

UrbanPromise International, Inc.
Financial Statements
For the Years Ended
June 30, 2024 and 2023

UrbanPromise International, Inc.
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June 30, 2024 and 2023

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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, 2024 and 2023, 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.

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, 2024 and 2023, 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

October 10, 2024

UrbanPromise International, Inc.
Statements of Financial Position
As of June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 979,294	\$ 591,140
Accounts receivable	-	11,035
Contributions receivable	-	9,081
Prepaid expenses	13,567	83,897
Due from related party	6,698	38,495
Loans receivable, current portion	25,607	27,142
Total Current Assets	1,025,166	760,790
Property and Equipment		
Land, buildings, improvements, and vehicles	91,940	91,940
Less accumulated depreciation	(14,606)	(11,750)
Net Property and Equipment	77,334	80,190
Other Assets		
Loans receivable, less current portion	90,800	111,129
Total Other Assets	90,800	111,129
Total Assets	\$ 1,193,300	\$ 952,109
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 21,669	\$ 32,092
Due to affiliates	2,716	-
Total Current Liabilities	24,385	32,092
Net Assets		
Without donor restrictions	440,529	254,381
With donor restrictions	728,386	665,636
Total Net Assets	1,168,915	920,017
Total Liabilities and Net Assets	\$ 1,193,300	\$ 952,109

UrbanPromise International, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	<u>2024</u>			<u>2023</u>		
	<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	\$ 3,073,380	\$ 62,750	\$ 3,136,130	\$ 2,833,578	\$ 140,060	\$ 2,973,638
Other income	2,314	-	2,314	3,706	-	3,706
Interest income	218	-	218	558	-	558
	<u>3,075,912</u>	<u>62,750</u>	<u>3,138,662</u>	<u>2,837,842</u>	<u>140,060</u>	<u>2,977,902</u>
Net Assets Released From Restriction						
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,002</u>	<u>(286,002)</u>	<u>-</u>
Total Revenues and Other Support	<u>3,075,912</u>	<u>62,750</u>	<u>3,138,662</u>	<u>3,123,844</u>	<u>(145,942)</u>	<u>2,977,902</u>
Expenses						
Program services	2,453,528	-	2,453,528	2,921,488	-	2,921,488
Management and general	127,671	-	127,671	118,387	-	118,387
Fundraising	308,565	-	308,565	307,622	-	307,622
Total Expenses	<u>2,889,764</u>	<u>-</u>	<u>2,889,764</u>	<u>3,347,497</u>	<u>-</u>	<u>3,347,497</u>
Change in Net Assets For The Year	186,148	62,750	248,898	(223,653)	(145,942)	(369,595)
Net Assets at Beginning of Year	<u>254,381</u>	<u>665,636</u>	<u>920,017</u>	<u>478,034</u>	<u>811,578</u>	<u>1,289,612</u>
Net Assets at End of Year	<u>\$ 440,529</u>	<u>\$ 728,386</u>	<u>\$ 1,168,915</u>	<u>\$ 254,381</u>	<u>\$ 665,636</u>	<u>\$ 920,017</u>

The accompanying notes are an integral part of these financial statements

UrbanPromise International, Inc.
Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	<u>2024</u>				<u>2023</u>			
	<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	\$ 306,759	\$ 28,845	\$ 161,584	\$ 497,188	\$ 301,393	\$ 28,094	\$ 131,516	\$ 461,003
Employee benefits	45,221	-	36,840	82,061	45,996	-	33,780	79,776
Payroll taxes	22,932	2,566	20,207	45,705	24,043	2,384	14,068	40,495
Retirement plan contributions	625	865	5,517	7,007	2,122	858	5,233	8,213
Grants	1,980,867	-	-	1,980,867	2,407,608	-	-	2,407,608
Travel and conferences	50,105	-	13,149	63,254	63,114	-	10,009	73,123
Direct program expenses	44,163	-	-	44,163	74,143	-	-	74,143
Professional services	-	18,334	-	18,334	-	22,224	-	22,224
Office expenses	-	11,516	17,872	29,388	-	12,489	19,263	31,752
Equipment rental and maintenance	-	6,548	-	6,548	-	6,346	-	6,346
Depreciation expense	2,856	-	-	2,856	3,069	-	-	3,069
Insurance	-	24,920	-	24,920	-	15,181	-	15,181
Miscellaneous	-	26,000	-	26,000	-	22,013	-	22,013
Direct fundraising expenses	-	-	53,396	53,396	-	-	93,753	93,753
Telephone	-	2,812	-	2,812	-	3,337	-	3,337
Postage and delivery	-	1,509	-	1,509	-	1,678	-	1,678
Occupancy	-	3,756	-	3,756	-	3,783	-	3,783
Total Functional Expenses	\$ 2,453,528	\$ 127,671	\$ 308,565	\$ 2,889,764	\$ 2,921,488	\$ 118,387	\$ 307,622	\$ 3,347,497

The accompanying notes are an integral part of these financial statements

UrbanPromise International, Inc.
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ 248,898	\$ (369,595)
Adjustments To Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Depreciation expense	2,856	3,069
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in assets:		
Accounts receivable	11,035	(11,035)
Contributions receivables	9,081	(9,081)
Loans receivables	21,864	10,549
Prepaid expenses	70,330	(25,600)
Due from related party	31,797	(28,730)
(Decrease) in liabilities:		
Accounts payable and accrued expenses	(10,423)	(73,751)
Net Cash Provided By (Used In) Operating Activities	388,154	(504,174)
Net Increase (Decrease) in Cash	388,154	(504,174)
Cash at Beginning of Year	591,140	1,095,314
Cash at End of Year	\$ 979,294	\$ 591,140

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023

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, 2024 and 2023.

Currently, the 2021, 2022, and 2023 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.

Functional 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.

New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The new standard also applies to receivables arising from revenue transactions such as contract assets and accounts receivables. The standard has been applied prospectively with no adjustment to net assets needed.

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

Allowance for Credit Losses

When the Organization records contribution receivables, contract assets, and financing receivables arising from revenue transactions, the Organization records an allowance for credit losses for the current expected credit losses (CECL) inherent in the asset over its expected life. The allowance for credit losses is a valuation account deducted from the amortized cost basis of the assets to present their net carrying value at the amount expected to be collected. Each period the allowance for credit losses is adjusted through earnings to reflect expected credit losses over the remaining lives of the assets.

Current and long-term receivables

		<u>2024</u>		<u>2023</u>
Receivables	\$	116,407	\$	158,387
Allowance for credit losses		-		-
Total Receivable	\$	<u>116,407</u>	\$	<u>158,387</u>

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.

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 Organization did not have any donated gifts and services in the years ended June 30, 2024 and 2023.

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2024</u>	<u>2023</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>(14,606)</u>	<u>(11,750)</u>
	<u>\$ 77,334</u>	<u>\$ 80,190</u>

Depreciation expense was \$2,856 and \$3,069 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 are \$116,407 and \$138,271, 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%.

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 and cash equivalents, due from related party, and loans receivable, current) as of June 30, 2024 and 2023, reduced by amounts not available for general expenditures within one year.

	<u>2024</u>	<u>2023</u>
Financial assets at year-end	\$ 1,011,599	\$ 676,893
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	<u>731,102</u>	<u>665,636</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 280,497</u>	<u>\$ 11,257</u>

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

7. Net Assets

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

	<u>2024</u>	<u>2023</u>
Arkansas	\$ 1,489	\$ 5,725
CELDI	21,442	10,416
Cornerstone	11,952	23,517
Crystal Lens	20,500	16,008
Dalo	36,136	200
Dream Code	18,680	12,415
Ghana	945	966
Girls Leading Africa	29,745	24,693
Honduras	6,829	14,645
Joyful Hearts	43,032	131,547
Latin America	5,877	5,877
Learning Pathways	1,736	-
Life Coaching	75,654	79,213
Lonjezo	200,203	-
Love Driven Ministries	18,384	14,758
MercyCare	1,721	-
Millville	12,711	-
Nashville	7,717	88,411
Quality Life	13,036	15,814
Rays of Hope	28,698	22,926
Rise Malawi	24,085	683
Seeds	18,800	15,685
Trenton	1,556	1,556
UK	2,196	2,865
Voices Awake	34,122	53,772
Yamba	31,719	48,052
Young & Empowered	17,384	10,064
YouthCare	15,068	31,264
YouthPromise Kenya	26,969	34,564
Total	<u>\$ 728,386</u>	<u>\$ 665,636</u>

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 \$7,007 and \$8,213 for the years ended June 30, 2024 and 2023, respectively.

UrbanPromise International, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

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 \$6,698 and \$38,495 for years ended June 30, 2024 and 2023, respectively. The balances due from the related organization do not bear interest.

10. Subsequent Events

The Organization evaluated events for recognition on disclosure through October 10, 2024, which is the date the financial statements were available to be issued.