

UrbanPromise Ministries, Inc.

Financial Statements

June 30, 2016 and 2015



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UrbanPromise Ministries, Inc.

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Independent Auditors' Report

Board of Directors
UrbanPromise Ministries, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of UrbanPromise Ministries, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 UrbanPromise Ministries, Inc. as of June 30, 2016 and 2015, 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.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
April 10, 2017

UrbanPromise Ministries, Inc.

Statement of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 163,930	\$ 370,011
Children's direct benefit money market funds	9,963	12,444
Tuition and other receivables	98,778	87,495
Prepaid expenses	33,606	43,065
Contributions receivable	185,564	287,335
Grant receivable	426,000	-
Due from related organizations	41,925	74,446
Deposits and other current assets	5,150	16,110
	<u>964,916</u>	<u>890,906</u>
Total current assets	964,916	890,906
Property and Equipment, Net	<u>4,377,518</u>	<u>4,533,611</u>
Total assets	<u>\$ 5,342,434</u>	<u>\$ 5,424,517</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 329,410	\$ 218,906
Deferred tuition and grants	3,436	3,519
Due to related organizations	4,250	4,250
Line of credit	434,752	456,852
Current portion of debt	95,215	87,492
	<u>867,063</u>	<u>771,019</u>
Total current liabilities	867,063	771,019
Debt, Net of Current Portion	<u>1,332,389</u>	<u>1,388,527</u>
Total liabilities	<u>2,199,452</u>	<u>2,159,546</u>
Net Assets		
Unrestricted	1,990,744	2,439,003
Temporarily restricted	1,034,828	708,558
Permanently restricted	117,410	117,410
	<u>3,142,982</u>	<u>3,264,971</u>
Total net assets	3,142,982	3,264,971
Total liabilities and net assets	<u>\$ 5,342,434</u>	<u>\$ 5,424,517</u>

See notes to financial statements

UrbanPromise Ministries, Inc.

Statement of Activities

Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Tuition and fees	\$ 389,242	\$ 1,684	\$ -	\$ 390,926	\$ 474,437	\$ -	\$ -	\$ 474,437
Financial aid	-	-	-	-	(27,990)	-	-	(27,990)
	389,242	1,684	-	390,926	446,447	-	-	446,447
Grants, contributions, and special events	2,885,756	895,771	-	3,781,527	2,570,728	1,268,978	-	3,839,706
Rental income	16,934	-	-	16,934	16,775	-	-	16,775
Contributed services and supplies	330,628	-	-	330,628	264,431	-	-	264,431
Investment income/(loss)	517	-	-	517	(460)	1	-	(459)
Total revenue	3,623,077	897,455	-	4,520,532	3,297,921	1,268,979	-	4,566,900
Net assets released from restrictions	571,185	(571,185)	-	-	1,194,159	(1,194,159)	-	-
Total support and revenue	4,194,262	326,270	-	4,520,532	4,492,080	74,820	-	4,566,900
Expenses								
Program services	3,639,093	-	-	3,639,093	3,560,456	-	-	3,560,456
Management and general	445,015	-	-	445,015	370,777	-	-	370,777
Fundraising	558,413	-	-	558,413	571,444	-	-	571,444
Total expenses	4,642,521	-	-	4,642,521	4,502,677	-	-	4,502,677
Change in net assets	(448,259)	326,270	-	(121,989)	(10,597)	74,820	-	64,223
Net Assets, Beginning	2,439,003	708,558	117,410	3,264,971	2,449,600	633,738	117,410	3,200,748
Net Assets, Ending	\$ 1,990,744	\$ 1,034,828	\$ 117,410	\$ 3,142,982	\$ 2,439,003	\$ 708,558	\$ 117,410	\$ 3,264,971

See notes to financial statements

UrbanPromise Ministries, Inc.

Statement of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (121,989)	\$ 64,223
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	181,005	140,980
Changes in assets and liabilities:		
Tuition and other receivables	(11,283)	(4,804)
Prepaid expenses	9,459	5,319
Contributions receivable	101,771	(103,328)
Grant receivable	(426,000)	-
Due from related organizations	32,521	73,149
Deposits and other current assets	10,960	(12,523)
Accounts payable and accrued expenses	110,504	83,834
Deferred tuition and grants	(83)	(222,024)
Due to related organizations	-	(146,269)
Net cash used in operating activities	<u>(113,135)</u>	<u>(121,443)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(24,912)</u>	<u>(1,100,372)</u>
Net cash used in investing activities	<u>(24,912)</u>	<u>(1,100,372)</u>
Cash Flows from Financing Activities		
Principal payments on line of credit	(22,100)	(22,493)
Principal payments on mortgage payable	(87,480)	(40,959)
Proceeds from mortgage payable	<u>39,065</u>	<u>436,823</u>
Net cash (used in) provided by financing activities	<u>(70,515)</u>	<u>373,371</u>
Net decrease in cash and cash equivalents	(208,562)	(848,444)
Cash, Cash Equivalents, and Restricted Cash, Beginning (includes \$12,444 of children's direct benefit fund)	<u>382,455</u>	<u>1,230,899</u>
Cash, Cash Equivalents, and Restricted Cash, Ending (includes \$9,963 of children's direct benefit fund)	<u>\$ 173,893</u>	<u>\$ 382,455</u>
Supplementary Cash Flows Information		
Cash paid during the year for interest	<u>\$ 79,563</u>	<u>\$ 51,079</u>

See notes to financial statements

UrbanPromise Ministries, Inc.

Statement of Functional Expenses

Years Ended June 30, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,981,579	\$ 141,242	\$ 214,623	\$ 2,337,444	\$ 1,824,091	\$ 123,368	\$ 235,012	\$ 2,182,471
Employee benefits	249,632	4,790	22,062	276,484	228,120	8,878	22,393	259,391
Payroll taxes	173,984	15,203	10,417	199,604	171,732	10,890	18,341	200,963
	<u>2,405,195</u>	<u>161,235</u>	<u>247,102</u>	<u>2,813,532</u>	<u>2,223,943</u>	<u>143,136</u>	<u>275,746</u>	<u>2,642,825</u>
Advertising and marketing	5,954	449	15,985	22,388	7,889	-	30,025	37,914
In-kind contributions	206,372	40,732	83,524	330,628	185,049	8,830	70,552	264,431
Direct fundraising costs	590	-	99,620	100,210	242	-	91,066	91,308
Interest expense	4,517	75,046	-	79,563	-	51,079	-	51,079
Legal and accounting	-	18,633	-	18,633	-	46,070	-	46,070
Occupancy	350,084	62,633	11,882	424,599	349,284	91,280	8,856	449,420
Office expense	22,442	23,876	22,053	68,371	58,433	6,307	28,141	92,881
Other direct programming expense	370,033	7,447	3,514	380,994	429,222	7,972	11,015	448,209
Postage and printing	18,764	7,673	6,682	33,119	14,504	5,433	5,719	25,656
Professional fees	517	12,411	54,508	67,436	20,849	1,607	40,047	62,503
Telephone	11,328	2,396	2,983	16,707	11,066	3,493	4,172	18,731
Training and conferences	4,893	3,005	1,608	9,506	6,566	3,635	436	10,637
Transportation expense	91,407	612	3,811	95,830	112,429	1,935	5,669	120,033
	<u>1,086,901</u>	<u>254,913</u>	<u>306,170</u>	<u>1,647,984</u>	<u>1,195,533</u>	<u>227,641</u>	<u>295,698</u>	<u>1,718,872</u>
Depreciation	146,997	28,867	5,141	181,005	140,980	-	-	140,980
	<u>\$ 3,639,093</u>	<u>\$ 445,015</u>	<u>\$ 558,413</u>	<u>\$ 4,642,521</u>	<u>\$ 3,560,456</u>	<u>\$ 370,777</u>	<u>\$ 571,444</u>	<u>\$ 4,502,677</u>

See notes to financial statements

UrbanPromise Ministries, Inc.

Notes Financial Statements

June 30, 2016 and 2015

1. Summary of Significant Accounting Policies

The significant accounting policies followed by UrbanPromise Ministries, Inc. ("UrbanPromise" or the "Organization") are described below to enhance the usefulness of the accompanying financial statements. These accounting policies conform with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

UrbanPromise is incorporated under the non-profit corporation laws of the State of New Jersey. UrbanPromise's mission is to equip the City of Camden's children and young adults with the skills necessary for academic achievement, life management, spiritual growth, and leadership. They strive to fulfill this mission through after-school programs, summer camps, two schools, experiential learning, job training, and a host of other programs that challenge youth to develop and realize their potential.

Basis of Presentation

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Basis of Accounting

The financial statements of UrbanPromise have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

UrbanPromise Ministries, Inc.

Notes Financial Statements

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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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash shown in the Statement of Cash Flows consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Cash	\$ 163,930	\$ 370,011
Cash - Children's Direct Benefit Fund	<u>9,963</u>	<u>12,444</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 173,893</u>	<u>\$ 382,455</u>

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Tuition, contributions and grants receivables include all receivables related to student transactions, contributions and grants, net of allowances as of June 30, 2016 and 2015, respectively. The allowance for doubtful accounts is based upon management's judgment, including such factors as prior collection history and type of receivable. As of June 30, 2016 and 2015, no allowance was considered necessary.

Student Tuition and Fees

Student tuition revenue is reported at the net realizable amounts received from students.

Property and Equipment

It is the Organization's policy to capitalize property and equipment at cost. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset. Buildings and related improvements are depreciated using the straight-line method over a period of 39 years. Depreciation on vehicles and office equipment is recorded using the straight-line method over the estimated useful lives of assets, generally five to seven years. UrbanPromise follows the practice of capitalizing, at cost, all expenditures for equipment and improvements in excess of \$1,000.

UrbanPromise Ministries, Inc.

Notes Financial Statements
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Deferred Revenues

Deferred tuition and grants include all revenues related to student transactions and grants that are paid, in advance, and relate to the following fiscal year. As of June 30, 2016 and 2015, amounts recognized as deferred revenues were \$3,436 and \$3,519, respectively.

Contributions

In accordance with authoritative guidance, the Organization records certain promises to give as revenue when the promise is made. In addition, unconditional promises to give (pledges) are recorded as receivables and revenues and categorized in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied within the same year that the contribution is received.

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value using their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period received. As of June 30, 2016 and 2015, UrbanPromise recognized \$330,628 and \$264,431 of noncash assets and donated services, respectively, which includes guidance counseling, laptops, desktops, food and beverages for staff and annual golf tournament.

Grants

Grants that represent unconditional promises to give are recognized as revenues when the promise is received. Grants are recorded at net realizable value. The Organization believes that the grant receivable at June 30, 2016 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Advertising Costs

The cost for advertising is expensed as incurred. The total advertising expense for the years ended June 30, 2016 and 2015 was \$22,388 and \$37,914, respectively.

Recently Issued Accounting Standards not yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance was issued that outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018. Early application is permitted for all entities for fiscal years beginning after December 15, 2016. The Organization is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019. Early application is permitted for all entities. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this standard will have on their financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

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In November 2016, FASB issued ASU No. 2016-18, *Restricted Cash*. ASU No. 2016-18 applies to all entities that have restricted cash or restricted cash equivalents and are required to present a Statement of Cash Flows. This new guidance requires that a Statement of Cash Flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. ASU No. 2016-18 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization elected to early adopt the requirements of this new standard. There was no impact to the Statement of Financial Position, Statement of Activities, Statement of Cash Flows and Statement of Functional Expenses as a result of the adoption of this new standard.

Reclassification

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

Subsequent Events

The Organization evaluated events for recognition on disclosure through April 10, 2017, which is the date the financial statements were available to be issued.

2. Contributions Receivable

Contributors to the Organization have unconditionally promised to give as follows:

	<u>2016</u>	<u>2015</u>
Receivables in less than one year	\$ 185,564	\$ 287,335
Total unconditional promises to give	<u>\$ 185,564</u>	<u>\$ 287,335</u>

UrbanPromise Ministries, Inc.

Notes Financial Statements
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3. Grant Receivable

Grant receivable to the Organization is due to be received as follows:

Years ending June 30:		
2017	\$	142,000
2018		142,000
2019		142,000
		<hr/>
	\$	426,000
		<hr/> <hr/>

4. Property and Equipment

Property and equipment as of June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 4,614,493	\$ 4,614,493
Building improvements	477,780	472,245
Land	60,527	60,527
Vehicles	163,972	188,965
Office equipment	327,679	288,594
	<hr/>	<hr/>
	5,644,451	5,624,824
Accumulated depreciation	(1,266,933)	(1,091,213)
	<hr/>	<hr/>
	\$ 4,377,518	\$ 4,533,611
	<hr/> <hr/>	<hr/> <hr/>

Depreciation expense was \$181,005 and \$140,980 for the years ended June 30, 2016 and 2015, respectively.

5. Line of Credit

UrbanPromise has a \$500,000 line of credit, secured by property, from a bank. Advances under this line of credit are payable on demand and bear interest at 4.75%. The line of credit is renewable annually, and expires on December 1, 2018. As of June 30, 2016 and 2015 the amount available on the line of credit was \$65,248 and \$43,148, respectively. The amount outstanding at June 30, 2016 and 2015 was \$434,752 and \$456,852, respectively.

UrbanPromise Ministries, Inc.

Notes Financial Statements
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6. Debt

	<u>2016</u>	<u>2015</u>
Mortgage payable - \$125,000 seller financed mortgage, secured by certain property. Principal and interest are payable over a 10 year amortization at a rate of 4.36% per annum.	\$ 46,723	\$ 59,866
Mortgage payable - \$104,000 loan secured by certain property. Principal and interest are payable over a 15 year amortization at a rate of 5.25% per annum.	83,731	89,132
Mortgage payable - \$1,350,000 loan secured by certain property. Principal and interest are payable over a 20 year amortization at a rate of 3.93% per annum.	1,258,085	1,327,021
Equipment loan - \$39,065 secured by certain property. Monthly principal and interest payments of \$755 are due at a rate of 6.0% per annum.	<u>39,065</u>	<u>-</u>
	1,427,604	1,476,019
Current maturities	<u>(95,215)</u>	<u>(87,492)</u>
Long term portion	<u>\$ 1,332,389</u>	<u>\$ 1,388,527</u>

Principal payments on the mortgage payable for the next five years are as follows:

Years ending June 30:	
2017	\$ 95,215
2018	96,552
2019	97,975
2020	87,719
2021	84,837
Thereafter	<u>965,306</u>
	<u>\$ 1,427,604</u>

7. Children's Direct Benefit Money Market Funds

Temporarily restricted net assets as of June 30, 2016 and 2015 include funding that was received during the past several years for the direct benefit of certain children who live in Camden. Individual trust funds were established by the Organization and will be maintained for the education, health and welfare of the children.

UrbanPromise Ministries, Inc.

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8. Net Assets

Funds classified as temporarily restricted net assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Ambassador of Hope	\$ 33,395	\$ 17,752
Children's Direct Benefit Fund	9,963	12,444
Wellness Center	-	4,618
Eastside Capital Project	170,670	319,556
Street Leader Program	20,000	-
Emergency Family Fund	7,838	6,018
Delaware Gardens Neighborhood Initiative	532,100	135,865
UrbanChefs	65,000	-
Summer Camp Program	19,624	-
UPA Senior Computers	-	930
Boatworks	-	103,405
UrbanArts	-	4,648
UPA Camden Home for Children	-	3,247
Children's Jubilee Fund	17,860	-
Playground Renovations	46,396	10,000
Fairview	7,557	36,987
UTK	100,000	50,000
Camp Freedom	4,425	3,088
	<u>\$ 1,034,828</u>	<u>\$ 708,558</u>

Funds classified as permanently restricted net assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Bruce Main Endowment	\$ 117,410	\$ 117,410

9. Related Party Transactions

Effective July 1, 2009, UrbanPromise formed a separately governed and operated charitable organization, UrbanPromise International, Inc. ("UPI") based on the very successful UrbanPromise model. The two organizations share facilities and certain personnel. UPI reimburses such costs on a periodic basis. During 2016 and 2015, UPI reimbursed the Organization \$78,498 and \$25,150, respectively. As of June 30, 2016 and 2015 the amounts due from UPI to the Organization were \$40,005 and \$68,171, respectively. Of these amounts, \$900 for 2016 and 2015 are directly offset by the due from UrbanPromise Trenton as noted below.

UrbanPromise Ministries, Inc.

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The Organization also conducts business with other related organizations. As of June 30, 2016 and 2015, the amounts due (to) from the organizations are as follows:

	<u>2016</u>	<u>2015</u>
Fellowship House	\$ -	\$ 4,355
UrbanPromise Trenton	900	900
UrbanPromise Toronto	(4,250)	(4,250)
UrbanPromise Wilmington	1,020	1,020

The balances due (to) from the related organizations do not bear interest.

10. Lease Commitments

UrbanPromise regularly conducts youth programs at a variety of locations separate from its main campus in Camden. For those facilities that are not provided pro bono, the leases are on a month-to-month basis with no long term commitment. Rent expense included in occupancy for the years ended June 30, 2016 and 2015 was \$26,126 and \$52,130, respectively.

11. Retirement Plan

The Organization has a 403(b) defined contribution plan. Employees are encouraged to direct a percentage of their income to the plan. The Organization does not match employee contributions.

12. Concentration of Credit Risk

UrbanPromise maintains its cash accounts in various commercial banks. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time the Organization has exceeded the insured amount.

Grant receivable also exposes the Organization to credit risk. At June 30, 2016, the entire balance is receivable from one grantor. Management deems the full balance to be collectible and no allowance for doubtful accounts is necessary.

13. Income Taxes

UrbanPromise is a nonprofit corporation that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the threshold for the years ended June 30, 2016 and 2015.

Currently, the 2013, 2014 and 2015 tax years are open and subject to examination by the Internal Revenue Service and the New Jersey Department of Revenue. However, the Organization is not currently under audit nor has the Organization been contacted by these jurisdictions. There were no interest and penalties related to income taxes.