

UrbanPromise International, Inc.
Financial Statements
For the Years Ended
June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of UrbanPromise International, Inc.
PO Box 156
Pennsauken, NJ 08110

Opinion

We have audited the accompanying financial statements of UrbanPromise International, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UrbanPromise International, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UrbanPromise International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UrbanPromise International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UrbanPromise International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UrbanPromise International, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Baratz & Associates, P.A.

Baratz & Associates, P.A.
Marlton, NJ

September 13, 2023

UrbanPromise International, Inc.
Statements of Financial Position
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 591,140	\$ 1,095,314
Accounts receivable	11,035	-
Contributions receivable	9,081	-
Prepaid expenses	83,897	58,297
Due from related party	38,495	9,765
Loans receivable, current portion	27,142	20,800
Total Current Assets	<u>760,790</u>	<u>1,184,176</u>
Property and Equipment		
Land, buildings, improvements, and vehicles	91,940	91,940
Less accumulated depreciation	(11,750)	(8,681)
Net Property and Equipment	<u>80,190</u>	<u>83,259</u>
Other Assets		
Loans receivable, less current portion	111,129	128,020
Total Other Assets	<u>111,129</u>	<u>128,020</u>
Total Assets	<u>\$ 952,109</u>	<u>\$ 1,395,455</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 32,092	\$ 105,843
Total Current Liabilities	<u>32,092</u>	<u>105,843</u>
Net Assets		
Without donor restrictions	254,381	478,034
With donor restrictions	665,636	811,578
Total Net Assets	<u>920,017</u>	<u>1,289,612</u>
Total Liabilities and Net Assets	<u>\$ 952,109</u>	<u>\$ 1,395,455</u>

UrbanPromise International, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022

	2023			2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support						
Grants and contributions	\$ 2,833,578	\$ 140,060	\$ 2,973,638	\$ 2,723,123	\$ 271,056	\$ 2,994,179
Other income	3,706	-	3,706	3,172	-	3,172
Donated services	-	-	-	7,000	-	7,000
Interest income	558	-	558	677	-	677
	<u>2,837,842</u>	<u>140,060</u>	<u>2,977,902</u>	<u>2,733,972</u>	<u>271,056</u>	<u>3,005,028</u>
Net Assets Released From Restriction						
Satisfaction of program restrictions	<u>286,002</u>	<u>(286,002)</u>	<u>-</u>	<u>229,846</u>	<u>(229,846)</u>	<u>-</u>
Total Revenues and Other Support	<u>3,123,844</u>	<u>(145,942)</u>	<u>2,977,902</u>	<u>2,963,818</u>	<u>41,210</u>	<u>3,005,028</u>
Expenses						
Program services	2,915,566	-	2,915,566	2,417,364	-	2,417,364
Management and general	119,062	-	119,062	116,806	-	116,806
Fundraising	<u>312,869</u>	<u>-</u>	<u>312,869</u>	<u>190,752</u>	<u>-</u>	<u>190,752</u>
Total Expenses and Losses	<u>3,347,497</u>	<u>-</u>	<u>3,347,497</u>	<u>2,724,922</u>	<u>-</u>	<u>2,724,922</u>
Change in Net Assets For The Year	(223,653)	(145,942)	(369,595)	238,896	41,210	280,106
Net Assets at Beginning of Year	<u>478,034</u>	<u>811,578</u>	<u>1,289,612</u>	<u>239,138</u>	<u>770,368</u>	<u>1,009,506</u>
Net Assets at End of Year	\$ <u><u>254,381</u></u>	\$ <u><u>665,636</u></u>	\$ <u><u>920,017</u></u>	\$ <u><u>478,034</u></u>	\$ <u><u>811,578</u></u>	\$ <u><u>1,289,612</u></u>

UrbanPromise International, Inc.
Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

	2023				2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 300,293	\$ 28,769	\$ 131,941	\$ 461,003	\$ 477,522	\$ 29,036	\$ 97,857	\$ 604,415
Employee benefits	45,996	-	33,780	79,776	81,876	-	29,940	111,816
Payroll taxes	19,221	2,384	18,890	40,495	37,937	2,257	14,722	54,916
Retirement plan contributions	2,122	858	5,233	8,213	1,844	833	5,680	8,357
Grants	2,407,608	-	-	2,407,608	1,752,824	-	-	1,752,824
Travel and conferences	63,114	-	10,009	73,123	28,462	-	10,810	39,272
Direct program expenses	74,143	-	-	74,143	34,062	-	-	34,062
Professional services	-	22,224	-	22,224	-	18,666	-	18,666
Office expenses	-	12,489	19,263	31,752	-	6,329	20,617	26,946
Equipment rental and maintenance	-	6,346	-	6,346	-	6,811	-	6,811
Depreciation expense	3,069	-	-	3,069	2,837	-	-	2,837
Insurance	-	15,181	-	15,181	-	21,854	-	21,854
Miscellaneous	-	22,013	-	22,013	-	22,340	-	22,340
Direct fundraising expenses	-	-	93,753	93,753	-	-	11,126	11,126
Telephone	-	3,337	-	3,337	-	3,294	-	3,294
Postage and delivery	-	1,678	-	1,678	-	1,630	-	1,630
Occupancy	-	3,783	-	3,783	-	3,756	-	3,756
Total Functional Expenses	\$ <u>2,915,566</u>	\$ <u>119,062</u>	\$ <u>312,869</u>	\$ <u>3,347,497</u>	\$ <u>2,417,364</u>	\$ <u>116,806</u>	\$ <u>190,752</u>	\$ <u>2,724,922</u>

The accompanying notes are an integral part of these financial statements

UrbanPromise International, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (369,595)	\$ 280,106
Adjustments To Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities		
Depreciation expense	3,069	2,837
Grant income from PPP loan forgiveness	-	(100,420)
Donated equipment	-	(7,000)
Changes in Operating Assets and Liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(11,035)	-
Contributions receivables	(9,081)	917
Loans receivables	10,549	(83,600)
Prepaid expenses	(25,600)	(26,120)
Due from related party	(28,730)	35,836
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(73,751)	85,983
Net Cash (Used In) Provided By Operating Activities	<u>(504,174)</u>	<u>188,539</u>
Net (Decrease) Increase in Cash	(504,174)	188,539
Cash at Beginning of Year	<u>1,095,314</u>	<u>906,775</u>
Cash at End of Year	<u>\$ 591,140</u>	<u>\$ 1,095,314</u>

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

1. Organization

UrbanPromise International, Inc. (the Organization) is a New Jersey nonprofit charitable corporation formed in 2008. The mission of UrbanPromise International, Inc. is to prepare emerging leaders to initiate, develop, and sustain Christian-based youth development organizations and to seed their new ministries as they serve vulnerable children and teens in our world's most under-resourced communities.

The vision and mission of UrbanPromise was conceived in a dusty church basement in East Camden, NJ. A small group of college-age missionaries created a summer camp for neighborhood children-providing a safe, loving, fun, and creative place for local youth to escape dangerous city streets. Since 1988, the UrbanPromise model has been replicated in other cities in North America including Vancouver (British Columbia), Toronto (Ontario), and Wilmington (Delaware). In 2003, the model was replicated in Malawi, Africa when William Nyasulu established YouthCare. In 2008 UrbanPromise International, Inc. was established to formalize this replication process and provide the supports necessary for the model to be used in other communities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization's financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles and provisions related to Financial Accounting Standards for Not-For-Profit Organizations. As such, the financial statements are presented on the basis of two net asset classifications; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. They include gifts restricted by donors for specific programs and other operating purposes. And net assets subject to donor-imposed stipulations that are required to be maintained permanently, thereby restricting the use of principal. Normally, donor-imposed stipulations allow part or all of the income earned to be used currently.

Contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions received, and unconditional promises are measured at their fair values and are reported as an increase in net assets. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Contributions and Promises to Give

Contributions are generally recorded as revenue at the time of receipt. Unconditional promises to give property or donate services are recorded at their fair value when the gifts are made and/or the services are performed. Conditional promises to give are recognized when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions of donated non-cash assets are recorded at their fair market value in the period received. Contributions of donated services that create or enhance non-financial 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 fair value in the period received. Donated services by volunteers neither enhance nor create non-financial assets nor do they require specialized skills, and thus are not recognized as support in the Organization's Statement of Activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with maturities of three or less to be cash equivalents.

Concentrations

The Organization maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits.

Grant Expenditures

Grant expenditures are recognized in the period the grant is approved unless the grant is subject to future contingencies. Grants that are subject to future contingencies, conditional grants, are recognized as grant expenses and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. The Organization did not have any unpaid grants as of June 30, 2023 and 2022, respectively.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value, if donated. Depreciation is computed using the straight-line method over the estimate useful lives of the respective assets. Expenditures for maintenance and repairs are expenses as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the change in net assets. Estimated useful lives in determining depreciation are as follows:

	<u>Years</u>
Furniture, fixtures, and equipment	3-15
Buildings	40
Vehicles	5-10

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Impairment of Long-Lived Assets

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization assesses recoverability by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets.

Income Taxes

UrbanPromise International, Inc. 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 years ended June 30, 2023 and 2022.

Currently, the 2020, 2021, and 2022 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 be contacted by these jurisdictions. There were no interest and penalties related to income taxes.

Expenses

Expenses are recognized when the Organization’s economic benefits are used up in rendering services and other activities or when previously recognized assets are expected to provide reduced or no future benefits. The Organization allocates expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program or supporting services are charged directly. Other expenses that are common to several functions are allocated based on various statistical bases.

Accounting Standards Issued But Not Yet Adopted

The Organization believes that any new accounting standard issued during the year but not yet adopted will not have a material impact on these financial statements.

Reclassifications

Certain reclassifications have been made to prior years’ balances in order to conform to current year presentation.

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Fair Value of Financial Instruments

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. Assets and liabilities measured at fair value are categorized into one of three different levels depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability, including the Organization's own assumptions in determining the fair value of the assets or liabilities.

3. Donated Gifts and Services

The Organization records property and certain donated services at their fair value. The services received must create or enhance non-financial assets or require specialized skills that normally would have to be purchased if they were not provided by donation. The fair value of gifts and services received totaled \$0 in the year ended June 30, 2023 and \$7,000 for vehicles for the year ended June 30, 2022.

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 21,800	\$ 21,800
Building	32,700	32,700
Building improvements	27,875	27,875
Vehicle	<u>9,565</u>	<u>9,565</u>
	91,940	91,940
Accumulated depreciation	<u>(11,750)</u>	<u>(8,681)</u>
	<u>\$ 80,190</u>	<u>\$ 83,259</u>

Depreciation expense was \$3,069 and \$2,837 for the years ended June 30, 2023 and 2022, respectively.

5. Long-Term Loans Receivables

The Organization provides a revolving loan fund that will be used to finance the construction of Dormitories and other revenue-generating facilities for the African affiliates of the Organization. The Fund has been seeded through the gifts of a small group of donors who wish to leverage their contributions by establishing a revolving loan structure that can serve multiple organizations over many years. The total long-term loans receivables for the year ended June 30, 2023 and 2022 are \$138,271 and \$148,820, respectively. Repayments of these loans will be paid back by the various borrowers over periods ranging from 15 to 24 months at interest rates ranging from 0% to 15%.

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

6. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. The following table reflects the Organization's financial assets (cash, cash equivalents and investments) as of June 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 676,893	\$ 1,125,879
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	<u>665,636</u>	<u>811,578</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 11,257</u>	<u>\$ 314,301</u>

7. Net Assets

Funds classified as net assets with donor restrictions consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Arkansas	\$ 5,725	\$ 18,811
CALM	-	9,026
CELDI	10,416	22,015
Cornerstone	23,517	22,993
Crystal Lens	16,008	13,974
Dalo	200	-
Dream Code	12,415	10,447
Ghana	966	519
Girls Leading Africa	24,693	14,154
Honduras	14,645	-
Joyful Hearts	131,547	174,303
Latin America	5,877	5,877
Life Coaching	79,213	38,221
Los Angeles	-	109,502
Love Driven Ministries	14,758	18,755
MercyCare	-	528
Nashville	88,411	116,306
Quality Life	15,814	5,833
Rays of Hope	22,926	25,211
Rise Malawi	683	-
Seeds	15,685	1,398
Trenton	1,556	1,556
UK	2,865	38,216
Voices Awake	53,772	83,750
Yamba	48,052	34,312
Young & Empowered	10,064	5,780
YouthCare	31,264	21,842
YouthPromise Kenya	34,564	18,249
Total	<u>\$ 665,636</u>	<u>\$ 811,578</u>

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

In April 2023, Los Angeles division split off from UrbanPromise International attributable net assets of \$109,028 were distributed. Nashville division will be split off from UrbanPromise International in the future.

8. Retirement Plan

The Organization sponsors a Simple IRA plan for all eligible employees. Employees are eligible if they have earned \$5,000 or more in the previous two years and will earn at least \$5,000 in the current year, unless they are part of a union. The Organization matches 100% of an employee contribution up to 3% of the employee's compensation. The Organization made contributions of \$8,213 and \$8,357 for the years ended June 30, 2023 and 2022.

9. Related Party Transactions

UrbanPromise International, Inc. was formed based on the very successful UrbanPromise model founded by UrbanPromise Ministries, Inc., a separately governed and operated charitable organization. The two organizations share facilities and certain personnel. UrbanPromise International, Inc. reimburses such costs on a periodic basis. The amounts due from UrbanPromise Ministries, Inc. were \$38,495 and \$9,765 for years ended June 30, 2023 and 2022, respectively. The balances due from the related organization do not bear interest.

10. COVID 19 Impact

During the first quarter of 2020, an outbreak of a novel coronavirus causing the disease COVID-19 evolved into a global pandemic. The global response to COVID-19 has evolved rapidly. New Jersey and surrounding state governments mandated restrictions on business operations and travel that have disrupted the operations of the Organization. The duration of this public health crisis, government mandated restriction, and future impact to the Organization's financial statements are currently unknown. In March 2021, the Organization applied for a second PPP loan and was granted a loan in the amount of \$100,420 and the loan was forgiven in January 2022. The Organization recognized these proceeds as grant revenue on the Statement of Activities and Changes in Net Assets during the year ended June 30, 2022.

11. Subsequent Events

The Organization evaluated events for recognition on disclosure through September 13, 2023, which is the date the financial statements were available to be issued.