

UrbanPromise Ministries, Inc.

Financial Statements

June 30, 2015 and 2014



BAKER TILLY

Candor. Insight. Results.

UrbanPromise Ministries, Inc.

Table of Contents

June 30, 2015 and 2014

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



Baker Tilly Virchow Krause, LLP
1650 Market St, Ste 4500
Philadelphia, PA 19103-7341
tel 215 972 0701
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' Report

Board of Directors
UrbanPromise Ministries, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of UrbanPromise Ministries, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2015 and 2014, 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 Ministries, Inc. as of June 30, 2015 and 2014, 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
February 17, 2016

UrbanPromise Ministries, Inc.

Statement of Financial Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 370,011	\$ 1,197,612
Children's direct benefit money market funds	12,444	33,287
Tuition and other receivables	87,495	82,691
Contributions receivable	287,335	184,007
Prepaid expenses	43,065	48,384
Due from related organizations	74,446	147,595
Deposits and other current assets	16,110	3,587
	<hr/>	<hr/>
Total current assets	890,906	1,697,163
	<hr/>	<hr/>
Property and Equipment, Net	4,533,611	4,037,921
	<hr/>	<hr/>
Total assets	\$ 5,424,517	\$ 5,735,084
	<hr/>	<hr/>
Liabilities and Net Assets		
Current Liabilities		
Operating accounts payable and accrued expenses	\$ 218,906	\$ 135,072
Accrued construction expenses	-	463,702
Deferred tuition and grants	3,519	225,543
Due to related organizations	4,250	150,519
Line of credit	456,852	479,345
Current portion of mortgage payable	87,492	17,716
	<hr/>	<hr/>
Total current liabilities	771,019	1,471,897
	<hr/>	<hr/>
Mortgage Payable, Net of Current Portion	1,388,527	1,062,439
	<hr/>	<hr/>
Total liabilities	2,159,546	2,534,336
	<hr/>	<hr/>
Net Assets		
Unrestricted	2,439,003	2,381,733
Unrestricted, board designated	-	67,867
	<hr/>	<hr/>
Total unrestricted net assets	2,439,003	2,449,600
	<hr/>	<hr/>
Temporarily restricted	708,558	633,738
Permanently restricted	117,410	117,410
	<hr/>	<hr/>
Total net assets	3,264,971	3,200,748
	<hr/>	<hr/>
Total liabilities and net assets	\$ 5,424,517	\$ 5,735,084
	<hr/>	<hr/>

See notes to financial statements

UrbanPromise Ministries, Inc.

Statement of Activities

Years Ended June 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Tuition and fees	\$ 474,437	\$ -	\$ -	\$ 474,437	\$ 390,687	\$ -	\$ -	\$ 390,687
Financial aid	(27,990)	-	-	(27,990)	(20,248)	-	-	(20,248)
	446,447	-	-	446,447	370,439	-	-	370,439
Grants, contributions, and special events	2,570,728	1,268,978	-	3,839,706	2,891,403	668,682	-	3,560,085
Rental income	16,775	-	-	16,775	10,170	-	-	10,170
Contributed services and supplies	264,431	-	-	264,431	251,229	-	-	251,229
Investment income/(loss)	(460)	1	-	(459)	21,017	337	-	21,354
Total revenue	3,297,921	1,268,979	-	4,566,900	3,544,258	669,019	-	4,213,277
Net assets released from restrictions	1,194,159	(1,194,159)	-	-	1,049,213	(1,049,213)	-	-
Total support and revenue	4,492,080	74,820	-	4,566,900	4,593,471	(380,194)	-	4,213,277
Expenses								
Program services	3,560,456	-	-	3,560,456	3,149,033	-	-	3,149,033
Management and general	370,777	-	-	370,777	384,260	-	-	384,260
Fundraising	571,444	-	-	571,444	511,690	-	-	511,690
Total expenses	4,502,677	-	-	4,502,677	4,044,983	-	-	4,044,983
Change in net assets	(10,597)	74,820	-	64,223	548,488	(380,194)	-	168,294
Net Assets, Beginning	2,449,600	633,738	117,410	3,200,748	1,901,112	1,013,932	117,410	3,032,454
Net Assets, Ending	\$ 2,439,003	\$ 708,558	\$ 117,410	\$ 3,264,971	\$ 2,449,600	\$ 633,738	\$ 117,410	\$ 3,200,748

See notes to financial statements

UrbanPromise Ministries, Inc.

Statement of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Net income	\$ 64,223	\$ 168,294
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	140,980	99,348
Changes in assets and liabilities:		
Tuition and other receivables	(4,804)	(1,517)
Contributions receivable	(103,328)	78,197
Prepaid expenses	5,319	12,282
Due from related organizations	73,149	370
Deposits and other current assets	(12,523)	(113)
Accounts payable and accrued expenses	83,834	37,084
Deferred tuition and grants	(222,024)	120,063
Due to related organizations	(146,269)	(26,905)
Other current liabilities	-	(76,223)
Net cash (used in) provided by operating activities	<u>(121,443)</u>	<u>410,880</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(1,100,372)</u>	<u>(1,280,834)</u>
Net cash used in investing activities	<u>(1,100,372)</u>	<u>(1,280,834)</u>
Cash Flows from Financing Activities		
Principal payments on line of credit	(22,493)	-
Principal payments on mortgage payable	(40,959)	(16,664)
Proceeds from line of credit	-	154,030
Proceeds from mortgage payable	<u>436,823</u>	<u>913,177</u>
Net cash provided by financing activities	<u>373,371</u>	<u>1,050,543</u>
Net (decrease) increase in cash and cash equivalents	(848,444)	180,589
Cash and Cash Equivalents, Beginning		
(includes \$33,287 of children's direct benefit fund)	<u>1,230,899</u>	<u>1,050,310</u>
Cash and Cash Equivalents, Ending		
(includes \$12,444 of children's direct benefit fund)	<u>\$ 382,455</u>	<u>\$ 1,230,899</u>
Supplementary Cash Flows Information		
Cash paid during the year for interest	<u>\$ 51,079</u>	<u>\$ 30,641</u>

See notes to financial statements

UrbanPromise Ministries, Inc.

Statement of Functional Expenses

Years Ended June 30, 2015 and 2014

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,824,091	\$ 123,368	\$ 235,012	\$ 2,182,471	\$ 1,669,415	\$ 152,596	\$ 205,983	\$ 2,027,994
Employee benefits	228,120	8,878	22,393	259,391	201,564	9,762	26,666	237,992
Payroll taxes	171,732	10,890	18,341	200,963	172,216	17,157	17,053	206,426
	<u>2,223,943</u>	<u>143,136</u>	<u>275,746</u>	<u>2,642,825</u>	<u>2,043,195</u>	<u>179,515</u>	<u>249,702</u>	<u>2,472,412</u>
Advertising and marketing	7,889	-	30,025	37,914	5,190	60	33,809	39,059
In-kind contributions	185,049	8,830	70,552	264,431	193,220	23,551	34,458	251,229
Direct fundraising costs	242	-	91,066	91,308	461	-	87,563	88,024
Interest expense	-	51,079	-	51,079	-	30,641	-	30,641
Legal and accounting	-	46,070	-	46,070	3,733	25,804	2,533	32,070
Occupancy	349,284	91,280	8,856	449,420	300,316	53,872	7,294	361,482
Office expense	58,433	6,307	28,141	92,881	75,664	7,434	48,169	131,267
Other direct programming expense	429,222	7,972	11,015	448,209	314,075	2,427	6,356	322,858
Postage and printing	14,504	5,433	5,719	25,656	12,306	5,788	4,751	22,845
Professional fees	20,849	1,607	40,047	62,503	30,490	5,211	21,711	57,412
Telephone	11,066	3,493	4,172	18,731	14,381	1,350	4,215	19,946
Training and conferences	6,566	3,635	436	10,637	2,731	8,215	262	11,208
Transportation expense	112,429	1,935	5,669	120,033	96,673	2,715	5,794	105,182
	<u>1,195,533</u>	<u>227,641</u>	<u>295,698</u>	<u>1,718,872</u>	<u>1,049,240</u>	<u>167,068</u>	<u>256,915</u>	<u>1,473,223</u>
Depreciation	140,980			140,980	56,598	37,677	5,073	99,348
	<u>\$ 3,560,456</u>	<u>\$ 370,777</u>	<u>\$ 571,444</u>	<u>\$ 4,502,677</u>	<u>\$ 3,149,033</u>	<u>\$ 384,260</u>	<u>\$ 511,690</u>	<u>\$ 4,044,983</u>

See notes to financial statements

UrbanPromise Ministries, Inc.

Notes Financial Statements
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies

The significant accounting policies followed by UrbanPromise Ministries, Inc. ("UrbanPromise" or the "Organization") are described below to enhance the usefulness of the accompanying financial statements. These accounting policies conform with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

UrbanPromise is incorporated under the non-profit corporation laws of the State of New Jersey. UrbanPromise's mission is to equip Camden's children and young adults with the skills necessary for academic achievement, life management, spiritual growth, and leadership. They strive to fulfill this mission through after-school programs, summer camps, two schools, experiential learning, job training, and a host of other programs that challenge youth to develop and realize their potential.

Basis of Presentation

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets

Net 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

Net assets subject to donor-imposed stipulations that 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.

Basis of Accounting

The financial statements of UrbanPromise have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UrbanPromise Ministries, Inc.

Notes Financial Statements
June 30, 2015 and 2014

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Tuition and contributions receivable include all receivables related to student transactions and contributions, net of allowances as of June 30, 2015 and 2014, respectively. The allowance for doubtful accounts is based upon management's judgment, including such factors as prior collection history and type of receivable. As of June 30, 2015 and 2014, no allowance was considered necessary.

Student Tuition and Fees

Student tuition revenue is reported at the net realizable amounts received from students.

Property and Equipment

It is the Organization's policy to capitalize property and equipment at cost. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset. Buildings and related improvements are depreciated using the straight-line method over a period of 39 years. Depreciation on vehicles and office equipment is recorded using the straight-line method over the estimated useful lives of assets, usually five to seven years. UrbanPromise follows the practice of capitalizing, at cost, all expenditures for equipment and improvements in excess of \$1,000.

Deferred Revenues

Deferred tuition and grants include all revenues related to student transactions and grants that are paid, in advance, and relate to the following fiscal year. As of June 30, 2015 and 2014, amounts recognized as deferred revenues were \$3,519 and \$225,543, respectively.

Contributions

In accordance with authoritative guidance, the Organization records certain promises to give as revenue when the promise is made. In addition, the authoritative guidance requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied within the same year that the contribution is received.

UrbanPromise Ministries, Inc.

Notes Financial Statements
June 30, 2015 and 2014

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

In-Kind Contributions

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 values in the period received. As of June 30, 2015 and 2014, UrbanPromise recognized \$264,431 and \$251,229 of noncash assets and donated services, respectively, which includes guidance counseling, laptops, desktops, food and beverages for staff and annual golf tournament.

Advertising Costs

The cost for advertising is expensed as incurred. The total advertising expense for the years ended June 30, 2015 and 2014 was \$37,914 and \$39,059, respectively.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (students) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2018; early application is not permitted. The Organization has not yet determined the impact of adoption of ASU No. 2014-09 on its financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

Subsequent Events

The Organization evaluated events for recognition on disclosure through February 17, 2016, which is the date the financial statements were available to be issued.

UrbanPromise Ministries, Inc.

Notes Financial Statements
June 30, 2015 and 2014

2. Contributions Receivable

Contributors to the Organization have unconditionally promised to give as follows:

	<u>2015</u>	<u>2014</u>
Receivables in less than one year	\$ 287,335	\$ 184,007
Total unconditional promises to give	<u>\$ 287,335</u>	<u>\$ 184,007</u>

3. Property and Equipment

Property and equipment as of June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 4,614,493	\$ 2,405,142
Building improvements	472,245	400,901
Land	60,527	60,527
Vehicles	188,965	204,392
Office equipment	288,594	194,908
Construction in progress	-	1,783,687
	5,624,824	5,049,557
Accumulated depreciation	<u>(1,091,213)</u>	<u>(1,011,636)</u>
	<u>\$ 4,533,611</u>	<u>\$ 4,037,921</u>

Depreciation expense was \$140,980 and \$99,348 for the years ended June 30, 2015 and 2014, respectively.

4. Line of Credit

UrbanPromise has a \$500,000 line of credit, secured by property, from a bank. Advances under this line of credit are payable on demand and bear interest at 4.75%. The line of credit is renewable annually, expires on December 1, 2018. As of June 30, 2015 and 2014 the amount available on the line of credit was \$43,148 and \$20,655, respectively. The amount outstanding at June 30, 2015 and 2014 was \$456,852 and \$479,345, respectively.

UrbanPromise Ministries, Inc.

Notes Financial Statements
June 30, 2015 and 2014

5. Mortgage Payable

	<u>2015</u>	<u>2014</u>
Mortgage payable - \$125,000 seller financed mortgage, secured by certain property. Principal and interest are payable over a 10 year amortization at a rate of 4.36% per annum.	\$ 59,866	\$ 72,614
Mortgage payable - \$104,000 loan secured by certain property. Principal and interest are payable over a 15 year amortization at a rate of 5.25% per annum.	89,132	94,364
Mortgage payable - \$1,350,000 loan secured by certain property. Principal and interest are payable over a 20 year amortization at a rate of 3.93% per annum.	1,327,021	-
Construction note payable	-	<u>913,177</u>
	1,476,019	1,080,155
Current maturities	<u>(87,492)</u>	<u>(17,716)</u>
Long term portion	<u>\$ 1,388,527</u>	<u>\$ 1,062,439</u>

Principal payments on the mortgage payable for the next five years are as follows:

Years ending June 30:	
2016	\$ 87,492
2017	88,373
2018	89,295
2019	90,261
2020	78,191
Thereafter	<u>1,042,407</u>
	<u>\$ 1,476,019</u>

On August 22, 2013, the Organization obtained a \$1,350,000 construction note payable secured by property and improvements described in the mortgage of the Organization to construct the UrbanPromise Spirit Building. Interest is payable over the construction period equal to the one month LIBOR Rate plus 2.75%. The note shall convert to a mortgage 12 months after the date of the note, and did so in August, 2014. After the construction term ends, principle and interest are payable over a 20 year amortization at the lesser of 4% per annum or the one month LIBOR Rate plus 3.75%.

UrbanPromise Ministries, Inc.

Notes Financial Statements
June 30, 2015 and 2014

6. Children's Direct Benefit Money Market Funds

Temporarily restricted net assets as of June 30, 2015 and 2014 include funding that was received during the past several years for the direct benefit of certain children who live in Camden. Individual trust funds were established by the Organization and will be maintained for the education, health and welfare of the children.

7. Net Assets

Funds classified as temporarily restricted net assets consist of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Ambassador of Hope	\$ 17,752	\$ 9,757
Children's Direct Benefit Fund	12,444	33,287
Wellness Center	4,618	28,772
Eastside Capital Project	319,556	66,230
Eastside Debt Service Fund	-	250,000
Emergency Family Fund	6,018	28,131
Delaware Gardens Neighborhood Initiative	135,865	33,814
UPA Senior Computers	930	930
Boatworks	103,405	182,817
UrbanArts	4,648	-
UPA Camden Home for Children	3,247	-
Playground Renovations	10,000	-
Fairview	36,987	-
UTK	50,000	-
Camp Freedom	3,088	-
Total	<u>\$ 708,558</u>	<u>\$ 633,738</u>

Funds classified as permanently restricted net assets consist of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Bruce Main Endowment	<u>\$ 117,410</u>	<u>\$ 117,410</u>

8. Related Party Transactions

Effective July 1, 2009, UrbanPromise formed a separately governed and operated charitable organization, UrbanPromise International, Inc. (UPI) based on the very successful UrbanPromise model. The two organizations share facilities and certain personnel. UPI reimburses such costs on a periodic basis. As of June 30, 2015 the amount due from UPI to the Organization was \$68,171. As of June 30, 2014 the amount due to UPI from the Organization was \$146,269. Of these amounts, \$900 and \$143,302, respectively, are directly offset by the due from UrbanPromise Trenton as noted below.

UrbanPromise Ministries, Inc.

Notes Financial Statements
June 30, 2015 and 2014

The Organization also conducts business with other related organizations. As of June 30, 2015 and 2014, the amounts due (to) from the organizations are as follows:

	<u>2015</u>	<u>2014</u>
Fellowship House	\$ 4,355	\$ 4,293
UrbanPromise Trenton	900	143,302
UrbanPromise Toronto	(4,250)	(4,250)
UrbanPromise Wilmington	1,020	-

The balances due (to) from the related organizations do not bear interest.

9. Lease Commitments

UrbanPromise regularly conducts youth programs at a variety of locations separate from its main campus in Camden. For those facilities that are not provided pro bono, the leases are on a month-to-month basis with no long term commitment. Rent expense included in occupancy for the years ended June 30, 2015 and 2014 was \$52,130 and \$31,482, respectively.

10. Retirement Plan

The Organization has a 403(b) defined contribution plan. Employees are encouraged to direct a percentage of their income to the plan. The Organization does not match employee contributions.

11. Concentration of Credit Risk

UrbanPromise maintains its cash accounts in various commercial banks. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time the Organization has exceeded the insured amount.

12. Income Taxes

UrbanPromise is a nonprofit corporation that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

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. Management determined that there were no tax uncertainties that met the threshold for the years ended June 30, 2015 and 2014.

Currently, the 2012, 2013 and 2014 tax years are open and subject to examination by the Internal Revenue Service 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.