

INNERCITY WEIGHTLIFTING, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

INNERCITY WEIGHTLIFTING, INC.
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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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 statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 this financial statement 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 statement.

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



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Opinion

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of InnerCity Weightlifting, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of InnerCity Weightlifting, Inc. as of December 31, 2015, were audited by other auditors whose report dated April 28, 2016, expressed an unmodified opinion on those statements.


CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
June 5, 2017

**INNERCITY WEIGHTLIFTING, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 982,606	\$ 977,444
Grants and contributions receivable, net	240,085	431,120
Prepaid expenses	17,376	21,448
Property and equipment, net	32,164	50,835
Deposits	<u>64,000</u>	<u>64,000</u>
TOTAL ASSETS	\$ <u>1,336,231</u>	\$ <u>1,544,847</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ <u>160,073</u>	\$ <u>99,516</u>
Net assets:		
Unrestricted	955,159	885,257
Temporarily restricted	<u>220,999</u>	<u>560,074</u>
Total net assets	<u>1,176,158</u>	<u>1,445,331</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,336,231</u>	\$ <u>1,544,847</u>

See accompanying notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support:						
Grants	\$ 549,200	\$ 95,601	\$ 644,801	\$ 415,000	\$ 658,850	\$ 1,073,850
Contributions	220,941	-	220,941	279,086	-	279,086
Program and sales	291,288	-	291,288	136,010	-	136,010
In-kind contributions	24,948	-	24,948	17,073	-	17,073
Sublease income	48,817	-	48,817	50,600	-	50,600
Net assets released from restriction	<u>434,676</u>	<u>(434,676)</u>	<u>-</u>	<u>454,956</u>	<u>(454,956)</u>	<u>-</u>
Total revenues and other support	<u>1,569,870</u>	<u>(339,075)</u>	<u>1,230,795</u>	<u>1,352,725</u>	<u>203,894</u>	<u>1,556,619</u>
Expenses:						
Program	1,201,769	-	1,201,769	890,915	-	890,915
Management and general	142,063	-	142,063	92,124	-	92,124
Fundraising	<u>156,136</u>	<u>-</u>	<u>156,136</u>	<u>129,661</u>	<u>-</u>	<u>129,661</u>
Total expenses	<u>1,499,968</u>	<u>-</u>	<u>1,499,968</u>	<u>1,112,700</u>	<u>-</u>	<u>1,112,700</u>
Changes in net assets	69,902	(339,075)	(269,173)	240,025	203,894	443,919
Net assets, beginning of year	<u>885,257</u>	<u>560,074</u>	<u>1,445,331</u>	<u>645,232</u>	<u>356,180</u>	<u>1,001,412</u>
NET ASSETS, END OF YEAR	<u>\$ 955,159</u>	<u>\$ 220,999</u>	<u>\$ 1,176,158</u>	<u>\$ 885,257</u>	<u>\$ 560,074</u>	<u>\$ 1,445,331</u>

See accompanying notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related costs	\$ 738,724	\$ 75,466	\$ 129,236	\$ 943,426
Occupancy	236,722	3,259	3,259	243,240
Other program costs	160,184	10,522	18,952	189,658
Legal and professional fees	-	33,131	-	33,131
Depreciation	23,711	494	494	24,699
Supplies	21,640	660	1,910	24,210
Fees	18,300	2,472	2,285	23,057
Insurance	-	16,059	-	16,059
Advertising and promotion	<u>2,488</u>	<u>-</u>	<u>-</u>	<u>2,488</u>
TOTAL EXPENSES	<u>\$ 1,201,769</u>	<u>\$ 142,063</u>	<u>\$ 156,136</u>	<u>\$ 1,499,968</u>
	2015			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related costs	\$ 525,387	\$ 56,969	\$ 113,245	\$ 695,601
Occupancy	182,938	2,519	2,519	187,976
Other program costs	123,878	-	5,244	129,122
Supplies	25,224	347	2,297	27,868
Legal and professional fees	1,014	20,560	-	21,574
Depreciation	19,977	416	416	20,809
Fees	12,497	2,409	1,818	16,724
Insurance	-	8,904	-	8,904
Advertising and promotion	<u>-</u>	<u>-</u>	<u>4,122</u>	<u>4,122</u>
TOTAL EXPENSES	<u>\$ 890,915</u>	<u>\$ 92,124</u>	<u>\$ 129,661</u>	<u>\$ 1,112,700</u>

See accompanying notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating activities:		
Changes in net assets		
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	\$ (269,173)	\$ 443,919
Depreciation	24,699	20,809
In-kind contribution of property and equipment	(6,028)	(13,315)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	191,035	(261,120)
Prepaid expenses	4,072	(13,187)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>60,557</u>	<u>82,048</u>
Net cash provided by operating activities	<u>5,162</u>	<u>259,154</u>
Cash flows from investing activities:		
Purchase of equipment	<u>-</u>	<u>(24,816)</u>
Net cash used by investing activities	<u>-</u>	<u>(24,816)</u>
Net change in cash and cash equivalents	5,162	234,338
Cash and cash equivalents, beginning of year	<u>977,444</u>	<u>743,106</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 982,606</u>	<u>\$ 977,444</u>
Supplemental disclosures of cash flow information:		
Non-cash transactions:		
In-kind contribution of property and equipment	<u>\$ 6,028</u>	<u>\$ 13,315</u>

See accompanying notes to financial statements.

INNERCITY WEIGHTLIFTING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 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.

NOTE 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, 2016 and 2015, 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, 2016 AND 2015

NOTE 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 the establishment of 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 against the valuation allowance. Management assessed grants and contributions receivable at December 31, 2016 and 2015 and recorded an allowance for doubtful accounts of \$5,000 at December 31, 2016. No allowance for doubtful accounts was deemed necessary and recorded as of December 31, 2015. No grants and contributions receivable were written off during the years ended December 31, 2016 and 2015.

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 with a costs of less than \$5,000 is expensed to operations as incurred. Capitalized property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. 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.

INNERCITY WEIGHTLIFTING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense totaled \$2,488 and \$4,122 for the years ended December 31, 2016 and 2015, respectively.

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 files informational tax returns as required by the Code.

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 recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management believes that the Organization has no material uncertain tax positions.

INNERCITY WEIGHTLIFTING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued But Not Yet Effective Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in United States generally accepted accounting principles ("U.S. GAAP"), including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

In February 2016, the FASB issues ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2016, through the date which the financial statements were available to be issued, June 5, 2017, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

NOTE 3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at December 31, 2016 are due as follows:

<u>Year ended December 31:</u>	<u>Amount</u>
2017	\$ 220,085
2018	<u>25,000</u>
	245,085
Less allowance for doubtful account	<u>5,000</u>
Net grants and contributions receivable	<u>\$ 240,085</u>

INNERCITY WEIGHTLIFTING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4. PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 33,407	\$ 33,407
Equipment	<u>83,243</u>	<u>77,215</u>
	116,650	110,622
Less accumulated depreciation	<u>(84,486)</u>	<u>(59,787)</u>
	<u>\$ 32,164</u>	<u>\$ 50,835</u>

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Following is a summary as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Time restricted	\$ 165,000	\$ 355,000
Expansion of program and facility	55,999	104,795
Capital improvements	-	65,279
Staffing	<u>-</u>	<u>35,000</u>
Total temporarily restricted net assets	<u>\$ 220,999</u>	<u>\$ 560,074</u>

Net assets were released from donor restrictions during the years ended December 31, 2016 and 2015 by incurring expenses satisfying the restricted purposes established by donors. Net assets released from restrictions totaled \$434,676 and \$454,956 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6. SUBLEASE INCOME

The Organization subleased a portion of its rented space to a subtenant during the years ended December 31, 2016 and 2015, in which the Organization received \$48,817 and \$50,600 in sublease income, respectively.

The Organization subleases a portion of its space to one tenant in order to offset a portion of the Organization's occupancy expense. The tenant signed a sublease with the Organization beginning May 1, 2016 at a rate of \$6,102 per month. The sublease agreement includes rental increases each May 1, beginning in 2017. The following schedule exhibits the future minimum lease receipts required by year:

<u>Years ended December 31:</u>	<u>Amount</u>
2017	80,368
2018	85,132
2019	<u>43,162</u>
Total	<u>\$ 208,662</u>

INNERCITY WEIGHTLIFTING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7. LEASE OBLIGATIONS

The Organization leases space at two locations for program and administrative offices under operating leases, one of which expires in 2018 and the other in 2020. Total rent expense for the years ended December 31, 2016 and 2015 was \$230,376 and \$175,655, respectively.

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

<u>Years ended December 31:</u>	<u>Amount</u>
2017	\$ 230,747
2018	257,886
2019	260,525
2020	<u>126,272</u>
Total	<u>\$ 875,430</u>

NOTE 8. BENEFIT PLAN

The Organization has a defined contribution retirement plan for all eligible employees. Under this plan, the Organization matches up to 3% of an employee's gross compensation. The total amount of contributions made to the plan during the years ended December 31, 2016 and 2015 was \$6,291 and \$2,034, respectively.