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InnerCity Weightlifting, Inc.

Financial Statements

Years Ended December 31, 2014 and 2013

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INNERCITY WEIGHTLIFTING, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
InnerCity Weightlifting, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of InnerCity Weightlifting, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows 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.

Auditor's 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 InnerCity Weightlifting, Inc. as of December 31, 2014 and 2013, 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.

Kirkland Albrecht & Fredrickson, LLC

Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

May 22, 2015

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INNERCITY WEIGHTLIFTING, INC.

Statements of Financial Position
Years Ended December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and cash equivalents	\$ 743,106	\$ 505,556
Grants and contributions receivable	170,000	68,000
Prepaid expenses	8,261	5,757
Property and equipment, net	33,513	49,682
Deposits	<u>64,000</u>	<u>4,000</u>
 Total assets	 <u>\$ 1,018,880</u>	 <u>\$ 632,995</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 17,468</u>	<u>\$ 14,191</u>
 NET ASSETS:		
Unrestricted	645,232	568,804
Temporarily restricted	<u>356,180</u>	<u>50,000</u>
 Total net assets	 <u>1,001,412</u>	 <u>618,804</u>
 Total liabilities and net assets	 <u>\$ 1,018,880</u>	 <u>\$ 632,995</u>

See notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.

Statements of Activities
 Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:						
Grants	\$ 406,491	\$ 390,000	\$ 796,491	\$ 569,105	\$ 50,000	\$ 619,105
Contributions	122,471	92,531	215,002	131,623	-	131,623
Program and sales	21,441	-	21,441	15,061	-	15,061
In-kind contributions	1,000	-	1,000	13,792	-	13,792
Net assets released from restriction	176,351	(176,351)	-	9,685	(9,685)	-
Total revenues and other support	727,754	306,180	1,033,934	739,266	40,315	779,581
EXPENSES:						
Program	502,456	-	502,456	363,359	-	363,359
Management and general	101,059	-	101,059	101,249	-	101,249
Fundraising	47,811	-	47,811	22,975	-	22,975
Total expenses	651,326	-	651,326	487,583	-	487,583
CHANGES IN NET ASSETS	76,428	306,180	382,608	251,683	40,315	291,998
NET ASSETS, BEGINNING OF YEAR	568,804	50,000	618,804	317,121	9,685	326,806
NET ASSETS, END OF YEAR	\$ 645,232	\$ 356,180	\$ 1,001,412	\$ 568,804	\$ 50,000	\$ 618,804

See notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.

Statements of Functional Expenses
 Years Ended December 31, 2014 and 2013

	2014			
	Program	Management and General	Fundraising	Total
Payroll and related costs	\$ 384,957	\$ 70,642	\$ 38,847	\$ 494,446
Other program costs	40,777	333	3,649	44,759
Occupancy	28,488	553	553	29,594
Legal and professional fees	4,615	21,917	-	26,532
Depreciation	15,523	323	323	16,169
Supplies	13,602	265	794	14,661
Fees	5,550	1,714	3,645	10,909
Student stipends	8,115	-	-	8,115
Insurance	-	5,312	-	5,312
Advertising and promotion	829	-	-	829
Total expenses	\$ 502,456	\$ 101,059	\$ 47,811	\$ 651,326

	2013			
	Program	Management and General	Fundraising	Total
Payroll and related costs	\$ 270,292	\$ 54,915	\$ 17,170	\$ 342,377
Legal and professional fees	-	43,275	2,035	45,310
Other program costs	29,175	608	608	29,744
Student Stipends	17,681	-	150	18,478
Occupancy	16,533	-	-	16,533
Depreciation	13,671	285	285	14,241
Fees	7,380	1,846	739	9,965
Supplies	6,893	284	762	7,939
Insurance	1,734	36	36	1,806
Advertising and promotion	-	-	1,190	1,190
Total expenses	\$ 363,359	\$ 101,249	\$ 22,975	\$ 487,583

See notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 382,608	\$ 291,998
Changes in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,169	14,241
Changes in assets and liabilities		
Increase in:		
Grants receivable	(102,000)	(43,315)
Prepaid expenses	(2,504)	(5,757)
Deposits	(60,000)	-
Increase in:		
Accrued expenses	3,277	8,331
Net cash provided by operating activities	<u>237,550</u>	<u>265,498</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>-</u>	<u>(19,278)</u>
Net cash used in investing activities	<u>-</u>	<u>(19,278)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	237,550	246,220
Cash and cash equivalents, beginning of year	<u>505,556</u>	<u>259,336</u>
Cash and cash equivalents, end of year	<u>\$ 743,106</u>	<u>\$ 505,556</u>

See notes to financial statements.

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INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

1. ORGANIZATION

InnerCity Weightlifting, Inc. (the "Organization") is a not-for-profit organization. The mission of the Organization is to reduce violence and promote professional, personal, and academic achievement among urban youth. The Organization serves young people on a direct path to gang involvement, former and active gang members, and young victims of domestic abuse through the sport of Olympic lifting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation – The Organization follows the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Subtopic *Presentation of Financial Statements* for not-for-profit entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets classes are as follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by 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 represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of December 31, 2014 and 2013, the Organization had no permanently restricted net assets.

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

INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and Contributions Receivable – Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of probable uncollectible amounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and contributions receivable. Management assessed grants and contributions receivable at December 31, 2014 and 2013 and believes the full amount is collectable therefore no allowance for doubtful accounts was recorded. No grants and contributions receivable were written off during the years ended December 31, 2014 and 2013.

Property and Equipment – Property and equipment are recorded at cost or, if donated, at the fair value on the date of the contribution. Property and equipment that costs less than \$5,000 is expensed to operations as incurred. Capitalized property and equipment are depreciated using the straight-line method. Equipment is depreciated over five years. Leasehold improvements are depreciated over the length of the lease.

Expenditures for major renewals and improvements are capitalized while expenditures for maintenance are expensed as incurred.

Revenue Recognition – Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Contributions...continued – Contributions received with donor-imposed restrictions that are fulfilled in the same year as received are reported as unrestricted support. Contributions of cash or other assets to be used to acquire property and equipment in accordance with donor stipulations are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported at their estimated fair value at the date of receipt as revenues of the unrestricted net asset category.

Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated investments are also reported at fair value at the date of receipt, which is then treated as the Organization's cost basis.

Advertising Costs – The organization expenses advertising costs as incurred.

Tax Status – The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Organization is subject to federal and state income taxes on unrelated business income, if any.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. The Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2014, management believes that the Organization has no material uncertain tax positions.

The Organization files informational tax returns in the U.S. federal and Massachusetts state jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2011.

Subsequent Events – The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2014, through the date which the financial statements were available to be issued, May 22, 2015, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*, other than described in Note 7 of the financial statements.

INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

The balance of grants and contributions receivable at December 31, 2014 are due as follows:

2015	\$	120,000
2016		<u>50,000</u>
	\$	<u><u>170,000</u></u>

4. PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 33,406	\$ 33,406
Equipment	<u>39,085</u>	<u>39,085</u>
	72,491	72,491
Less accumulated depreciation	<u>38,978</u>	<u>22,809</u>
	<u>\$ 33,513</u>	<u>\$ 49,682</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Following is a summary as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Expansion of Program and Facility	\$ 331,180	\$ -
Time restricted	<u>25,000</u>	<u>50,000</u>
Total temporarily restricted net assets	<u>\$ 356,180</u>	<u>\$ 50,000</u>

Net assets were released from donor restrictions during the years ended December 31, 2014 and 2013 by incurring expenses satisfying the restricted purposes established by donors. Net assets released from restrictions totaled \$176,351 and \$9,685 for the years ended December 31, 2014 and 2013, respectively.

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INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

6. LEASE OBLIGATIONS

The Organization leases space for the program and administrative offices under an operating lease ending April 2016. Monthly rental payments increase each April which increased to \$2,122 per month beginning April 1, 2014. Total rent expense for the years ended December 31, 2014 and 2013 was \$25,214 and \$24,480, respectively.

The Organization leased a second location subsequent to year end as described in Note 7, which commences on March 25, 2015 with annual lease payments of \$130,437 in 2015 and annual increases in subsequent years. The lease expires on June 25, 2020.

Future minimum lease payments for each of the next five years are as follows:

<u>Years</u>	<u>Amount</u>
2015	\$ 81,657
2016	202,642
2017	226,827
2018	229,266
2019	231,705
Thereafter	<u>115,853</u>
Total	<u>\$ 1,087,950</u>

7. SUBSEQUENT EVENT

Subsequent to year end, the Organization opened a second facility in Massachusetts, which consists of a state-of-the-art gym and workout center for program operations. The Organization signed a five year lease for the facility, commencing March 25, 2015 and has subleased a portion of the facility to an unrelated party. Future lease payments for the new facility have been included in the future lease payments of the Organization in Note 6 of the financial statements.