

**Central Ohio Youth For Christ, Inc.
Subsidiaries and Affiliates**

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Central Ohio Youth for Christ, Inc., Subsidiaries and Affiliates

We have audited the accompanying consolidated financial statements of Central Ohio Youth for Christ, Inc. Subsidiaries and Affiliates (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, changes in consolidated unrestricted net assets, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial 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 Central Ohio Youth for Christ, Inc. Subsidiaries and Affiliates as of June 30, 2017 and 2016, and the changes in its net assets, changes in consolidated unrestricted net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Westerville, Ohio
September 29, 2017

"GOING BEYOND THE NUMBERS"

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 302,883	\$ 623,508
Cash and cash equivalents - restricted	80,000	150,812
Accounts receivable, net	247,763	206,520
Grant receivable	51,860	152,614
Rent receivable	18,322	18,361
Pledges receivable	106,200	64,059
Employee advance	7,140	1,520
Prepaid expenses	63,115	56,790
Interest receivable	-	53,412
Vehicle inventory	128,965	91,655
	1,006,247	1,419,251
Total current assets		
Fixed Assets		
Land	348,642	452,542
Buildings	7,753,189	7,953,440
Furniture	104,292	104,292
Machinery & equipment	537,578	495,597
Trucks and autos	25,600	25,600
Construction in progress	-	5,844
Real estate held for sale (net of accumulated depreciation of \$64,533)	271,475	-
Accumulated depreciation	(1,370,842)	(1,218,779)
	7,669,934	7,818,535
Total fixed assets		
Other Assets		
Note Receivable	4,226,000	4,226,000
Deposits	2,699	4,199
	4,228,698	4,230,199
Total other assets		
TOTAL ASSETS	\$ 12,904,879	\$ 13,467,983

The accompanying notes are an integral part of these financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
LIABILITIES		
Current liabilities		
Accounts payable	\$ 30,057	\$ 32,634
Credit card payable	6,659	2,804
Current portion of notes	161,832	211,630
Current portion of capital leases	4,115	6,048
Accrued expenses	<u>161,001</u>	<u>198,049</u>
Total current liabilities	363,663	451,164
Long term liabilities		
Notes payable, net	10,239,311	10,188,858
Capital leases payable, net	<u>36,921</u>	<u>9,086</u>
Total long term liabilities	10,276,232	10,197,944
TOTAL LIABILITIES	10,639,895	10,649,108
NET ASSETS		
Unrestricted net assets	2,244,698	2,538,626
Noncontrolling interest in subsidiary	<u>(5,700)</u>	<u>(2,923)</u>
Total unrestricted net assets	<u>2,238,998</u>	<u>2,535,703</u>
Temporarily restricted net assets	25,985	283,172
TOTAL NET ASSETS	<u>2,264,983</u>	<u>2,818,875</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,904,879</u></u>	<u><u>\$ 13,467,983</u></u>

The accompanying notes are an integral part of these financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Public support:			
Contributions	\$ 1,783,597	\$12,834	\$ 1,796,431
Revenue:			
Grants	150,537		150,537
Program fees and product sales	518,634		518,634
Counseling	426,050		426,050
County per diem income	506,670		506,670
Rental income	272,648		272,648
Special events, net of expenses	225,667		225,667
Other income	6,675		6,675
Interest income	215,038		215,038
Total revenue	2,321,918	-	2,321,918
Total public support and revenue	4,105,515	12,834	4,118,349
Net assets released from restrictions	270,021	(270,021)	-
	4,375,536	(257,187)	4,118,349
EXPENSES			
Program services	3,622,767		3,622,767
Management and general	818,978		818,978
Fund raising	230,496		230,496
Total expenses	4,672,241	-	4,672,241
Increase in consolidated net assets	(296,705)	(257,187)	(553,892)
Less: Net loss attributable to the noncontrolling interest	2,777		2,777
Increase (decrease) in net asset attributable to Central Ohio Youth For Christ and Subsidiaries	(293,928)	(257,187)	(551,115)
Net assets at beginning of year	2,538,626	283,172	2,821,798
Net assets at end of year	\$ 2,244,698	\$ 25,985	\$ 2,270,682

The accompanying notes are an integral part of these financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Public support:			
Contributions	\$ 1,454,885	\$106,953	\$ 1,561,838
Revenue:			
Grants	116,054	163,724	279,778
Program service fees	285,710		285,710
Counseling	345,376		345,376
County per diem income	366,974		366,974
Rental income	248,322		248,322
Special events, net of expenses	219,886		219,886
Other Income	11,949		11,949
Interest Income	214,961	757	215,718
Total revenue	<u>1,809,231</u>	<u>164,481</u>	<u>1,973,712</u>
Total public support and revenue	3,264,116	271,434	3,535,550
Net assets released from restrictions	<u>48,031</u>	<u>(48,031)</u>	<u>-</u>
	3,312,147	223,403	3,535,550
EXPENSES			
Program services	3,057,471		3,057,471
Management and general	735,491		735,491
Fund raising	200,900		200,900
Total expenses	<u>3,993,862</u>	<u>-</u>	<u>3,993,862</u>
Increase in consolidated net assets	<u>(681,714)</u>	<u>223,403</u>	<u>(458,312)</u>
Less: Net loss attributable to the noncontrolling interest	<u>3,556</u>	<u>-</u>	<u>3,556</u>
Increase (decrease) in net asset attributable to Central Ohio Youth For Christ and Subsidiaries	(678,159)	223,403	(454,757)
Net assets at beginning of year	3,216,785	59,769	3,276,554
Net assets at end of year	<u>\$ 2,538,626</u>	<u>\$ 283,172</u>	<u>\$ 2,821,796</u>

The accompanying notes are an integral part of these financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Consolidated Net Assets	\$ (553,892)	\$ (458,312)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution to others	-	34,544
Depreciation	215,708	211,523
Amortization of loan costs	25,274	25,401
Decrease/(increase) in current assets:		
Accounts receivable	(41,243)	(91,576)
Grant receivable	100,754	(105,402)
Rent receivable	39	(19,450)
Pledges receivable	(42,141)	(64,059)
Vehicle inventory	(37,310)	(44,655)
Prepaid expenses	(6,325)	(30,865)
Other assets	(5,620)	(520)
Deposits	1,500	-
Increase/(decrease) in current liabilities:		
Accounts payable	(2,576)	5,407
Credit cards payable & line of credit	3,855	(26,257)
Accrued expenses	(37,048)	(16,069)
Net cash provided by (used by) operating activities	(379,025)	(580,290)
CASH FLOWS TO INVESTMENT ACTIVITIES		
Purchase of fixed assets	(35,337)	(43,597)
Interest receivable	53,412	(881)
Construction in progress	-	(100,399)
Net cash used by investment activities	18,075	(144,877)
CASH FLOWS TO FINANCING ACTIVITIES		
Notes payable, net	(24,619)	(28,135)
Capital leases	(5,865)	(13,060)
Net cash provided by (used by) financing activities	(30,484)	(41,195)
Net decrease in cash & cash equivalents	(391,434)	(766,363)
CASH BEGINNING OF YEAR	774,318	1,540,681
CASH & EQUIVALENT AT END OF YEAR	\$ 382,883	\$ 774,318

The accompanying notes are an integral part of these financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Service</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fund Raising</u>	
Cost of goods sold	\$ 407,353	\$ 2,269	\$ -	\$ 409,622
Personnel expense	1,851,966	500,551	194,940	2,547,457
Residential client expense	117,319	6,396	9	123,724
Training and development	44,730	2,548	642	47,920
Travel and meals	20,912	11,261	14,564	46,737
Occupancy expense	250,952	39,967	-	290,919
Office expense	48,201	30,533	11,464	90,198
Professional services	89,569	81,568	3,043	174,180
Supplies	30,356	2,725	4,431	37,512
Dues and licenses	2,182	39,314	175	41,671
Advertising and promotion	38,649	1,759	933	41,341
Insurance - general	4,567	33,536	-	38,103
Contributions	200	2,520	-	2,720
Other expenses	36,181	-	-	36,181
Interest expense	464,697	30,096	-	494,793
Bank fees and charges	13,874	19,284	295	33,453
Total expenses before depreciation	3,421,710	804,327	230,496	4,456,532
Depreciation expense	201,057	14,651	-	215,708
Total expenses	<u>\$ 3,622,767</u>	<u>\$ 818,978</u>	<u>\$ 230,496</u>	<u>\$ 4,672,241</u>

The accompanying notes are an integral part of these financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Service</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fund Raising</u>	
Cost of Products sold	\$ 174,485	\$ 3,810	\$ 90	\$ 178,385
Personnel	1,537,434	397,987	155,286	2,090,707
Residential client expense	90,926			90,926
Training and development	41,130	5,471	350	46,951
Travel and meals	15,813	5,679	15,518	37,010
Occupancy	286,283	63,839	122	350,244
Office Expense	44,027	18,412	11,437	73,876
Professional services	86,261	95,130	7,823	189,214
Supplies	25,548	4,083	6,716	36,347
Dues and licenses	3,938	42,021	60	46,019
Advertising and promotion	20,446	233	848	21,527
Insurance - general	8,215	33,476	-	41,691
Contributions	50,813	-	-	50,813
Other expenses	3,166	-	2,500	5,666
Interest expense	481,189	21,413	60	502,662
Bank fees and charges	4,566	15,645	90	20,301
Loan fees and amortization	-	-	-	-
Total expenses before depreciation	2,874,239	707,199	200,900	3,782,338
Depreciation expense	183,231	28,292	-	211,523
Total expenses	<u>\$ 3,057,471</u>	<u>\$ 735,491</u>	<u>\$ 200,900</u>	<u>\$ 3,993,862</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
CHANGES IN CONSOLIDATED UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	Total	Controlling Interest	Noncontrolling Interest
Balance at July 1, 2015	\$ 3,217,418	\$ 3,216,785	\$ 633
Excess (deficit) of revenues over expenses	(681,715)	(678,159)	(3,556)
Balance at June 30, 2016	<u>\$ 2,535,703</u>	<u>\$ 2,538,626</u>	<u>\$ (2,923)</u>
Excess (deficit) of revenues over expenses	(296,705)	(293,928)	(2,777)
Balance at June 30, 2017	<u><u>\$ 2,238,998</u></u>	<u><u>\$ 2,244,698</u></u>	<u><u>\$ (5,700)</u></u>

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

1. Purpose of Central Ohio Youth For Christ, Inc. and Subsidiaries and Affiliates

Central Ohio Youth for Christ, Inc. (Organization) was organized in 1981 as an Ohio not-for-profit corporation to participate in the body of Christ in responsible evangelism of youth. The goal of the Organization is to present youths with the person, work and teachings of Christ, disciple them into the church, and provide meaningful and well supervised activities for young people. The Organization is a chartered affiliate of Youth for Christ, USA, with all the rights and privileges incident to that affiliation, including the receipt of tax deductible contributions as provided under Section 501 (c) (3) of the Internal Revenue Code of 1954. Youth and families are from a variety of ethnic and socio-economic backgrounds in seven Central Ohio counties. The primary focus of the Organization is Columbus urban youth between the ages of 12 and 19.

The Organization's personnel conduct the following programs and ministries in response to the Organization's goal:

Campus Life: Campus Life is a high school/middle school program designed to reach out to mainstream students. Programs include a weekly club meeting, camps, trips, retreats and mentoring programs.

Juvenile Justice Ministry: Juvenile Justice Ministry is an outreach program that targets at-risk teens who are incarcerated or who are in a follow-up phase from incarceration. Programs include chaplaincy, aftercare programs, mentoring, facility based groups and one-on-one meetings

City Life: City Life is the urban ministry outreach of YFC designed to engage urban students with life changing holistic programming to address the extra challenges they face. These programs include job skills, tutoring, life skills, computer labs, sports, Bible studies, retreats, camps, and mentoring programs.

WellSpring Counseling: WellSpring Counseling is a professional counseling ministry assisting children, teens, adults, couples and families to face and overcome difficult life issues. WellSpring counselors provide counseling consistent with Biblical core values into real life solutions. Part of the WellSpring vision is to provide this service in strategically accessible areas of the community where Christian counseling is often inaccessible, with scholarship funding for those who typically could not pay.

Hirelevel Auto: Hirelevel Auto is a job skills program designed to teach automotive skills in general and job related soft skills. Students will also learn and practice life skills of customer relations, work place ethics, money management and conflict resolution.

Hirelevel Promotions: Hirelevel Promotions is a job skills training programs that also offers entry level employment for urban youth. Promotional items are produced and sold. Students will also learn and practice life skills of customer relations, work place ethics, money management and conflict resolution.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

1. Purpose of Central Ohio Youth For Christ, Inc., Subsidiaries and Affiliates, continued

Parent Life: Parent Life provides educational opportunities for teens that are either pregnant or have children. Classes in parenting, relationships, and life skills are provided. The moms have the opportunity to attend a Bible study, and to be mentored. The staff and volunteers provide free childcare in a safe room while these teens study for their high school diploma or GED in the computer lab next door. The Organization also provides free for those who live close to the City Life Center, and serve lunch for the moms, kids and volunteers.

Columbus Tutoring Initiative (CTI): The Columbus Tutoring Initiative is a joint venture between Mission Columbus and Central Ohio Youth for Christ to provide in-school tutoring for elementary-age students whose reading skills fall below their grade level. The CTI works in partnership with churches and businesses to recruit tutors and volunteers willing to lead programs in their local schools. The mission is to ensure that every child is reading at grade level and acquires a love for reading by the end of the program.

Gracehaven: Gracehaven is a program developed to eradicate domestic minor sex trafficking and to provide services to minor victims of sex trafficking. Services include prevention training for teens; intervention training for coaches, teachers, youth workers, health care workers, etc.; case management for survivors; residential services for survivors; mentoring matches and optional faith-based programs for survivors; and general advocacy.

2. Significant Accounting Policies

Basis of Reporting and Presentation

The financial statements of the Organization have been prepared on the accrual basis. The preparation of the 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. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

Principles of Consolidation

Accounting principles generally accepted in the United States of America require that an Organization and its wholly owned subsidiaries, report in a consolidated financial statement. In addition, other Organizations that are controlled by the governing board of the Organization shall be consolidated as affiliates. The consolidated financial statements include the financial statements of Central Ohio Youth for Christ, Inc., Chicago Avenue Financial Literacy Project, LLC (100% owned), WellSpring Counseling, LLC (100% owned), Youth and Family Impact, Inc. (an affiliate of Central Ohio Youth for Christ), COYFC Holdings, LLC (100% owned), HireLevel Enterprises, LLC (100% owned) and City Life Enterprises, LLC (95% owned by Central Ohio Youth for Christ). In addition, the financial statements include the financial statements of Gracehaven, Inc. which is a separate nonprofit corporation controlled by Central Ohio Youth for Christ. All significant intercompany balances and transactions have been eliminated in consolidation.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

2. Significant Accounting Policies, continued

Cash and Cash Equivalents and Credit Risks

The Organization considers all short-term investments with an original maturity of six months or less to be cash equivalents for purposes of the statement of cash flows. While the Organization's cash and cash equivalents may, at times, exceed federally insured limits (currently \$250,000), the Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on these accounts.

Investments

The Company classifies its marketable equity securities as "available for sale." Securities classified as "available for sale" are carried in the financial statements at fair value. Realized and unrealized gains and losses are included in earnings.

Accounts Receivable

The Organization provides an allowance for doubtful collections which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal accounts receivable are due 30-90 days after the issuance of the invoice. Amounts deemed uncollectible are written off based on individual credit evaluation and specific circumstances of the customer. The Organization had an allowance for doubtful accounts of \$51,204 and \$48,254 at June 30, 2017 and 2016, respectively.

Inventory

Inventory consists of automobiles, trucks, and vans donated to the Organization for use in the Wheels program. Vehicle inventory will be sold to customers "as is", repaired or refurbished in the program for resale, or sold for scrap/parts. Inventory is valued at management's estimated value based on management's historical trends of average resale amounts and market value estimates prior to repair and refurbish.

Property, Equipment, and Depreciation

Property and equipment purchased by the Organization are carried at cost or, if donated, at fair market value on the date of donation. The Organization follows the practice of capitalizing all expenditures for property and equipment over \$2,500 with a useful life in excess of one year. Property and equipment are depreciated using the straight-line method. All office furniture and equipment have been estimated to have a remaining useful life of three to fifteen years. All buildings have been estimated to have useful lives of thirty to fifty years. Expenditures for maintenance and repairs are charged to expense as incurred.

Construction in Progress

Construction in progress includes all costs associated with the renovation and improvement of real estate. Costs capitalized include interest, developer fees, contract costs, legal fees, insurance, and taxes. Construction in progress is capitalized as an asset and depreciation begins when construction is substantially complete and occupancy has been granted. Project costs are allocated to an asset based on specific identification where possible. Other costs are allocated based on the proportionate costs of all assets under construction.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

2. Significant Accounting Policies, continued

Compensated Absences

Employees of the Company are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. Management considers it immaterial and impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absence when actually paid to employees.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Financial statements report amounts separately by class of net assets:

- *Unrestricted net assets* represent resources over which the Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its bylaws and exempt purposes.
- *Temporarily restricted net assets* represent funds stipulated for specific operating purposes and those not currently available for use until commitments regarding their use have been fulfilled
- *Permanently restricted net assets* would be those contributed with donor restrictions requiring they be held in perpetuity.

Support, Revenue, and Reclassifications

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. The Organization reports funds as restricted if they are received with stipulations that limit the use of the funds. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of purpose restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets as permitted under FAS 958-225-45-6.

Expenses

Expenses are reported when costs are incurred. The cost of providing the various program services and supporting activities has been presented on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Expenses are generally charged to functional departments as incurred for the various activities.

Reclassifications

Certain amounts have been reclassified to conform to current year presentation.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

2. Significant Accounting Policies, continued

Change in Accounting Principle – Debt Issuance Costs

In the fiscal year ended June 30, 2017, the Organization adopted the accounting principle FASB ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, first effective for the years beginning after June 30, 2016. In accordance with this principle, the Organization reports debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the income statement.

Previously, the Organization reported debt issuance costs as an asset, and amortization as an expense on the income statement. This change in accounting principle has been retrospectively adjusted and creates a reduction of assets, and a reduction of liabilities in the amount of the unamortized loan fees; \$357,534 and \$382,807, for the years ended June 30, 2017 and 2016 respectively. The change has no effect on net income or net assets.

3. Affiliated Organizations

Gracehaven, Inc. (Affiliate) is a 501 (c) (3) tax exempt Organization incorporated on April 1, 2008. Effective September 24, 2014, the Board of Directors of Gracehaven, Inc. adopted a resolution to become an affiliate of Central Ohio Youth for Christ, Inc. As of this date, Central Ohio Youth for Christ, Inc. became the sole voting member of Gracehaven, Inc. and Gracehaven, Inc. became governed by the Board of Directors of Central Ohio Youth for Christ. The mission of Gracehaven, Inc. is to care for sexually exploited children by providing comprehensive client centered services to a wide variety of minors in Central Ohio. The accounts of Gracehaven, Inc. are consolidated with Central Ohio Youth for Christ, Inc. as required by generally accepted accounting principles.

Youth and Family Impact, Inc. (Affiliate) is a 501 (c) (3) tax exempt Organization incorporated on June 30, 2002. The Affiliate's purpose is to help urban teens earn their high school diploma or GED, prepare for college and learn employment skills through automotive repair training. These students will also learn and practice life skills of customer relations, work place ethics, money management and conflict resolution. In addition, having Youth and Family Impact, Inc. as an affiliate of Central Ohio Youth for Christ, Inc. will allow segregation of support for religious purposes from that of corporate and government funded programs. Central Ohio Youth for Christ, Inc. has controlling interest in Youth and Family Impact, Inc., since the bylaws of the Affiliate require that a majority of the Board of Directors of the Affiliate must also be active members of the Board of Directors of Central Ohio Youth for Christ, Inc. The accounts of Youth and Family Impact, Inc. are consolidated with Central Ohio Youth for Christ, Inc. as required by generally accepted accounting principles.

4. Subsidiaries

City Life Enterprises, LLC, an Ohio for profit limited liability company, was formed on November 1, 2013 for the purpose of managing, acquiring, developing, operating and leasing specific real property to comply with the requirements of a "qualified active low income community business" as outlined in the internal revenue code and the Ohio revised code. City Life Enterprises, LLC is owned 95% by Central Ohio Youth for Christ, Inc. and 5% by an unrelated for-profit entity.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

4. Subsidiaries, continued

WellSpring Counseling, LLC, an Ohio limited liability company, was formed on February 24, 2014, for the purpose of performing the counseling services previously provided under the dba of WellSpring Counseling. WellSpring Counseling, LLC, is 100% owned by Central Ohio Youth for Christ, Inc.

HireLevel Enterprises, LLC, an Ohio nonprofit limited liability company, was formed July 13, 2016, for the purposes of performing the social enterprises services (YFC Wheels and YFC Promotions) previously provided under Central Ohio Youth for Christ, Inc. HireLevel Enterprises, LLC is 100% owned by Central Ohio Youth for Christ, Inc.

COYFC Holdings, LLC, an Ohio nonprofit limited liability company, was formed on October 18, 2013, for the purpose of owning residential real estate used in the Organization's mission. COYFC Holdings, LLC, is 100% owned by Central Ohio Youth for Christ, Inc.

Chicago Avenue Financial Literacy Project, LLC, an Ohio limited liability company, was formed on August 15, 2008, for the specific purpose of owning software developed by the Organization for potential sale. The entity sold ownership of the developed software effective July 1, 2013 and remains inactive. Chicago Avenue Financial Literacy Project, LLC is 100% owned by Central Ohio Youth for Christ, Inc.

5. Cash and Restricted Cash

Cash consists of the amounts on deposit in the following accounts:

	<u>2017</u>		<u>2016</u>
Checking accounts - unrestricted	\$ 302,883	\$	623,508
Checking accounts - restricted	<u>80,000</u>	<u>\$</u>	<u>150,812</u>
	<u>\$ 382,883</u>	<u>\$</u>	<u>774,320</u>

Restrictions on cash consist of the following:

	<u>2017</u>		<u>2016</u>
Construction loan funds	\$ 0	\$	812
Real estate tax fund	<u>80,000</u>	<u>\$</u>	<u>150,000</u>
	<u>\$ 80,000</u>	<u>\$</u>	<u>150,812</u>

During the year ended June 30, 2013, the Organization received funds designated for the improvements to real estate on Chicago Avenue, Columbus, Ohio (see Note 6). The Board segregated \$10,000 of the restricted donations (required minimum) to create an endowment fund at the Columbus Foundation. The Organization wanted to establish an endowment fund for any potential donor that might opt for this method of donation to the Organization. The endowment fund is invested in shares of mutual funds at June 30, 2017 with a 30% to 60% equity exposure which are classified as available for sale. The endowment fund is not restricted as to its use other than the original donor imposed restrictions. The fund invests in short-term, liquid assets and is reported with other cash and equivalents and included as part of temporarily restricted net assets at its estimated fair market value (based on market of \$13,181 and \$12,495, respectively).

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

5. Cash and Restricted Cash, continued

During December 2014, as part of the Chicago Avenue renovation project (the "Project"), the Organization received borrowed funds under a construction loan. The funds are restricted to use under the approved budget plan for the "Project". As costs are incurred, the lender releases the funds to the Organization. At June 30, 2017 and 2016, the remaining funds for the "Project" under this loan were \$0 and \$812, respectively. See Note 6 and 7 for additional information related to the Project.

The bank has restricted \$80,000 for use in payment of potential real estate tax assessments. See Note 29 for further details on this restriction and its release.

6. Promises to Give

The Organization completed a "project campaign" to raise funds for a purchase and renovation of 40 Chicago Avenue and 1256 West Broad. The Organization received various donor intentions to give to the campaign. Generally Accepted Accounting Standards in the United States require that the Organization have documentation supporting that "intentions to give" are promises that are legally binding and include specific details of their planned contributions. The majority of campaign contributions were received by the Organization verbally and without specifics as to their intended timing of contributions. The Organization has therefore reported these contributions when received. Therefore, no promises to give have been reported in these financial statements for the "project campaign".

During the years ended June 30, 2017 and 2016, the Organization sponsored a fundraising event titled "Over the Edge". As part of this fundraiser, participants were required to obtain specified amounts of donations. The participant agreed to pledge the minimum amount of donation before taking part in the event. At June 30, 2017 and 2016, the Organization had pledges receivable from this event of \$33,428 and \$64,059, respectively.

7. Conditional Grants

During the year ended June 30, 2017, the Organization was awarded two reimbursable grants for the Gracehaven program. Both grants require documentation of allowable expenses be submitted prior to receiving payment. Total amount of the grants awarded is \$91,360 of which the Organization had received \$56,433 at year end. Because conditions for the full amount of the grant have not yet been met, only the amount received has been recognized as grant income in these financial statements. The amount has been reported as other grant income.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
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8. Property and Equipment

The straight-line depreciation method is used by the Organization with useful lives of buildings at 30 to 50 years, building improvements at 5 to 15 years, and fixtures, furniture and equipment ranging from 3 to 15 years. Depreciation expenses for the years ending June 30, 2017 and 2016 were \$215,708 and \$211,523 respectively.

During August and October 2014, the Organization placed in service the real estate at 40 Chicago Avenue and 1256 West Broad Street. Construction work continued on the exterior of the buildings and land during 2015 and 2016. The project was completed in January of 2016.

The Organization acquired two residential properties located on Chicago avenue and also a housing complex for the Gracehaven ministry in 2015. One Chicago avenue property was placed in service in March of 2015. Construction ceased on the other property during 2015 due to the extent of renovations required, with no plans to continue renovation. Construction in progress for that property of \$5,844 was added to the basis of the property during the year ended June 30, 2017. This property was donated to another non-profit organization subsequent to year end (see Note 30).

9. Real Estate Held for Sale

In March 2017, the Organization relocated its administrative offices from a building owned by the Organization to leased office space owned by a third party (see Note 23). In April 2017, the Organization committed to a plan to sell the building located in Columbus, Ohio that previously housed the administrative offices and initiated actions to locate a buyer. The property and related accumulated depreciation have been classified as Real Estate Held for Sale as June 30, 2017. Management of the Organization believes it is probable that the property will be sold before June 30, 2018.

10. Financial Restructuring

In years prior to 2013, the Organization had acquired a 37,000 square foot, four-story building and a 14,000 square foot annex building located on Chicago Avenue in Columbus, Ohio (now collectively "40 Chicago Avenue"). The Organization desired to obtain additional real estate (located at 1256 West Broad Street, Columbus, Ohio) near the Chicago Avenue location and to renovate the existing Chicago Avenue Properties (the "Project"). To facilitate the Project, the Organization underwent a financial restructuring during the year ended June 30, 2014. Total estimated funds needed to facilitate the project and financing costs were \$7,000,000.

The financial restructuring was partially facilitated by use of the new markets tax credit allowed pursuant to Section 45D of the Internal Revenue Code of 1986 (the "NMTC" program). The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs).

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

10. Financial Restructuring, continued

Community Development Entities (CDEs) apply to the CDFI Fund each year not for tax credits directly, but for an award of "allocation authority"—that is, the authority to raise a certain amount of capital, or Qualified Equity Investments (QEIs) from investors. Ohio Community Development Finance Fund was the CDE for Central Ohio Youth For Christ, Inc. The CDE formed Finance Fund Management, LLC (the sub-CDE managing member) which it wholly owns for the purpose of managing the activities of the sub-CDE (see below for more information).

For the investors to be able to claim the credits over the seven-year compliance period, the CDEs must use "substantially all" ("Sub All") of the QEIs from investors to make Qualified Low Income Community Investments (QLICIs) in Qualified Active Low Income Community Businesses (QALICBs) located in Low Income Communities (LICs), all as defined in the internal revenue code and other federal guidance. Under the criteria of the NMTC program, the proposed "Project" of the Organization was qualified.

To facilitate funding under the NMTC Program, two intermediary entities were formed. COYFC Investment Fund, LLC, owned 100% by the Huntington Community Development Corporation (the Equity Investor), was formed for the purpose of collecting funding, NMTC tax credits, and executing notes to the funding sources. The entity then loans funds to the Qualified Equity Investor.

NMTC Leveraged XVII, LLC was formed as the Sub-CDE for the purpose of executing the loans to the QALICB. NMTC Leveraged XVII, LLC (the QEI, Qualified Equity Investor) is owned 99.99% by the COYFC Investment Fund, LLC and .01% by the Finance Fund Management, LLC (the QEI manager). This entity was formed for the purpose of acquiring funds and executing loans to the "QALICB". City Life Enterprises, LLC, was formed as the "QALICB." City Life Enterprises, LLC, is owned 95% by Central Ohio Youth For Christ, Inc. and 5% by a third party. City Life Enterprises, LLC is consolidated in these financial statements (see Notes 4, 13, 15).

Under the NMTC program, funding for the Project to the QALICB would come from two sources: 1) the leveraged lender and 2) the NMTC equity investor. Central Ohio Youth For Christ, Inc. serves as the leveraged lender. As such, COYFC obtained loan funds from a bank and two foundations totaling \$3,810,000. COYFC loaned \$4,226,000 (including \$416,000 of its own funds) to the COYFC Investment Fund, LLC. See Note 9 for more information on these notes receivable.

The NMTC equity investor (the Huntington Community Development Corporation) then funded \$2,774,000 (based on the new market tax credits to be received by them) to the COYFC Investment Fund, LLC, to achieve the \$7,000,000 required equity investment for the Project. COYFC Investment Fund, LLC then loaned the funds to NMTC Leveraged XVII, LLC (the Sub-CDE). NMTC Leveraged XVII, LLC, (the sub-CDE) paid a required suballocation fee of \$210,000 to the CDE and executed two notes to the QALICB. These notes, identified as QLICI loan A in the amount of \$4,226,000 and QLICI loan B in the amount of \$2,564,000, totaled \$6,790,000. City Life Enterprises, LLC, then paid a fee of \$75,000 to the CDE and held the remaining funds to finance the Project.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
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11. Note Receivable

As part of the financial restructuring and NMTC program as described in Note 10, the Organization executed a note receivable from COYFC Investment Fund, LLC (the Investment Fund) to Central Ohio Youth for Christ, Inc. in the amount of \$4,226,000 as described below:

Note receivable from the Investment Fund, interest at 5.00% per annum, quarterly payments of interest only are due through March 10, 2021. Commencing June 2021, quarterly payments of principal and interest are due at \$78,986 (based on a 22.5 year amortization). The loan matures on December 27, 2043.

Interest income on the note was received during the years ended June 30, 2017 and 2016 in the amount of \$214,325 each year.

12. Credit Cards Payable

The Organization has 18 credit cards with interest rates ranging from 10.99% to 29.99%.

13. Long-Term Debt

The Organization has the following loans payable:

	2017	2016
Note payable to a bank, fixed interest at 7.22% per annum, 36 monthly payments of principal and interest of \$2,032 and final payment of all outstanding principal and interest of approximately \$186,616 in January 2017. Loan collateralized by first mortgage on the real estate at 3630 N. High St. The loan matured in February 2017. In March 2017, the Organization refinanced this loan and also listed the property for sale.	\$ 0	\$ 192,240
On December 27, 2013, as part of the financial restructuring and NMTC program, the Organization executed a note payable to a bank. The note bears interest at a fixed 5.00% per annum, and requires quarterly payments of interest only. The loan matures on December 20, 2020. Collateralized by a pledged interest in the "leveraged loan" as described in Note 10 and 11. The loan includes financial covenants including maintaining a fixed coverage ratio of not less than 1.2 to 1.0, and a net asset balance of not less than \$2,000,000 with unrestricted contributions of \$1,000,000. All covenants for the current year have been met.	2,307,171	2,307,171
Note payable to a foundation, interest at 3.00% per annum, quarterly payments of interest only. The loan matures in December 2020. Collateralized by key man life insurance policies. Subordinated to bank loans.	600,000	600,000

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

13. Long-Term Debt, continued

<p>Note payable to a foundation, interest at 3.00% per annum, quarterly payments of interest only. The loan matures in December 2020. Collateralized by key man life insurance policies. Subordinated to bank loans.</p>	600,000	600,000
<p>QLICI Loan A - Note payable to the QEI (NMTC Leveraged XVII, LLC), fixed interest at 4.2231% per annum, quarterly payments of interest only through March 10, 2021. Beginning June 2021, payments of principal and interest are due quarterly at approximately \$73,383. The last loan payment scheduled to occur in December 2043. Collateralized by all business assets, a first mortgage on real estate and assignment of rents and the related lease agreements. Guaranteed by Central Ohio Youth for Christ, Inc. The loan is subordinate to the term loan of \$130,733.</p>	4,226,000	4,226,000
<p>QLICI Loan B- Note payable to the Sub-CDE (NMTC Leveraged XVII, LLC), fixed interest at 4.2231% per annum, quarterly payments of interest only through March 10, 2021. Beginning June 2021, payments of principal and interest are due quarterly at approximately \$44,523. The last loan payment scheduled to occur in December 2043. Collateralized by all business assets, a first mortgage on real estate and assignment of rents and the related lease agreements. Guaranteed by Central Ohio Youth for Christ, Inc. The loan is subordinate to the term loan of \$130,733.</p>	2,564,000	2,564,000
<p>Note payable to a bank, variable interest at the LIBO rate plus 3% per annum (4.22% at June 30, 2017). The loan is amortized over a 15-year period and requires a fixed monthly payment of \$1,072.32 which includes principal and interest. The loan matures with a balloon payment required on December 27, 2020. Collateralized by open-end mortgage on 40 Chicago Avenue and 1256 West Broad, assignment of related leases and rents, a security agreement, and a cash balance of \$80,000. The loan includes financial covenants including maintaining a fixed coverage ratio of not less than 1.2 to 1.0, and a net asset balance of not less than \$2,000,000 with unrestricted contributions of \$1,000,000. All covenants for the current year have been met.</p>	130,733	138,599
<p>Upon the acquisition of Gracehaven, Inc. the organization assumed a mortgage payable to a bank dated 12/20/2012. The note bears interest at 4.25% per annum and requires 59 monthly payments of principal and interest of \$1,429.12. The loan matures on December 20, 2017 with a balloon payment due of approximately \$140,542. The mortgage is secured by property located at 1723 County Road 130 in Bellefontaine, Ohio.</p>	144,619	155,285

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

13. Long-Term Debt, continued

Note payable to Theresa A. McHarg Revocable Trust, with fixed interest at 5.00% per annum, 180 monthly payments of principal and interest of \$1,494.60 and final payment of all outstanding principal and interest of approximately \$1,494.62 in March 2032. The loan matures on March 31, 2032. The Organization's intent is to sell the building related to this debt.

	186,154	0
Total debt	10,758,677	10,783,295
Less: Unamortized debt issuance costs	(357,534)	(382,807)
	10,401,143	10,400,488
Less amount due within one year	(161,832)	(211,630)
Total Long-term debt	\$ 10,239,311	\$ 10,188,858

Maturities of notes payable are as follows:

Year ended June 30, 2018	161,832
2019	18,967
2020	19,231
2021	1,220,036
2022	20,877
thereafter	9,317,734
Total Maturities	10,758,677

14. Capital Leases

The Organization leases some of its equipment under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Organization's assets and liabilities.

The following is an analysis of the leased assets included in Property & Equipment:

	2017	2016
Equipment	\$ 44,384	\$ 87,209
Less accumulated depreciation	(740)	(45,287)
	\$ 43,644	\$ 41,922

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

14. Capital Leases, continued

The following is a schedule by years of future minimum lease payments required under the capital lease obligations as of June 30, 2017:

<u>Year ended June 30,</u>	<u>Amount</u>
2018	\$ 6,887
2019	7,575
2020	8,333
2021	9,166
2022	10,083
Thereafter	<u>9,092</u>
Total minimum lease payments	51,136
Less: amount representing interest	<u>(10,100)</u>
Present value of future minimum lease payments	41,036
Less: current portion of capital leases	<u>(4,115)</u>
Capital leases, net of current portion	<u>\$ 36,921</u>

15. Non-controlling interests

See Note 10 regarding the formation of City Life Enterprises, LLC. Financial information for this 95% owned subsidiary is being provided separately for analysis purposes. The balance sheet and income statement for this subsidiary are included in the consolidated financial statements of Central Ohio Youth for Christ, Inc. and Subsidiaries. The balance sheet and income statement for this subsidiary are as follows:

BALANCE SHEET
As of June 30

<u>ASSETS</u>	2017	2016
Cash and cash equivalents	\$ 55,596	\$ 107,616
Restricted cash	80,000	150,812
Accounts Receivable	18,322	37,811
Accounts Receivable – related party	269,776	37,828
Prepaid Insurance	<u>13,000</u>	<u>9,491</u>
Total current assets	436,694	343,558
Property and equipment, net	<u>6,855,522</u>	<u>7,007,456</u>
Total Assets	<u>\$ 7,292,216</u>	<u>\$ 7,351,014</u>

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

15. Non-controlling interests, continued

BALANCE SHEET
As of June 30

<u>LIABILITIES AND MEMBERS' EQUITY</u>	<u>2017</u>	<u>2016</u>
Accounts Payable	\$ 2,671	\$ 1,099
Other current liabilities	0	9,221
Total current liabilities	2,671	10,320
Long-term debt	6,605,967	6,601,575
Total Liabilities	6,605,967	6,601,575
Members' Equity	683,578	739,119
Total Liabilities & Equity	\$ 7,292,216	\$ 7,351,014

INCOME STATEMENT

Rent revenue	\$ 525,000	\$ 500,000
Interest income	0	12
Less:		
Management fees	20,000	20,000
Professional services	38,945	27,814
Other expenses	46,951	51,121
Interest expense	307,991	308,632
Depreciation and amortization	166,655	163,556
Net Income (Loss)	(55,542)	(71,111)
Less: Non-Controlling Interest	(2,777)	(3,556)
Net Income (Loss) included in the financial statements	\$ (52,765)	\$ (67,555)

16. Net Assets

Temporarily restricted net assets of \$25,985 and \$283,172 at June 30, 2017 and 2016 respectively were restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Youth & Family Impact	\$ -	\$ 340
City Life programs	-	94,380
Social Enterprises programs	-	110,878
Gracehaven programs	2,834	65,079
Chicago Avenue facility renovations	13,151	12,495
Personnel recruitment	10,000	-
	\$ 25,985	\$ 283,172

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

16. Net Assets, continued

The Organization serves as an agent to receive and distribute funds for other organizations with related missions while they are in the process of obtaining their separate 501(c)(3) status. See Note 18 regarding these relationships. The Organization does not control the activities of these organizations, and therefore, they are not consolidated in these financial statements.

17. Related Party Transactions

The Organization is affiliated with Youth for Christ, USA. As such, it receives support and advice from Youth for Christ, USA and avails itself of some of its programs. In addition, liability insurance is purchased through Youth for Christ, USA. In return the Organization must remit a predetermined fee to Youth for Christ, USA. Payments for the year ending June 30, 2017 were \$32,897 for insurance, \$37,524 for dues, \$5,385 for staff training and \$133 for website fees. For the year ended June 30, 2016, the payments were \$29,853 for insurance, \$39,327 for dues, \$6,659 for staff training and \$165 for website fees. The Organization also provides office space to Youth for Christ, USA for IT staff. Rental income for the year ended June 30, 2017 and 2016 was \$1,800 and \$2,100, respectively.

A member of the Board of Directors of Central Ohio Youth for Christ is the owner of Lithik Systems, Inc. Central Ohio Youth for Christ had a consulting contract with Lithik Systems, Inc., and paid them \$1,980 for each of the years ending June 30, 2017 and June 30, 2016.

A member of the Board of Directors of Central Ohio Youth for Christ is a licensed attorney. Central Ohio Youth for Christ engaged this board member to provide legal services to the Organization on various matters. For the years ending June 30, 2017 and 2016, the value of the contributed services provided were \$0 and \$7,240 respectively. In addition, the board member received compensation for services rendered in the years ended June 30, 2017 and 2016 of \$27,894 and \$14,481, respectively.

18. Agency relationship

During the year ended June 30, 2015, the Organization entered into an agency agreement in which they agreed to collect and remit funds for another Organization with a related mission.

During December 2014, the Organization agreed to be an interim agent for Survivor's Ink operations. Survivor's Ink is an initiative founded by a survivor of human trafficking designed to help other survivors cover tattoos linking the survivor to their trafficking past (a common practice in trafficking to identify ownership). Survivor's Ink raises money to have tattoo artists cover the ownership tattoo with a tattoo consistent with their new life.

Services agreed to included setting up of giving accounts, facilitating transfer of funds, creating an operations budget, drafting a business plan and assisting in obtaining their own 501 (c) (3) exemption from the Internal Revenue Service. The Organization did not assume any liability for any debt or financial obligation. During the year ended June 30, 2015, the Organization collected on behalf of Survivor's Ink approximately \$26,000 and had expenses of approximately \$7,500. During the year ended June 30, 2016, the Organization collected on their behalf approximately \$1,350 and had expenses of approximately \$3,895. In August 2016, Survivor's Ink was granted its own 501(c) (3) and therefore ended the agency relationship with Gracehaven, Inc. Approximately \$16,270 of funds attributable to the activities of Survivor's Ink were transferred out of Gracehaven, Inc. at that time and reported with contributions to others.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

19. Health Reimbursement Accounts and other benefits

The Organization sponsors a welfare benefit program for its eligible employees that includes medical, dental, long-term disability, vision, life insurance, and short-term disability. The plan also includes a health reimbursement account and premium conversion. Under premium conversion, the employee can have funds withheld from their compensation to cover health benefit costs on a pretax basis.

On January 1, 2013, the Organization adopted a health reimbursement arrangement plan (the "Plan"). Under the Plan, eligible employees have a health reimbursement account established in their name. The employee is entitled to receive reimbursement from their account for eligible expenses (as defined by the Plan). The reimbursements are limited to the balance in the eligible employee's respective account. Under the Plan, the Organization funds an established amount to the Plan account of each eligible employee. The contributions are limited to \$3,000 per year for one covered person, \$6,000 per year for two or more covered persons. Any funds remaining at the end of the Plan year and upon termination of employment are forfeited after all claims are paid.

All expenses related to these benefits have been reported as part of personnel expenses in these financial statements and allocated to program, management, and fundraising as appropriate.

The Organization provides a housing allowance to some its employees. This housing allowance is classified as compensation and has been reported with other personnel costs.

20. Donated Services, Property and In-Kind Revenue

The Organization receives volunteer services that are not recordable under Generally Accepted Accounting Principles in the United States. A substantial number of volunteers have donated a significant amount of time in the Organization's program services. The Organization does not have information available on the total service hours provided; therefore, no amounts are being reported.

See Note 17 regarding donated legal services. These services met the requirements under Generally Accepted Accounting Principles in the United States of America to be recorded and are therefore reported as a donation and with other professional services in these financial statements.

During the years ended June 30, 2017 and 2016, the Organization received donations of shares of stock. The donations were reported at their fair market value upon donation and are included in contributions in these financial statements. Total fair value of stock received during the years ended June 30, 2017 and 2016 was \$31,364 and \$40,298, respectively. The Organization's policy is to sell stock received. Stock shares are reported with cash and equivalents as the Organization's intent is to liquidate the shares to cash. The Organization held no stock at June 30, 2017 and 2016.

On October 2, 2013, the Organization received a residential property located at Dana Avenue, Columbus, Ohio via a quit claim deed. The property was valued at \$36,900 at the date of donation and was reported with other property and equipment. On November 16, 2015, the Organization donated the residence located at Dana Avenue to Franklinton Rising, a not-for-profit organization, as a contribution to others at its carrying value of \$34,545, which approximates fair market value on that date.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

21. County Per Diem Income

During the year ended June 30, 2016, Gracehaven, Inc. opened a residential home which is used to house victims of sex trafficking that have been placed in Gracehaven's care by the State of Ohio county children's services department. For each individual placed with Gracehaven, a contract is executed between the county placing the individual and Gracehaven. The executed contract defines the per diem rate that Gracehaven may charge the county for each day the individual resides in the home. For the contracts in place during the years ended June 30, 2017 and 2016, Gracehaven received a \$325 per day per diem rate for each individual who resided in the home for a total amount of \$506,670 and \$366,974, respectively.

22. Rental Income and Leasing Activities

City Life Enterprises, LLC, owns two commercial properties; 1) a four-story building with an annex known as the "City Life Center" located at 40 Chicago Avenue and 2) one-story commercial building and adjacent land located at 1256 West Broad Street. The real estate located at 40 Chicago Avenue consists of approximately 37,000 square feet plus an annex of approximately 14,000 square feet of gross leasable area. The premises at 1256 W. Broad Street consist of approximately 8,100 square feet. The entity leases two of the four floors (approximately 18,500 square feet) at 40 Chicago Avenue to an unrelated party and the remaining floors, annex and 1256 West Broad locations to Central Ohio Youth for Christ, Inc., the parent organization.

Central Ohio Youth for Christ, Inc. leases the commercial space for its City Life ministry (located at 40 Chicago Avenue) and YFC Promotions program (located at 1256 West Broad) from its 95% owned subsidiary, City Life Enterprises, LLC under a non-cancellable twenty-year lease agreement. The lease agreement requires monthly rent of \$25,000 through 2023 and increasing rents through 2033 plus reimbursement of common area charges, utilities, maintenance, insurance, and taxes. This lease serves as collateral under bank debt as noted in the long-term debt disclosure. City Life Enterprises, LLC is consolidated in these financial statements and therefore, these transactions have been eliminated in consolidation. See Notes 10 and 13 for more information.

City Life Enterprises, LLC, leases the second and third floor of 40 Chicago Avenue to an unrelated party under a twenty-year lease agreement (with a cancellation option after seven years). The lease requires monthly rent payments of \$18,750 for the twelve months ended June 30, 2017 and \$16,667 for the twelve months ending June 30, 2016. During the years ended June 30, 2017 and 2016, the Organization reported rent income of \$225,000 and \$200,000, respectively, under this lease. In addition, the lease requires reimbursement of common area charges, utilities, maintenance, insurance, and real estate taxes, as applicable. The payments have been reported net with the reimbursed expenses.

Property held for leases, includes real estate with a carrying value of \$7,697,713 with accumulated depreciation of \$886,407 at June 30, 2017.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

22. Rental Income and Leasing Activities, continued

Future minimum rental payments due under the unrelated party lease are as follows:

Year Ending June 30	Amount
2018	\$ 225,000
2019	225,000
2020	225,000
2021	225,000
2022	225,000
thereafter	<u>100,000</u>
	<u>\$ 1,225,000</u>

The Organization also leases space under month-to-month arrangements for other real estate (residential, and assembly hall). Rental income under these arrangements was \$47,648 and \$48,322 during the years ended June 30, 2017 and 2016, respectively.

23. Operating Leases

The Organization leases various facilities under operating leases. Rent expense for these leases for the years ended June 30, 2017 and 2016 was \$91,408 and \$80,282 respectively.

The Organization leases commercial space for the Wellspring counseling program. In June 2014, the counseling services were moved to a new location under a new 37-month lease. The lease requires monthly payments of \$2,698 through June 2017. The lease then becomes month-to-month at \$2,698 per month.

The Organization leases commercial space for its Wheels program. The lease is currently month-to-month at \$2,500 per month.

The Organization assumed a lease for commercial space for its Gracehaven offices as part of its acquisition in September 2014. The lease required monthly payments of \$1,450 through November 2015 and then \$1,525 through August 2016. The lease expired in September 2016 and the Organization vacated the space.

The Organization leases commercial space for its administrative offices. In January 2017, the Organization entered into a 12-month lease with a one-year renewal term with an unrelated third party. The lease requires monthly payments of \$4,241 through December 2017 and then \$4,713 through December 2018.

As of June 30, 2017, the future minimum lease payments under non-cancellable lease agreements are as follows:

2018	\$	53,724
2019		<u>28,278</u>
	\$	<u>82,002</u>

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

24. Life Insurance

As required by the lenders in conjunction with debt restructuring and the NMTC program, during October 2013, the Organization became the owner and beneficiary of a \$2,000,000 term life insurance policy on the life of the Executive Director. The policy premiums are fixed for 10 years at \$2,205 per year. This expense has been included with other insurance expense in these financial statements. This policy has been pledged to lenders per their requirement. See Note 13 on long-term debt.

25. Uncertain Tax Positions

The Financial Accounting Standards Board (FASB) has issued FASB ASC 740-10 (formerly Interpretation No. 48), Accounting for Uncertainty in Income Taxes. FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB ASC 740-10-125 (formerly FASB Statement No. 109) Accounting for Income Taxes. FASB ASC 740-10 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, FASB ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Organization treats tax positions taken using the more-likely-than-not recognition threshold. Tax positions are measured in the year that the Organization believes that the position is more-likely-than-not to be sustained. Any positions that are not expected to be sustained will be recorded as a liability. The Organization believes that none of the tax positions taken would be material to the financial statements.

Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2017 and 2016, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization is no longer subject to examination by the Internal Revenue Service for years prior to June 30, 2014. The Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended June 30, 2017 and 2016.

26. Income Tax

Central Ohio Youth for Christ, Inc. is a tax-exempt Organization under Section 501 (c) (3) of the Internal Revenue Code. Central Ohio Youth for Christ, Inc. files a Form 990 (Information reporting of entities exempt from taxation) consolidation with its wholly owned subsidiaries. The tax filing of Central Ohio Youth for Christ, Inc. includes its 95% of the pass-through income or loss of City Life Enterprises, LLC, as described below.

Youth and Family Impact, LLC, is a tax-exempt under 501 (c) (3) of the Internal Revenue Code and classified as a private foundation. The entity files an annual 990-PF (report of private foundations).

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

26. Income Tax, continued

City Life Enterprises, LLC is organized as a partnership for tax purposes. As such, City Life Enterprises, LLC, the 95% owned subsidiary, does not incur federal or state income taxes; instead, its earnings are included in the members' tax returns and taxed depending on their tax situations. The financial statements, therefore, do not include a provision for federal or state income taxes. City Life Enterprises, LLC, is subject to local income taxes at 2.5% on taxable net income based on a calendar year for tax purposes, with the initial year ending December 31, 2014. During the years ended June 30, 2017 and 2016, the entity had losses for tax purposes. Accordingly, no provision for income taxes has been made in the financial statements.

Gracehaven, Inc. is a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Gracehaven, Inc. files a Form 990 (Information reporting of entities exempt from taxation).

27. Cash Flow Information and Non-Cash Activity

The Organization had noncash financing transactions relating to donated inventory and investments. For information related to these non-cash transactions, see the notes specific to those transactions.

During the year ended June 30, 2017, the Organization acquired new equipment, valued at \$44,384, under a capital lease agreement.

The Organization incurred interest on short-term and long-term borrowings during the year ended June 30, 2017 and 2016. Interest paid for the years ended June 30, 2017 and 2016 were \$469,539 and \$485,594, respectively.

28. Option Agreement

As part of the NMTC Program and financial restructuring, Central Ohio Youth for Christ, Inc. entered into an option agreement with the Huntington Community Development Corporation (HCDC). Whereas, HCDC is the 100% owner of the COYFC Investment Fund, LLC which is the holder of a note payable to Central Ohio Youth for Christ in the amount of \$4,226,000 as described in Notes 8 and 9. At the end of the compliance period for the NMTC, a seven-year period, HCDC has a six-month option period to sell its ownership in the COYFC Investment Fund, LLC, to Central Ohio Youth for Christ, Inc. The purchase price under this Put Option is \$1,000, closing costs, and any remaining amounts due and payable to the HCDC under the unconditional guarantee by Central Ohio Youth for Christ, Inc. on the City Life Enterprises, LLC debt (the QLICI Loan B).

Once the "Put Option" period had ended, Central Ohio Youth for Christ, Inc. has a Call Option (during the six month subsequent to the Put Option period) at an amount equal to the fair market value of the equity of COYFC Investment Fund, LLC as determined by an independent appraiser.

Upon exercise of the Option agreement, Central Ohio Youth for Christ, Inc. would own 100% of COYFC Investment Fund, LLC which owns 99.99% of NMTC Leveraged XVII, LLC. These entities are the holders of the notes receivable and the QLICI loans A and B. The anticipated result is that the note receivable from COYFC Investment Fund, LLC, and QLICI Loans would be eliminated in consolidation.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
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29. Contingency and Real Estate Taxes

The Organization was assessed real estate taxes from January 2014 through June 30, 2016. The real estate is utilized for nonprofit purposes in Franklin County, Ohio. Franklin County exempts nonprofits from most of the real estate tax assessments.

During July 2016, the Organization was granted exemption for the majority of its properties. In addition, those not exempted had valuation reductions granted. Based on the approval and revisions by the State of Ohio, the Organization has estimated its real estate tax liability through June 30, 2017 and 2016 to be approximately \$70,131 and \$67,749, respectively. This amount has been reported with other accrued expenses in these financial statements.

The bank holds a restricted fund of \$80,000 and \$150,000 at June 30, 2017 and 2016, respectively specifically for payment of these real estate taxes. This restriction is met if the real estate taxes are required to be paid, or if the County officially grants the exemption of taxation to the property. During the year ended June 30, 2017, the bank released \$70,000 as a result of a reduction to the Organization's real estate tax obligation.

30. Subsequent Events

Subsequent events have been evaluated through September 29, 2017 which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

On September 6, 2017, the Organization donated the residence located at 154 Chicago Avenue to Franklinton Rising, a not-for-profit organization, as a contribution to others.