

# **DOWNTOWN BOXING GYM YOUTH PROGRAM**

Detroit, Michigan

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2018 and 2017

# **DOWNTOWN BOXING GYM YOUTH PROGRAM**

## **TABLE OF CONTENTS** As of and for the Years Ended September 30, 2018 and 2017

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<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 - 13

## 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, 2018 and 2017, 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, 2018 and 2017, 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  
March 15, 2019

# DOWNTOWN BOXING GYM YOUTH PROGRAM

## STATEMENTS OF FINANCIAL POSITION As of September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,123,283	\$ 249,175
Restricted cash	534,668	230,255
Promises to give, net	-	75,708
Other current assets	<u>5,298</u>	<u>11,309</u>
Total Current Assets	2,663,249	566,447
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>1,048,442</u>	<u>949,617</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,711,691</u>	<u>\$ 1,516,064</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 44,730	\$ 47,155
Current maturities of long-term debt	<u>19,134</u>	<u>18,135</u>
Total Current Liabilities	63,864	65,290
<b>LONG-TERM LIABILITIES</b>		
Long-term debt - net of current maturities	<u>288,676</u>	<u>307,810</u>
Total Liabilities	<u>352,540</u>	<u>373,100</u>
<b>NET ASSETS</b>		
Unrestricted	2,824,483	912,709
Temporarily restricted	<u>534,668</u>	<u>230,255</u>
Total Net Assets	<u>3,359,151</u>	<u>1,142,964</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,711,691</u>	<u>\$ 1,516,064</u>

See accompanying notes to financial statements.

## DOWNTOWN BOXING GYM YOUTH PROGRAM

STATEMENTS OF ACTIVITIES  
For the Years Ended September 30, 2018 and 2017

	Unrestricted	Temporarily Restricted	2018 Total	Unrestricted	Temporarily Restricted	2017 Total
<b>SUPPORT AND REVENUE</b>						
Grants	\$ 32,142	\$ 637,000	\$ 669,142	\$ 161,400	\$ 122,355	\$ 283,755
Contributions	2,669,001	182,202	2,851,203	568,567	302,072	870,639
Special events, net of direct expenses	26,994	-	26,994	(1,497)	-	(1,497)
In-kind donations	99,649	-	99,649	126,697	-	126,697
Other income	19,795	-	19,795	16,739	-	16,739
Net assets released from restriction	<u>514,789</u>	<u>(514,789)</u>	<u>-</u>	<u>289,173</u>	<u>(289,173)</u>	<u>-</u>
Total Support and Revenue	<u>3,362,370</u>	<u>304,413</u>	<u>3,666,783</u>	<u>1,161,079</u>	<u>135,254</u>	<u>1,296,333</u>
<b>EXPENSES</b>						
Program	934,334	-	934,334	816,554	-	816,554
Management and general	238,908	-	238,908	155,159	-	155,159
Fundraising	<u>277,354</u>	<u>-</u>	<u>277,354</u>	<u>177,871</u>	<u>-</u>	<u>177,871</u>
Total Expenses	<u>1,450,596</u>	<u>-</u>	<u>1,450,596</u>	<u>1,149,584</u>	<u>-</u>	<u>1,149,584</u>
<b>CHANGE IN NET ASSETS</b>	1,911,774	304,413	2,216,187	11,495	135,254	146,749
NET ASSETS - Beginning of Year	<u>912,709</u>	<u>230,255</u>	<u>1,142,964</u>	<u>901,214</u>	<u>95,001</u>	<u>996,215</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,824,483</u>	<u>\$ 534,668</u>	<u>\$ 3,359,151</u>	<u>\$ 912,709</u>	<u>\$ 230,255</u>	<u>\$ 1,142,964</u>

See accompanying notes to financial statements.

## DOWNTOWN BOXING GYM YOUTH PROGRAM

### STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,216,187	\$ 146,749
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	39,195	36,317
Bad debt expense	708	75,000
Donated equipment received	-	(28,167)
Donations restricted for capital expansion	(105,457)	(176,275)
Changes in operating assets and liabilities that provided (used) cash:		
Promises to give and grants receivable	75,000	9,807
Other current assets	6,011	(8,146)
Accounts payable and accrued expenses	(2,426)	9,382
Net Cash Flows from Operating Activities	2,229,218	64,667
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(138,019)	(38,795)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Donations received for capital expansion	105,457	176,275
Payments on long-term debt	(18,135)	(17,188)
Net Cash Flows from Financing Activities	87,322	159,087
 <b>Net Change in Cash and Cash Equivalents</b>	2,178,521	184,959
 CASH AND CASH EQUIVALENTS - Beginning of Year	479,430	294,471
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,657,951	\$ 479,430
 <b>Cash is reported on the Statement of Financial Position as follows:</b>		
Cash and cash equivalents	\$ 2,123,283	\$ 249,175
Restricted cash	534,668	230,255
Total Cash and Cash Equivalents	\$ 2,657,951	\$ 479,430
 <b>Supplemental cash flow disclosures</b>		
Cash paid for interest	\$ 17,077	\$ 18,024
 <b>Noncash investing and financing activities</b>		
Donated equipment received	\$ -	\$ 28,167

See accompanying notes to financial statements.

## DOWNTOWN BOXING GYM YOUTH PROGRAM

### STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended September 30, 2018 and 2017

	Program	Management and General	Fundraising	2018 Total	Program	Management and General	Fundraising	2017 Total
Salaries expense	\$ 474,783	\$ 124,137	\$ 118,779	\$ 717,699	\$ 349,329	\$ 73,564	\$ 104,458	\$ 527,351
Property tax	362	40	-	402	111	12	-	123
Printing	-	-	4,963	4,963	-	-	4,714	4,714
Travel and meetings	9,913	-	9,913	19,826	15,122	-	-	15,122
Awards - participant	285	-	-	285	945	-	-	945
Educational supplies	10,552	-	-	10,552	10,103	-	-	10,103
Website development	-	26,381	26,381	52,762	-	2,201	2,201	4,402
Consulting fees	127,632	50,422	116,235	294,289	68,392	55,551	56,290	180,233
Telephone and internet	9,292	1,032	-	10,324	6,620	736	-	7,356
Postage and shipping	-	13	13	26	-	561	561	1,122
Repairs	15,855	1,003	-	16,858	2,918	2,767	-	5,685
Utilities	50,459	5,607	-	56,066	35,667	3,963	-	39,630
Insurance	12,223	1,358	-	13,581	27,012	3,001	-	30,013
Vehicles	120,734	-	-	120,734	111,770	-	-	111,770
Maintenance	13,523	1,503	-	15,026	15,069	1,674	-	16,743
Bank, payroll and filing fees	1,628	3,212	409	5,249	943	1,297	494	2,734
USA licensing fees	569	-	-	569	1,605	-	-	1,605
Office supplies	13,734	3,245	-	16,979	19,186	3,068	-	22,254
Depreciation	35,275	3,920	-	39,195	32,662	3,655	-	36,317
Interest	15,369	1,708	-	17,077	16,222	1,802	-	18,024
In-kind food and snacks	16,512	-	-	16,512	17,836	-	-	17,836
Bad debt	-	708	-	708	75,000	-	-	75,000
Other	5,634	14,619	661	20,914	10,042	1,307	9,153	20,502
<b>TOTAL EXPENSES</b>	<b>\$ 934,334</b>	<b>\$ 238,908</b>	<b>\$ 277,354</b>	<b>\$ 1,450,596</b>	<b>\$ 816,554</b>	<b>\$ 155,159</b>	<b>\$ 177,871</b>	<b>\$ 1,149,584</b>

See accompanying notes to financial statements.

# DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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## **NOTE 1 - Summary of Significant Accounting Policies**

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### *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.

### *Cash and Cash Equivalents*

The 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.

### *Restricted Cash*

The Organization has reported restricted cash of \$534,668 and \$230,255 on the Statements of Financial Position as of September 30, 2018 and 2017, respectively. This cash is restricted for the expansion of athletic programming, capital expansion, and mentoring efforts across specific neighborhoods.

### *Promises 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.

# DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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

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### *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, furniture and equipment - 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.

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, 2018 and 2017, 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.

# DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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

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### *Contributions*

All contributions are generally recorded as unrestricted revenue, unless specifically restricted by the donor. All 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.

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 \$16,512 and \$17,836 for the years ended September 30, 2018 and 2017, respectively. Other in-kind contributions consisted of use of vehicles, kitchen equipment and other miscellaneous items for the years ended September 30, 2018 and 2017, 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.

### *Subsequent Events*

The Organization has evaluated events through March 15, 2019, which is the date the financial statements were approved and available to be issued.

## DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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### NOTE 2 - Promises To Give

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

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	<u>\$ -</u>	<u>\$ 75,708</u>

The Organization expected to collect all outstanding promises to give. As such, no allowance for doubtful accounts was recorded by the Organization as of September 30, 2017. For the year ended September 30, 2018, \$708 of bad debt expense was recorded specific to two donors. At September 30, 2017, 99% of the promises to give balance is due from one donor.

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### NOTE 3 - Property and Equipment

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Property and equipment consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Building and building improvements	\$ 888,249	\$ 888,249
Gym equipment	31,671	31,671
Computers	47,495	47,495
Furnishings and equipment	24,363	24,363
Construction in process	<u>172,545</u>	<u>34,525</u>
Total property and equipment	1,164,323	1,026,303
Less: Accumulated depreciation	<u>(115,881)</u>	<u>(76,686)</u>
Net Property and Equipment	<u>\$ 1,048,442</u>	<u>\$ 949,617</u>

Depreciation expense totaled \$39,195 and \$36,317 for the years ended September 30, 2018 and 2017, respectively. Construction in process relates to expansion of the organization's building.

## DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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### NOTE 4 - Long-term Debt

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

	<u>2018</u>	<u>2017</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.	\$ 307,810	\$ 325,945
Less: Current portion	<u>19,134</u>	<u>18,135</u>
Total Long-term Debt, net of current portion	<u>\$ 288,676</u>	<u>\$ 307,810</u>

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

<u>Year Ending</u>	<u>2018</u>
2019	\$ 19,134
2020	20,188
2021	21,300
2022	22,474
2023	23,712
Thereafter	<u>201,002</u>
	<u>\$ 307,810</u>

The Organization was in compliance with its debt covenants for the year ended September 30, 2018.

## DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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### NOTE 5 - Temporarily Restricted Net Assets

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As of September 30, 2018 and September 30, 2017, temporarily restricted net assets were time and purpose restricted by donors to be used to expand athletic programming and mentoring efforts across specific neighborhoods. Temporarily restricted net assets are available for the following purposes or periods as of September 30:

	<u>2018</u>	<u>2017</u>
Student transportation	\$ -	\$ 40,980
Afterschool activities	29,925	13,000
Academic support and tuition	287,447	-
Expansion and renovation	185,457	176,275
Restricted for use in future periods	<u>31,839</u>	<u>-</u>
Total	<u>\$ 534,668</u>	<u>\$ 230,255</u>

Releases from temporarily restricted net assets as of September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Student transportation	\$ 40,980	\$ 81,375
Afterschool activities	23,075	-
Academic support and tuition	94,553	48,273
Expansion and renovation	138,020	44,525
Restricted for use in future periods	<u>218,161</u>	<u>115,000</u>
Total	<u>\$ 514,789</u>	<u>\$ 289,173</u>

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### NOTE 6 - New Accounting Pronouncements

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During August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 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. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

During May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization may elect to apply the guidance earlier. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU 2014-09 will have on its results of operations, financial position and cash flows.

## DOWNTOWN BOXING GYM YOUTH PROGRAM

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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### **NOTE 6 - New Accounting Pronouncements (cont.)**

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During February 2016, the FASB issued ASU 2016-02, "Leases". ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

During June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU 2018-08 will have on its results of operations, financial position and cash flows.