

Downtown Boxing Gym Youth Program

Financial Statements

September 30, 2022 and 2021

Downtown Boxing Gym Youth Program

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Independent Auditors' Report

To the Board of Directors of
Downtown Boxing Gym Youth Program

Opinion

We have audited the financial statements of Downtown Boxing Gym Youth Program (the Organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Southfield, Michigan
June 21, 2023

Downtown Boxing Gym Youth Program

Statements of Financial Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 514,860	\$ 944,051
Promises to give	595,892	413,279
Investments	1,546,180	1,734,854
Other current assets	22,094	14,123
Total current assets	2,679,026	3,106,307
Property and Equipment, Net	<u>3,735,264</u>	<u>3,436,623</u>
Total assets	<u>\$ 6,414,290</u>	<u>\$ 6,542,930</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 144,590	\$ 146,933
Current maturities of long-term debt	23,957	22,791
Total current liabilities	168,547	169,724
Long-Term Liabilities		
Long-term debt, net of current maturities	199,986	223,943
Total liabilities	<u>368,533</u>	<u>393,667</u>
Net Assets		
Without donor restrictions	3,342,913	4,273,860
With donor restrictions	2,702,844	1,875,403
Total net assets	<u>6,045,757</u>	<u>6,149,263</u>
Total liabilities and net assets	<u>\$ 6,414,290</u>	<u>\$ 6,542,930</u>

See notes to financial statements

Downtown Boxing Gym Youth Program

Statements of Activities

Years Ended September 30, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Support and Revenue						
Grants	\$ 506,718	\$ 320,092	\$ 826,810	\$ 961,847	\$ 342,452	\$ 1,304,299
Contributions	355,528	1,487,810	1,843,338	235,482	1,031,684	1,267,166
Special events, net of direct expenses	96,528	-	96,528	90,599	-	90,599
In-kind donations	640,601	-	640,601	1,123,092	-	1,123,092
Net investment income (loss)	(208,508)	-	(208,508)	120,150	-	120,150
Other income	40,760	-	40,760	236,859	-	236,859
Net assets released from restriction	980,461	(980,461)	-	805,823	(805,823)	-
Total support and revenue	<u>2,412,088</u>	<u>827,441</u>	<u>3,239,529</u>	<u>3,573,852</u>	<u>568,313</u>	<u>4,142,165</u>
Expenses						
Program	2,589,646	-	2,589,646	1,920,397	-	1,920,397
Management and general	234,838	-	234,838	306,353	-	306,353
Fundraising	518,551	-	518,551	461,296	-	461,296
Total expenses	<u>3,343,035</u>	<u>-</u>	<u>3,343,035</u>	<u>2,688,046</u>	<u>-</u>	<u>2,688,046</u>
Change in net assets	(930,947)	827,441	(103,506)	885,806	568,313	1,454,119
Net Assets, Beginning	<u>4,273,860</u>	<u>1,875,403</u>	<u>6,149,263</u>	<u>3,388,054</u>	<u>1,307,090</u>	<u>4,695,144</u>
Net Assets, Ending	<u>\$ 3,342,913</u>	<u>\$ 2,702,844</u>	<u>\$ 6,045,757</u>	<u>\$ 4,273,860</u>	<u>\$ 1,875,403</u>	<u>\$ 6,149,263</u>

See notes to financial statements

Downtown Boxing Gym Youth Program

Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (103,506)	\$ 1,454,119
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	111,010	82,645
Donated property and equipment received	(151,518)	(682,172)
Donations received for capital expansion	(485,000)	(469,369)
Bad debt expense	2,000	3,040
Net realized and unrealized (gain)/loss on investments	255,000	(60,756)
Gain on disposal of property and equipment	(23,300)	-
Changes in operating assets and liabilities that provided (used) cash:		
Promises to give	(184,613)	193,045
Other current assets	(7,971)	1,162
Accounts payable and accrued expenses	(2,343)	10,162
Net cash flows from operating activities	<u>(590,241)</u>	<u>531,876</u>
Cash Flows From Investing Activities		
Capital expenditures	(278,933)	(572,180)
Purchase of investments	(401,909)	(1,215,544)
Proceeds from sales of investments	335,583	1,041,875
Proceeds from sale of property and equipment	44,100	-
Net cash flows from investing activities	<u>(301,159)</u>	<u>(745,849)</u>
Cash Flows From Financing Activities		
Donations received for capital expansion	485,000	469,369
Payments on long-term debt	(22,791)	(21,682)
Net cash flows from financing activities	<u>462,209</u>	<u>447,687</u>
Net change in cash and cash equivalents	(429,191)	233,713
Cash and Cash Equivalents, Beginning	<u>944,051</u>	<u>710,338</u>
Cash and Cash Equivalents, Ending	<u>\$ 514,860</u>	<u>\$ 944,051</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ 11,819	\$ 12,928

See notes to financial statements

Downtown Boxing Gym Youth Program

Statements of Functional Expenses

Years Ended September 30, 2022 and 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>
Salaries	\$ 1,192,199	\$ 71,446	\$ 309,287	\$ 1,572,932	\$ 1,082,536	\$ 118,592	\$ 269,408	\$ 1,470,536
Property tax	542	30	30	602	669	37	37	743
Printing	3,176	3,176	3,176	9,528	362	362	362	1,086
Travel and meetings	13,109	2,435	3,935	19,479	3,316	-	-	3,316
Educational supplies	28,944	3,597	3,597	36,138	54,451	6,360	6,360	67,171
Website development	33,935	-	33,935	67,870	35,323	-	35,324	70,647
Consulting fees	524,964	120,441	107,627	753,032	196,568	129,280	122,964	448,812
Telephone and internet	8,609	478	478	9,565	7,990	444	444	8,878
Postage and shipping	-	2,867	2,867	5,734	-	1,539	1,539	3,078
Repairs	678	-	-	678	6,405	123	-	6,528
Utilities	30,374	1,687	1,687	33,748	16,465	915	915	18,295
Insurance	25,520	1,492	4,900	31,912	38,063	2,924	5,009	45,996
Vehicles	60,063	-	-	60,063	90,100	-	-	90,100
Maintenance	17,798	989	989	19,776	10,544	600	637	11,781
Bank, payroll and filing fees	11,442	11,442	11,442	34,326	6,560	6,540	6,540	19,640
USA licensing fees	1,227	-	25	1,252	845	-	-	845
Office supplies	103,304	2,261	2,261	107,826	84,237	2,259	2,676	89,172
Covid-19 supplies	3,314	-	-	3,314	4,979	-	-	4,979
Depreciation	99,908	5,551	5,551	111,010	74,381	4,132	4,132	82,645
Interest	10,637	591	591	11,819	11,636	646	646	12,928
In-kind food	275,874	-	-	275,874	107,850	-	-	107,850
Special events	-	-	150,565	150,565	-	-	-	-
Other	144,029	6,355	26,173	176,557	87,117	31,600	4,303	123,020
Total expenses	2,589,646	234,838	669,116	3,493,600	1,920,397	306,353	461,296	2,688,046
Less special events	-	-	(150,565)	(150,565)	-	-	-	-
Total expenses	\$ 2,589,646	\$ 234,838	\$ 518,551	\$ 3,343,035	\$ 1,920,397	\$ 306,353	\$ 461,296	\$ 2,688,046

See notes to financial statements

Downtown Boxing Gym Youth Program

Notes to Financial Statements
September 30, 2022 and 2021

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.

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.

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 any allowance for doubtful accounts determined to be necessary. There is no allowance for doubtful accounts as of September 30, 2022 and 2021.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation or if no value can be estimated, at a nominal value. The Organization records the change of ownership of bonds and stocks on the day a trade is made. Net investment income is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment activity included within the statement of activity includes both realized and unrealized gains and losses.

Downtown Boxing Gym Youth Program

Notes to Financial Statements
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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, furnishings and equipment - 5 years, vehicles - 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 property and 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 property and 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 net assets with donor restrictions to net assets without donor restrictions 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.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - 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 and net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization.

Revenue Recognition

Contributions received are recorded as support with or without donor restrictions depending on the existence and nature of any donor restrictions. Contributions include actual gifts or promises to give. Contributions of assets other than cash are recorded at their fair value on the date of the gift. If a donor restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as without donor restrictions. Restricted gifts or promises to give are reported as restricted support in the period received and are then reclassified to net assets without donor restrictions upon satisfaction of the donor restriction. Promises to give that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value.

Downtown Boxing Gym Youth Program

Notes to Financial Statements
September 30, 2022 and 2021

Conditional contributions or grants, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions have been met. Most of the Organization's federal and state contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. In cases where expenses are incurred in advance of receiving the grant, revenue and grants receivable are recorded in the period during which the expenses are incurred. In cases where grants are received in advance of incurring the expenses, deferred revenue is recorded in the period during which the advance is received and recognized as revenue in the period when the related expenses are incurred.

Contributions from related parties totaled \$344,553 and \$241,331 for the years ended September 30, 2022 and 2021

In-Kind Contributions

The Organization recognizes in-kind contribution revenue and related expenses for items donated to the Organization. Revenue and expense or asset 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 RSM US for Feeding America, a national food bank network.

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

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various bases, including square footage, percentage of salaries and time and effort.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 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.

Adoption of Financial Accounting Standard Board's Accounting Standards

During 2022, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2020-07 has been applied retrospectively to all periods presented.

Downtown Boxing Gym Youth Program

Notes to Financial Statements
September 30, 2022 and 2021

Paycheck Protection Program (PPP)

In March 2021, the Organization applied for and received a second draw PPP loan under the CARES Act as amended by the Economic Aid Act (EAA) on December 27, 2020 and the American Rescue Plan Act (ARPA) in the amount of \$232,442. As of September 30, 2021, the Organization had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, therefore, the Organization has recorded other income of \$232,442 within its statement of activities for the year-ended September 30, 2021. In April 2022, the Organization received notice from the SBA that it has forgiven \$232,442 of the second draw PPP proceeds.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA and ARPA), the Organization is required to maintain its PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

Reclassification

Certain reclassifications have been made to the financial statements as of and for the year ended September 30, 2021, to conform to classifications used as of and for the year ended September 30, 2022.

Subsequent Events

The Organization has evaluated events through June 21, 2023, which is the date the financial statements were approved and available to be issued.

2. Promises to Give

As of September 30, 2022 and 2021, all promises to give are recorded within the statements of financial position as receivable in less than one year. The Organization expects to collect all outstanding promises to give. Allowance for doubtful accounts was of \$2,000 and \$0 recorded by the Organization as of September 30, 2022 and 2021. For the year ended September 30, 2022 and 2021, \$2,000 and \$3,040 of bad debt expense was recorded for accounts in which management had determined were uncollectible.

Downtown Boxing Gym Youth Program

Notes to Financial Statements
September 30, 2022 and 2021

3. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Building and building improvements	\$ 893,738	\$ 893,739
Land	10,970	843
Gym equipment	31,671	31,671
Computers	145,468	127,618
Furnishings and equipment	105,340	92,058
Vehicles	338,716	260,138
Construction in process	<u>2,628,029</u>	<u>2,341,414</u>
Total property and equipment	4,153,932	3,747,481
Less accumulated depreciation	<u>(418,668)</u>	<u>(310,858)</u>
Net property and equipment	<u>\$ 3,735,264</u>	<u>\$ 3,436,623</u>

Depreciation expense totaled \$111,010 and \$82,645 for the years ended September 30, 2022 and 2021, respectively. Construction in process relates to expansion of the Organization's building and outdoor space and is expected to be completed at various times through 2023. As of September 30, 2022, the Organization had entered into construction commitments of \$74,941. Subsequent to year end, the Organization has entered into commitments for construction totaling approximately \$95,000.

4. Fair Value Measurements

The Organization follows current authoritative guidance, which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The guidance applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Downtown Boxing Gym Youth Program

Notes to Financial Statements
September 30, 2022 and 2021

Valuation Techniques and Inputs

Level 1 assets include investments in domestic and international exchange traded and mutual funds for which quoted prices are readily available.

Level 2 assets include investments in fixed income, corporate bonds and notes as these funds are not traded on a regular basis.

The real estate income trust is measured at net asset value (NAV) as the practical expedient. The investment is valued at a one month lag. Management believes that the carrying amounts of these financial instruments are reasonable estimate of fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The tables below summarizes the Organization's assets and liabilities that are measured and accounted for at fair value on a recurring basis, by level within the fair value hierarchy.

	September 30, 2022			
	Total	Level 1	Level 2	Level 3
Exchange traded funds	\$ 571,580	\$ 571,580	\$ -	\$ -
Mutual funds	695,792	695,792	-	-
Fixed income, corporate bonds and notes	98,436	-	98,436	-
Total investments	1,365,808	\$ 1,267,372	\$ 98,436	\$ -
Investment value at NAV: Real estate income trust	180,372			
	<u>\$ 1,546,180</u>			

	September 30, 2021			
	Total	Level 1	Level 2	Level 3
Exchange traded funds	\$ 864,460	\$ 864,460	\$ -	\$ -
Mutual funds	769,068	769,068	-	-
Fixed income, corporate bonds and notes	101,326	-	101,326	-
Total investments	\$ 1,734,854	\$ 1,633,528	\$ 101,326	\$ -

As of September 30, 2022, the investments for which fair values are estimated using the reported NAV as a practical expedient have no unfunded commitments and may redeemed monthly as long as total redemptions are less than 2% of the value of the fund.

Downtown Boxing Gym Youth Program

Notes to Financial Statements
September 30, 2022 and 2021

5. Long-Term Debt

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

	<u>2022</u>	<u>2021</u>
Note payable to IFF due in monthly installments of \$2,884, including interest at 5.00% starting August 2020 through July 2030. The interest rate will be adjusted again in August 2025. The note payable is collateralized by the building and assignment of rents.	\$ 223,943	\$ 246,734
Less current portion	<u>(23,957)</u>	<u>(22,791)</u>
Total long-term debt, net of current maturities	<u>\$ 199,986</u>	<u>\$ 223,943</u>

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

Years ending September 30:	
2023	\$ 23,957
2024	25,183
2025	26,471
2026	27,826
2027	29,249
Thereafter	<u>91,257</u>
	<u>\$ 223,943</u>

The Organization was in compliance with its debt covenants for the years ended September 30, 2022 and 2021.

6. Employee Benefit Plans

401(k) Plan

During 2022, the Organization created a defined contribution retirement savings plan covering substantially all employees over age 21. The Organization may elect to make a matching or profit sharing contribution. Pension expense for matching contributions was \$44,162 for the year ended September 30, 2022.

Downtown Boxing Gym Youth Program

Notes to Financial Statements
September 30, 2022 and 2021

7. Net Assets With Donor Restrictions

As of September 30, 2022 and 2021, net assets with donor restrictions were purpose restricted by donors to be used to expand athletic programming and mentoring efforts across specific neighborhoods. Net assets with donor restrictions are available for the following purposes as of September 30:

	<u>2022</u>	<u>2021</u>
Student transportation	\$ -	\$ 2,314
After school activities	82,192	277
Academic support and tuition	80,090	126,928
Expansion and renovation	1,825,530	1,358,407
Operations and apprentice	715,032	387,477
Total	<u>\$ 2,702,844</u>	<u>\$ 1,875,403</u>

Releases from net assets with donor restrictions as of September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Student transportation	\$ 2,314	\$ 74,200
After school activities	175,771	140,785
Academic support and tuition	35,249	166,207
Expansion and renovation	17,877	20,141
Operations and apprentice	749,250	404,490
Total	<u>\$ 980,461</u>	<u>\$ 805,823</u>

8. Contributed Nonfinancial Assets

For the years ended September 30, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Food	\$ 312,361	\$ 118,914
Program-related supplies/support	110,151	71,883
Vehicles	43,618	248,431
Clothing	38,407	37,836
Technology	67,852	61,968
Supplies	34,278	25,855
Building	33,934	558,205
	<u>\$ 640,601</u>	<u>\$ 1,123,092</u>

Downtown Boxing Gym Youth Program

Notes to Financial Statements
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Activity Type	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Food	Program and student support	No associated donor restrictions	Estimated the fair value on the basis of donor audited price per lb. or values that would be received for selling similar products in Michigan
Program related supplies/support	Academic and athletic program support	No associated donor restrictions	The Organization estimated the fair value on the basis of values that would be expected to be received for similar products / items (e.g. often evidenced by transaction receipt)
Vehicle	Transportation program support	No associated donor restrictions	Vehicle related donations are valued by the estimated fair value of recent comparable sales prices in the market .
Clothing	Program and student support	No associated donor restrictions	The Organization estimated the fair value on the basis of estimated values that would be received for selling similar products (e.g. often evidenced by transaction receipt).
Technology	Program, Fundraising and Administrative	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of similar products (e.g. often evidenced by transaction receipt).
Supplies	Program, Fundraising and Administrative	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of similar products (e.g. often evidenced by transaction receipt).
Building	Program and General & Administrative	No associated donor restrictions	The Organization estimated the fair value on the basis of similar products and services in the market.

9. Future Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842) that amends the treatment for leases. ASU No. 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 No. 2016-02 is effective for annual periods beginning after December 15, 2021 (2023). Management is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

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During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 and subsequent amendments require financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). Management is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

10. Liquidity and Availability of Resources

Financial assets available for use within one year of the statement of financial position date consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 514,860	\$ 944,051
Promises to give	595,892	413,279
Investments	<u>1,546,180</u>	<u>1,734,854</u>
Total financial assets	2,656,932	3,092,184
Less net assets with donor restrictions less amounts included in property	<u>(877,314)</u>	<u>(516,996)</u>
Financial assets available for general expenditures and debt repayments within one year	<u>\$ 1,779,618</u>	<u>\$ 2,575,188</u>

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