

**INNERCITY WEIGHTLIFTING, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**INNERCITY WEIGHTLIFTING, INC.**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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**CITRIN COOPERMAN®**

Accountants and Advisors

## 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, 2017 and 2016, and the related statements of activities and changes in net assets, 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, 2017 and 2016, 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts  
May 25, 2018

**INNERCITY WEIGHTLIFTING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Assets:		
Cash and cash equivalents	\$ 814,388	\$ 982,606
Accounts receivable, net	12,320	15,189
Grants and contributions receivable	125,000	224,896
Prepaid expenses	18,052	17,376
Property and equipment, net	19,477	32,164
Deposits	<u>64,000</u>	<u>64,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,053,237</u></b>	<b><u>\$ 1,336,231</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 139,325</u>	<u>\$ 160,073</u>
Net assets:		
Unrestricted	726,084	955,159
Temporarily restricted	<u>187,828</u>	<u>220,999</u>
Total net assets	<u>913,912</u>	<u>1,176,158</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,053,237</u></b>	<b><u>\$ 1,336,231</u></b>

See accompanying notes to financial statements.

**INNERCITY WEIGHTLIFTING, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support:						
Grants	\$ 626,873	\$ 110,000	\$ 736,873	\$ 549,200	\$ 95,601	\$ 644,801
Contributions	212,909	-	212,909	220,941	-	220,941
Program and sales	420,423	-	420,423	291,288	-	291,288
In-kind contributions	-	-	-	24,948	-	24,948
Sublease income	75,618	-	75,618	48,817	-	48,817
Net assets released from restriction	<u>143,171</u>	<u>(143,171)</u>	<u>-</u>	<u>434,676</u>	<u>(434,676)</u>	<u>-</u>
Total revenues and other support	<u>1,478,994</u>	<u>(33,171)</u>	<u>1,445,823</u>	<u>1,569,870</u>	<u>(339,075)</u>	<u>1,230,795</u>
Expenses:						
Program	1,352,174	-	1,352,174	1,201,769	-	1,201,769
Management and general	194,183	-	194,183	142,063	-	142,063
Fundraising	<u>161,712</u>	<u>-</u>	<u>161,712</u>	<u>156,136</u>	<u>-</u>	<u>156,136</u>
Total expenses	<u>1,708,069</u>	<u>-</u>	<u>1,708,069</u>	<u>1,499,968</u>	<u>-</u>	<u>1,499,968</u>
Changes in net assets	(229,075)	(33,171)	(262,246)	69,902	(339,075)	(269,173)
Net assets, beginning 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>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 726,084</u>	<u>\$ 187,828</u>	<u>\$ 913,912</u>	<u>\$ 955,159</u>	<u>\$ 220,999</u>	<u>\$ 1,176,158</u>

See accompanying notes to financial statements.

**INNERCITY WEIGHTLIFTING, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related	\$ 859,337	\$ 112,675	\$ 132,365	\$ 1,104,377
Occupancy	246,417	3,393	3,393	253,203
Other program costs	186,291	20,643	24,201	231,135
Insurance	-	28,258	-	28,258
Fees	21,846	3,035	563	25,444
Legal and professional fees	-	25,415	-	25,415
Supplies	22,822	510	937	24,269
Depreciation	12,180	254	253	12,687
Advertising and promotion	<u>3,281</u>	<u>-</u>	<u>-</u>	<u>3,281</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,352,174</u>	<u>\$ 194,183</u>	<u>\$ 161,712</u>	<u>\$ 1,708,069</u>
	2016			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related	\$ 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>
<b>TOTAL EXPENSES</b>	<u>\$ 1,201,769</u>	<u>\$ 142,063</u>	<u>\$ 156,136</u>	<u>\$ 1,499,968</u>

See accompanying notes to financial statements.

**INNERCITY WEIGHTLIFTING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating activities:		
Changes in net assets		
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	\$ (262,246)	\$ (269,173)
Depreciation	12,687	24,699
In-kind contribution of property and equipment	-	(6,028)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	2,869	(15,189)
Grants and contributions receivable	99,896	206,224
Prepaid expenses	(676)	4,072
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(20,748)</u>	<u>60,557</u>
Net cash provided by (used in) operating activities	<u>(168,218)</u>	<u>5,162</u>
Net change in cash and cash equivalents	(168,218)	5,162
Cash and cash equivalents, beginning of year	<u>982,606</u>	<u>977,444</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 814,388</u></b>	<b><u>\$ 982,606</u></b>
Supplemental disclosures of cash flow information:		
Non-cash transactions:		
In-kind contribution of property and equipment	<u>\$ -</u>	<u>\$ 6,028</u>

See accompanying notes to financial statements.

**INNERCITY WEIGHTLIFTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 1. ORGANIZATION**

InnerCity Weightlifting, Inc. (the "Organization") is a not-for-profit organization. The mission of the Organization is to reduce violence by connecting proven-risk young people with new networks and opportunities, including meaningful career tracks in and beyond personal training. The Organization uses the gym to replace segregation and isolation with economic mobility and bridging social capital, disrupting the system that leads to urban street violence.

**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 of 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* - Net assets that 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* - Net assets that 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* - Net assets that 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, 2017 and 2016, 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, 2017 AND 2016**

**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.

Accounts Receivable

Accounts receivable consists of amounts due from earned personal training revenues. Accounts receivable are carried at the original invoice amount less an estimate for doubtful accounts based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual client and personal trainers individual receivable balances. Accounts receivable are written off when deemed uncollectible. Management assessed accounts receivable at December 31, 2017 and 2016 and recorded an allowance for doubtful accounts of \$3,041 and \$5,000, respectively.

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. As of December 31, 2017 and 2016 all grants and contributions receivable amounts are current and management deemed that no allowance for doubtful accounts was necessary.

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 cost 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, 2017 AND 2016**

**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 \$3,281 and \$2,488 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes

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 as of December 31, 2017 and 2016.

**INNERCITY WEIGHTLIFTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Issued But Not Yet Effective Accounting Pronouncements

*Financial statement presentation* - In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017. The effect of adopting ASU 2016-14 on the Organization's financial statements has not yet been determined.

*Revenue* - In May 2014, the FASB issued 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 good 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 US GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The effect, if any, that ASU 2014-09 will have on the Organization's financial statements has not yet been determined.

*Leases* - In February 2016, the FASB issued 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 effect that ASU 2016-02 will have on the Organization's financial statements has not yet been determined.

Reclassifications

Certain amounts included in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications had no effect on net assets or change in net assets.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2017, through the date which the financial statements were available to be issued May 25, 2018, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

**NOTE 3. PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 33,407	\$ 33,407
Equipment	<u>83,243</u>	<u>83,243</u>
	116,650	116,650
Less accumulated depreciation	<u>97,173</u>	<u>84,486</u>
	<u>\$ 19,477</u>	<u>\$ 32,164</u>

**INNERCITY WEIGHTLIFTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 4. TEMPORARILY RESTRICTED NET ASSETS**

Following is a summary as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 125,000	\$ 165,000
Expansion of program and facilities	52,828	55,999
Expansion to new location	<u>10,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 187,828</u>	<u>\$ 220,999</u>

Net assets were released from donor restrictions during the years ended December 31, 2017 and 2016 by incurring expenses satisfying the restricted purposes established by donors. Net assets released from restrictions totaled \$143,171 and \$434,676 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 5. SUBLEASE INCOME**

The Organization subleased a portion of its rented space during the years ended December 31, 2017 and 2016, in which the Organization received \$75,618 and \$48,817, respectively, which is included in the accompanying statements of activities as sublease income.

The Organization subleases a section of its space in order to offset a portion of the Organization's occupancy expense. As of December 31, 2017, the Organization had a long-term sublease agreement with one tenant which includes future minimum lease receipts as follows:

<u>Years ended December 31:</u>	<u>Amount</u>
2018	85,132
2019	<u>43,162</u>
Total	<u>\$ 128,294</u>

**NOTE 6. 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, 2017 and 2016 was \$237,498 and \$230,376, respectively.

Future minimum lease payments for each upcoming year are as follows:

<u>Years ended December 31:</u>	<u>Amount</u>
2018	\$ 257,886
2019	260,525
2020	<u>126,272</u>
Total	<u>\$ 644,683</u>

**INNERCITY WEIGHTLIFTING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 7. 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, 2017 and 2016 was \$5,310 and \$6,291, respectively.