

DOWNTOWN BOXING GYM YOUTH PROGRAM

Detroit, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2016 and 2015

DOWNTOWN BOXING GYM YOUTH PROGRAM

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Downtown Boxing Gym Youth Program
Detroit, Michigan

We have audited the accompanying financial statements of Downtown Boxing Gym Youth Program (the "Organization"), which comprise the statements of financial position as of September 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 auditors' 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 Organization as of September 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

Southfield, Michigan
April 28, 2017

DOWNTOWN BOXING GYM YOUTH PROGRAM

STATEMENTS OF FINANCIAL POSITION As of September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 294,471	\$ 111,812
Promises to give - net	119,800	100,485
Grant receivable	20,000	20,000
Other current assets	3,163	3,392
Total Current Assets	<u>437,434</u>	<u>235,689</u>
PROPERTY AND EQUIPMENT, NET	<u>918,972</u>	<u>925,991</u>
OTHER ASSETS		
Promises to give - net of current portion	20,715	44,311
Grant receivable - net of current portion	-	20,000
Total Other Assets	<u>20,715</u>	<u>64,311</u>
TOTAL ASSETS	<u>\$ 1,377,121</u>	<u>\$ 1,225,991</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 37,773	\$ 20,389
Current maturities of long-term debt	17,188	16,290
Related party debt	-	10,449
Total Current Liabilities	<u>54,961</u>	<u>47,128</u>
LONG-TERM LIABILITIES		
Long-term debt - net of current maturities	<u>325,945</u>	<u>343,133</u>
Total Liabilities	<u>380,906</u>	<u>390,261</u>
NET ASSETS		
Unrestricted	901,214	523,521
Temporarily restricted	95,001	312,209
Total Net Assets	<u>996,215</u>	<u>835,730</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,377,121</u>	<u>\$ 1,225,991</u>

See accompanying notes to financial statements.

DOWNTOWN BOXING GYM YOUTH PROGRAM

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE				
Grants	\$ 184,663	-	\$ 240,842	15,958
Contributions	474,837	20,001	64,959	296,251
Special events, net of direct expenses	13,654	-	7,122	-
In-kind donations	92,785	-	277,382	-
Other income	1,274	-	1,376	-
Net assets released from restrictions	237,209	(237,209)	267,225	(267,225)
Total Support and Revenue	<u>1,004,422</u>	<u>(217,208)</u>	<u>858,906</u>	<u>44,984</u>
				<u>2015 Total</u>
				\$ 256,800
				361,210
				7,122
				277,382
				1,376
				-
				<u>903,890</u>
EXPENSES				
Program	441,766	-	282,633	-
Management and general	85,510	-	31,281	-
Fundraising	99,453	-	45,605	-
Total Expenses	<u>626,729</u>	<u>-</u>	<u>359,519</u>	<u>-</u>
				<u>544,371</u>
CHANGE IN NET ASSETS	377,693	(217,208)	499,387	44,984
NET ASSETS - Beginning of Year	<u>523,521</u>	<u>312,209</u>	<u>24,134</u>	<u>267,225</u>
NET ASSETS - END OF YEAR	<u>\$ 901,214</u>	<u>\$ 95,001</u>	<u>\$ 523,521</u>	<u>\$ 312,209</u>
				<u>\$ 835,730</u>

See accompanying notes to financial statements.

DOWNTOWN BOXING GYM YOUTH PROGRAM

STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 160,485	\$ 544,371
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	34,576	5,712
Donated equipment received	(20,093)	-
Loss on disposal of equipment	3,254	-
Changes in operating assets and liabilities that provided (used) cash:		
Promises to give and grants receivable	24,281	(28,121)
Other current assets	229	1,808
Accounts payable and accrued expenses	<u>17,384</u>	<u>17,340</u>
Net Cash Flows from Operating Activities	<u>220,116</u>	<u>541,110</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(10,718)</u>	<u>(563,047)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on related party debt	(10,449)	-
Payments on long-term debt	<u>(16,290)</u>	<u>(2,631)</u>
Net Cash Flows from Financing Activities	<u>(26,739)</u>	<u>(2,631)</u>
 Net Change in Cash and Cash Equivalents	182,659	(24,568)
 CASH AND CASH EQUIVALENTS - Beginning of Year	<u>111,812</u>	<u>136,380</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 294,471</u>	<u>\$ 111,812</u>
 Supplemental cash flow disclosures		
Cash paid for interest	\$ 19,182	\$ 4,282
 Noncash investing and financing activities		
Capital expenditures financed through debt	\$ -	\$ 362,054

See accompanying notes to financial statements.

DOWNTOWN BOXING GYM YOUTH PROGRAM

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2016 and 2015

	2016			2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Total
Salaries and fringes	\$ 158,874	\$ 33,045	\$ 85,321	\$ 277,240	\$ 86,174	\$ 9,575	\$ 95,749
Property tax	(2,506)	(279)	-	(2,785)	46,239	5,138	51,377
Printing	-	-	5,344	5,344	-	-	779
Travel and meetings	8,410	-	-	8,410	331	-	331
Educational supplies	1,063	-	-	1,063	568	-	568
Website development	-	191	-	191	-	191	191
Professional fundraising fees	-	-	-	-	-	-	44,794
Contract services	21,911	32,681	-	54,592	-	6,000	6,000
Telephone and internet	3,181	637	-	3,818	2,274	536	2,810
Postage and shipping	-	7	7	14	-	32	64
Rent	-	-	-	-	8,280	920	9,200
Repairs	412	367	-	779	1,350	934	2,284
Utilities	26,225	2,914	-	29,139	24,918	2,769	27,687
Insurance	30,941	3,438	-	34,379	19,883	2,209	22,092
Vehicles	68,455	-	-	68,455	51,263	-	51,263
Maintenance	18,816	2,091	-	20,907	200	22	222
Bank, payroll and filing fees	24,643	4,455	8,781	37,879	7,897	1,307	9,204
USA licensing fees	989	-	-	989	338	-	338
Office supplies	16,080	113	-	16,193	1,968	219	2,187
Building inspections	-	-	-	-	898	100	998
Depreciation and amortization	31,118	3,458	-	34,576	5,141	571	5,712
Interest	17,264	1,918	-	19,182	3,854	428	4,282
In-kind food and snacks	11,026	-	-	11,026	15,898	-	15,898
Other	4,864	474	-	5,338	5,159	330	5,489
TOTAL EXPENSES	\$ 441,766	\$ 85,510	\$ 99,453	\$ 626,729	\$ 282,633	\$ 31,281	\$ 359,519
							\$ 45,605

See accompanying notes to financial statements.

DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Downtown Boxing Gym Youth Program (the "Organization") is a not-for-profit Michigan corporation founded in 2010. The Organization encourages the youth of Detroit to engage in demanding physical, academic and social programs in which trainers, tutors, counselors and social workers provide daily services directly at the Organization. Through education, athletics, mentoring and intervention, the Organization empowers Detroit youth to be positive and productive members of society.

Use of Estimates

The preparation of the 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

Organization considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. The Organization maintains cash balances with a single bank. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Promise to Give

Unconditional promises to give that are expected to be collected in future years are recorded on the basis of amounts promised by the contributors less a present value discount and any allowance for doubtful accounts determined to be necessary. At September 30, 2016, 88% of the promise to give balance is due from two donors.

Property and Equipment

Property and equipment are stated at cost net of depreciation which is computed using the straight-line method over the estimated useful life of the asset (building and building improvements - 39 years, gym equipment - 7 years, computers - 5 years). Additions and betterments of \$500 or more are capitalized; while repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed. If the asset life is less than 1 year the asset value is also expensed.

DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Property and Equipment (cont.)

Donations of gym equipment are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire gym equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Classification of Net Assets

The Organization classifies resources for accounting and reporting purposes into net assets categories according to externally (donor) imposed restrictions. A description of the three categories follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of September 30, 2016 and 2015, the Organization had no permanently restricted net assets.

Revenue Recognition

The Organization receives donations from corporations, board members and individual donors. The donations received are recognized as revenue in the year received.

Contributions

All are generally recorded as unrestricted revenue, unless specifically restricted by the donor. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities.

DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Contributions (cont.)

The Organization recognizes in-kind contribution revenue and related expenses for items donated to the Organization. Revenue and expense are recorded based on the fair value of the donation at the time it was donated. Donated food is valued at estimated fair value according to a per pound amount, by food category, determined by using the Agreed Upon Procedures report prepared by KPMG LLP for Feeding America, a national food bank network. In-kind revenue for donated food totaled \$11,026 and \$15,898 for the years ended September 30, 2016 and 2015, respectively. Other in-kind contributions consisted of use of vehicles, kitchen equipment and other miscellaneous items for the years ended September 30, 2016 and 2015, respectively.

Contributed Services

A substantial number of volunteers and professionals have donated significant amounts of their time on behalf of the Organization. However, no amounts related to these services have been reflected in these financial statements since they did not meet the criteria for recognition.

Functional Allocation of Expenses

Direct identifiable expenses are charged to programs and supporting services accordingly. Common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management. Certain expenses have been allocated between programs and supporting services on various bases and estimates. Although methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Sections 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, are not subject to federal or state income taxes on related income. Unrelated business income may be subject to taxation.

The Organization follows current authoritative guidance relating to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would be more likely than not to sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

Based on its evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Organization is not currently under examination by any taxing jurisdiction.

DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Subsequent Events

The Organization has evaluated events through April 28, 2017, which is the date the financial statements were approved and available to be issued.

Reclassification

Certain reclassifications have been made to the financial statements as of and for the year ended September 30, 2015, to conform to classifications used as of and for the year ended September 30, 2016.

NOTE 2 - Promises To Give

The composition of promises to give is as follows at September 30:

	<u>Total</u>	<u>2015</u>
Receivable in less than one year	\$ 119,800	\$ 100,485
Receivable in greater than one year	25,000	50,000
Less: Unamortized discount	<u>(4,285)</u>	<u>(5,689)</u>
Promises to Give, Net	<u>\$ 140,515</u>	<u>\$ 144,796</u>

The long-term promises to give were discounted to present value using an interest rate of 3.00% for the years ended September 30, 2016 and 2015. The Organization expects to collect all outstanding promises to give. As such, no allowance for doubtful accounts was recorded by the Organization as of September 30, 2016 and 2015. The promises to give at September 30, 2016 are from two donors.

NOTE 3 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Building and building improvements	\$ 888,249	\$ 877,531
Gym equipment	30,071	30,072
Computers	20,928	25,933
Furnishings and equipment	<u>20,093</u>	<u>-</u>
Total property and equipment	959,341	933,536
Less: Accumulated depreciation	<u>(40,369)</u>	<u>(7,545)</u>
Net Property and Equipment	<u>\$ 918,972</u>	<u>\$ 925,991</u>

Depreciation expense totaled \$34,576 and \$5,712 for the years ended September 30, 2016 and 2015, respectively.

DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2016 and 2015

NOTE 4 - Operating Lease with Related Party

In October 2013, the Organization entered into a lease agreement with the President of the Organization beginning January 15, 2014, making monthly payments of \$1,000. On December 15, 2014 the lease terminated and the Organization was on a month-to-month basis. The Organization continued to make monthly payments of \$1,000 for six months, with the final payment being in June 2015. In November 2014, the Organization purchased a permanent facility for the gym.

Rent expense amounted to \$0 and \$9,200 for the years ended September 30, 2016 and 2015, respectively. As of September 30, 2016 and 2015 no amounts were due to the President.

NOTE 5 - Long-term Debt

Long-term debt consists of the following at September 30:

	<u>Total</u>	<u>2015</u>
Note payable to IFF, due in monthly installments of \$2,934, including interest at 5.375% through July 2030. The note payable is collateralized by the building.	\$ 343,133	\$ 359,423
Less: Current portion	<u>17,188</u>	<u>16,290</u>
Total Long-term Debt, Net of Current Portion	<u>\$ 325,945</u>	<u>\$ 343,133</u>

Principal requirements on long-term debt for years ending September 30:

<u>Year Ending</u>	<u>Total</u>
2017	\$ 17,188
2018	18,135
2019	19,134
2020	20,188
2021	21,300
Thereafter	<u>247,188</u>
	<u>\$ 343,133</u>

NOTE 6 - Related Party Transactions

The Organization has a loan from the Executive Director who is also a board member. The loan is non-interest bearing and was repaid in December 2015. As of September 30, 2016 and 2015, the loan balance was \$0 and \$10,449 respectively. For the years ended September 30, 2016 and 2015, imputed interest that was recorded on the loan was \$261 and \$4,282, respectively.

DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2016 and 2015

NOTE 7 - Temporarily Restricted Net Assets

As of September 30, 2016 and September 30, 2015, all temporarily restricted net assets were purpose restricted by donors to be used to expand athletic programming and mentoring efforts across specific neighborhoods.