455	65,343
Volunteer program	2,471	211	317	2,999
Youth wages	22,416	-	-	22,416
Depreciation	153,790	29,293	-	183,083
Donations & benevolence	32,194	4,851	7,056	44,101
Wages & salaries-supporting	602,344	228,204	288,989	1,119,537
Wages & salaries-direct	527,560	-	-	527,560
Payroll taxes & benefits	190,042	38,508	48,316	276,866
Total	\$ 2,086,946	\$ 349,593	\$ 415,958	\$ 2,852,497

The accompanying notes are an integral part of these financial statements

URBAN YOUTH IMPACT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

Cash Flows from Operating Activities:	
Change in net assets	\$ 344,659
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	183,083
(Increase) decrease in:	
Accounts receivable	42,895
Prepaid expense	15,642
Increase (decrease) in:	
Accounts payable	4,398
Accrued expenses	54,444
	645,121
Net Cash Provided by Operating Activities:	
Net Cash Used in Investing Activities:	
Purchases of property and equipment	(63,297)
Net Cash Provided by Financing Activities:	
Proceeds from long-term debt	332,293
Payments on line of credit	(150,000)
	182,293
Net Cash Provided by Financing Activities:	
Net Increase in Cash and Cash Equivalents	
	764,117
Cash and Cash Equivalents - beginning of period	746,884
Cash and Cash Equivalents - end of period	\$ 1,511,001
Additional Supplemental Information	
Interest paid	\$ 6,238

The accompanying notes are an integral part of these financial statements

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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.

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 Directors.

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.

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.

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 organization 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 authorities for years before 2017. 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
AUGUST 31, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020, the deposits with financial institutions exceeded federal deposit insurance by \$1,239,819.

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 special event revenues of \$230,349 less related expenses of \$47,640 for the period ended August 31, 2020.

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.

Advertising

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising was \$1,291 for period ended August 31, 2020.

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Principles

In June 2018, the FASB released ASU 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 resulted in no impact to the financial statement during the year ended August 31, 2020.

Recent Accounting Pronouncements

The FASB has issued the following accounting standards updates that may affect the Organization 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 ending August 31, 2021. 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 Organization for the year ending August 31, 2022 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 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, will be effective for the year ending August 31, 2022. ASU 2020-07 seeks to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure.

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE B – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and related accumulated depreciation as of August 31, 2020:

Building and improvements	\$ 5,329,754
Land	1,651,366
Furniture, fixtures and equipment	317,499
Autos and trucks	185,205
Construction in progress	<u>8,663</u>
Less: accumulated depreciation	<u>(1,551,944)</u>
Property and equipment, net	<u>\$ 5,940,543</u>

Depreciation expense for the period ended August 31, 2020 was \$183,083.

NOTE C – LINE OF CREDIT

On April 07, 2020, Wells Fargo Bank (the Lender) agreed to renew and increase the revolving line of credit to \$250,000. Interest shall accrue on the unpaid balance at the greater of a floating rate equal to the Index plus 1.850%, or the Floor Rate of 5.0%. The Index is the Prime Rate set by the Lender from time to time and was 3.250% as of August 31, 2020. The line of credit will be due on April 10, 2021. There was no outstanding balance of this line as of August 31, 2020.

NOTE D – NOTE PAYABLE

On May 3, 2020, the Organization received a loan of \$332,293 from Wells Fargo Bank under the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (“SBA”) pursuant to the Coronavirus Air, Relief and Economic Security Act (“Cares Act”). The note payable agreement has an interest rate of 1% with monthly principal and interest payments beginning in November 2020 and maturing in May 2022. The PPP loan and accrued interest may be forgivable provided the loan proceeds are used for eligible expenditures under the Act, including payroll, benefits, rent and utilities, and the Organization meets other requirements of the Act for loan forgiveness. Management believes that expenditures of the loan proceeds have met the conditions for future forgiveness of the loan. On June 5, 2020, the Paycheck Protection Flexibility Act of 2020, P.L. 116-142, extended the deferral period for loan payments to either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period. The Organization is currently awaiting further instruction from the lender regarding the application for forgiveness and thus updated payment terms (if any). The Organization has chosen to present the PPP loan balance of \$332,293 as non-current as of August 31, 2020.

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE E – NET ASSETS

Net assets with donor restrictions include restrictions for specified purposes. For the period ended August 31, 2020, net assets were released from donor restrictions by incurring expenses satisfying the stated restrictions.

Changes in net assets with donor restrictions at August 31, 2020 and for the period then ended consisted of the following:

	August 31, 2019	Contributions	Released	August 31, 2020
Grant Funds	\$ 303,150	\$ 505,388	\$ (513,385)	\$ 295,153
Capital Funds	633,652	600,281	(106,265)	1,127,668
	<u>\$ 936,802</u>	<u>\$ 1,105,669</u>	<u>\$ (619,650)</u>	<u>\$ 1,422,821</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 office equipment for the remaining terms of the leases in effect at August 31, 2020 are as follows:

Year Ending August 31,	Total
2021	\$ 17,124
2022	17,124
2023	17,124
2024	7,918
2025	-
	<u>\$ 59,290</u>

URBAN YOUTH IMPACT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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	\$ 1,511,001
Unconditional promise to give	<u>207,105</u>
Total financial assets, at year end	1,718,106
Less those unavailable for general expenditures within one year due to:	
Donor restricted	<u>(1,422,821)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 295,285</u></u>

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

NOTE I – 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, 2020, for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through February 19, 2021, which is the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses and organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.