

InnerCity Weightlifting, Inc.

Financial Statements

Years Ended December 31, 2012 and 2011

INNERCITY WEIGHTLIFTING, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

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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, 2012, 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 audit. We conducted our audit 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.

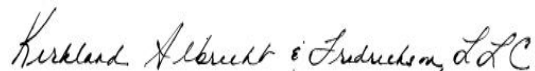
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, 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.

Other Matter

The December 31, 2011 financial statements were reviewed by us, and our report thereon, dated October 29, 2012, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.



Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

August 28, 2013

Kirkland Albrecht & Fredrickson, LLC

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INNERCITY WEIGHTLIFTING, INC.

Statements of Financial Position

Years Ended December 31, 2012 and 2011

<u>ASSETS</u>		2012	2011
CURRENT ASSETS:			
Cash and cash equivalents	\$	259,336	\$ 110,831
Grants receivable		24,685	-
		284,021	110,831
PROPERTY AND EQUIPMENT			
		44,645	10,854
DEPOSIT			
		4,000	-
		\$ 332,666	\$ 121,685
<u>LIABILITIES AND NET ASSETS</u>			
		2012	2011
CURRENT LIABILITIES			
Accrued expenses	\$	5,860	-
NET ASSETS:			
Unrestricted		317,121	51,435
Temporarily restricted		9,685	70,250
		326,806	121,685
		\$ 332,666	\$ 121,685

See notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:						
Grants	\$ 468,220	\$ 9,685	\$ 477,905	\$ 10,000	\$ -	\$ 10,000
Contributions	53,240	-	53,240	121,083	122,637	243,720
In-kind donations	43,820	-	43,820	6,157	-	6,157
Net assets released from restriction	70,250	(70,250)	-	52,387	(52,387)	-
Total revenues and other support	635,530	(60,565)	574,965	189,627	70,250	259,877
EXPENSES:						
Program	257,681	-	257,681	134,219	-	134,219
Management and general	88,536	-	88,536	18,260	-	18,260
Fundraising	23,627	-	23,627	11,605	-	11,605
Total expenses	369,844	-	369,844	164,084	-	164,084
CHANGES IN NET ASSETS	265,686	(60,565)	205,121	25,543	70,250	95,793
NET ASSETS, BEGINNING OF YEAR	51,435	70,250	121,685	25,892	-	25,892
NET ASSETS, END OF YEAR	\$ 317,121	\$ 9,685	\$ 326,806	\$ 51,435	\$ 70,250	\$ 121,685

See notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.

Statements of Functional Expenses

Year Ended December 31, 2012 and 2011

	2012			
	Program Expenses	Management and General	Fundraising	Total Expenses
Payroll and related costs	\$ 116,409	\$ 57,972	\$ 19,785	194,166
Legal and professional fees	41,263	17,440	-	58,703
Personal training	25,735	-	-	25,735
Occupancy	22,586	941	-	23,527
Student stipends	23,249	-	-	23,249
Other program costs	18,169	-	-	18,169
Depreciation	7,195	167	-	7,362
Supplies	3,075	1,105	3,069	7,249
Insurance	-	5,460	-	5,460
Commissions and fees	-	5,451	-	5,451
Advertising and promotion	-	-	773	773
Total expenses	\$ 257,681	\$ 88,536	\$ 23,627	\$ 369,844
	2011			
	Program Expenses	Management and General	Fundraising	Total Expenses
Payroll and related costs	\$ 54,847	\$ 10,284	\$ 3,428	\$ 68,559
Occupancy	26,315	-	-	26,315
Student stipends	22,159	-	-	22,159
Other program costs	15,189	-	-	15,189
Legal and professional fees	13,540	-	-	13,540
Supplies	662	341	8,129	9,132
Miscellaneous	101	2,970	-	3,071
Commissions and fees	-	2,836	-	2,836
Insurance	-	1,829	-	1,829
Depreciation	1,206	-	-	1,206
Personal training	200	-	-	200
Advertising and promotion	-	-	48	48
Total expenses	\$ 134,219	\$ 18,260	\$ 11,605	\$ 164,084

See notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 205,121	\$ 95,793
Changes in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,362	1,206
Changes in assets and liabilities		
Increase in:		
Grants receivable	(24,685)	-
Deposits	(4,000)	-
Increase in:		
Accrued expenses	5,860	-
Net cash provided by operating activities	189,658	96,999
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(41,153)	(12,060)
Net cash used in investing activities	(41,153)	(12,060)
NET CHANGE IN CASH AND CASH EQUIVALENTS	148,505	84,939
Cash and cash equivalents, beginning of year	110,831	25,892
Cash and cash equivalents, end of year	\$ 259,336	\$ 110,831
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements
Years Ended December 31, 2012 and 2011

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, 2012 and 2011, 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.

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.

INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

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.

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.

INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

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, 2012, 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 2009.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events – The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2012, through the date which the financial statements were available to be issued, August 28, 2013, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

3. PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2012 and 2011:

	2012	2011
	<u> </u>	<u> </u>
Leasehold improvements	\$ 33,406	\$ -
Equipment	<u>19,807</u>	<u>12,060</u>
	53,213	12,060
Less accumulated depreciation	<u>8,568</u>	<u>1,206</u>
	<u>\$ 44,645</u>	<u>\$ 10,854</u>

INNERCITY WEIGHTLIFTING, INC.

Notes to Financial Statements
 Years Ended December 31, 2012 and 2011

4. LEASE OBLIGATIONS

The Organization entered into a lease for space for the program under an operating lease which commenced in May 2012 and continues through April 2016. Monthly rental payments of \$2,000 are due through April 2013 and increase annually through the end of the lease. The Organization's previous lease ended in April 2012. Total rent expense for the years ended December 31, 2012 and 2011 was \$21,200 and \$26,315, respectively.

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

Years	<u>Amount</u>
2013	\$ 24,480
2014	25,214
2015	25,971
2016	<u>8,742</u>
Total	<u>\$ 84,407</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Following is a summary as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Expansion of program and facility	\$ -	\$ 70,250
Installment of security system	<u>9,685</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 9,685</u>	<u>\$ 70,250</u>

Net assets were released from donor restrictions during the years ended December 31, 2012 and 2011 by incurring expenses satisfying the restricted purposes established by donors. Net assets released from restrictions totaled \$70,250 and \$52,387 for the years ended December 31, 2012 and 2011, respectively.