

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

**June 30, 2016 and 2015**

## 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, 2016 and 2015, and the related statements of activities, changes in consolidated unrestricted net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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, 2016 and 2015, 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  
November 18, 2016

**CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 623,508	\$ 1,107,820
Cash and cash equivalents - restricted	150,812	432,861
Accounts receivable, net	187,070	95,494
Grant receivable	152,614	47,212
Rent receivable	37,811	18,361
Pledges receivable	64,059	-
Employee advance	1,520	1,000
Prepaid expenses	56,790	25,925
Interest receivable	53,412	52,531
Vehicle inventory	91,655	47,000
Total current assets	1,419,251	1,828,204
Fixed Assets		
Land	452,542	452,542
Buildings	7,953,440	7,756,234
Furniture	104,292	104,292
Machinery & equipment	495,597	470,950
Trucks and autos	25,600	22,600
Construction in progress	5,844	117,600
Accumulated depreciation	(1,218,779)	(1,003,612)
Total fixed assets	7,818,535	7,920,606
Other Assets		
Note Receivable	4,226,000	4,226,000
Loan fees, net	382,807	408,208
Deposits	4,199	4,199
Total other assets	4,613,005	4,638,407
<b>TOTAL ASSETS</b>	<b>\$ 13,850,791</b>	<b>\$ 14,387,216</b>

The accompanying notes are an integral part of these financial statements

**CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 32,634	\$ 27,227
Line of credit & credit card liability	2,804	29,060
Current portion of notes and leases payable	217,678	41,873
Accrued expenses	<u>198,049</u>	<u>214,118</u>
Total current liabilities	451,163	312,277
Long term liabilities		
Notes payable, net of current portion	10,571,666	10,782,619
Capital leases payable, net of current portion	<u>9,086</u>	<u>15,132</u>
Total long term liabilities	10,580,752	10,797,752
<b>TOTAL LIABILITIES</b>	<b>11,031,914</b>	<b>11,110,029</b>
<b>NET ASSETS</b>		
Unrestricted net assets	2,538,626	3,216,785
Noncontrolling interest in subsidiary	<u>(2,923)</u>	<u>633</u>
Total unrestricted net assets	<u>2,535,703</u>	<u>3,217,418</u>
Temporarily restricted net assets	283,172	59,769
<b>TOTAL NET ASSETS</b>	<u>2,818,875</u>	<u>3,277,187</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 13,850,791</u></u>	<u><u>\$ 14,387,216</u></u>

The accompanying notes are an integral part of these financial statements

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

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Public support:			
Contributions	\$ 1,454,885	\$106,953	\$ 1,561,838
Revenue:			
Grants	116,054	163,724	279,778
Program fees and product sales	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	1,809,231	164,481	1,973,712
Total public support and revenue	3,264,116	271,434	3,535,550
Net assets released from restrictions	48,031	(48,031)	-
	3,312,147	223,403	3,535,550
<b>EXPENSES</b>			
Program services	3,044,328		3,044,328
Management and general	748,634		748,634
Fund raising	200,900		200,900
Total expenses	3,993,862	-	3,993,862
Less: Net loss attributable to the noncontrolling interest	3,556		3,556
Increase (decrease) in net asset attributable to Central Ohio Youth For Christ and Subsidiaries	(678,159)	223,403	(454,756)
Net assets at beginning of year	3,216,785	59,769	3,276,554
Net assets at end of year	\$ 2,538,626	\$ 283,172	\$ 2,821,797

The accompanying notes are an integral part of these financial statements

**CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Public support:			
Contributions	\$ 1,886,262	\$20,703	\$ 1,906,965
Revenue:			
Grants	91,221	25,429	116,650
Program service fees	214,381		214,381
Counseling	219,187		219,187
Rental income	189,150		189,150
Special events, net of expenses	68,073		68,073
Other Income	944		944
Interest Income	216,328	238	216,566
Total revenue	999,285	25,667	1,024,952
Total public support and revenue	2,885,546	46,370	2,931,916
Net assets released from restrictions	149,437	(149,437)	-
	3,034,983	(103,067)	2,931,916
<b>EXPENSES</b>			
Program services	2,163,734		2,163,734
Management and general	567,517		567,517
Fund raising	216,038		216,038
Total expenses	2,947,290	-	2,947,290
Increase in consolidated net assets before acquisition income	87,695	(103,067)	(15,372)
Excess of fair value of net assets over consideration in acquisition of entity	251,248		251,248
Increase in consolidated net assets	338,943		235,877
Less: Net loss attributable to the noncontrolling interest	3,602		3,602
Increase (decrease) in net asset attributable to Ohio Youth For Christ and Subsidiaries	342,546	(103,067)	239,479
Net assets at beginning of year	2,874,239	162,836	3,037,075
Net assets at end of year	\$ 3,216,785	\$ 59,769	\$ 3,276,553

The accompanying notes are an integral part of these financial statements

**CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Consolidated Net Assets	\$ (458,312)	\$ 235,877
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution to others	34,544	
(Gain) Loss on asset disposition	0	2,883
Depreciation	211,523	177,857
Amortization of loan costs	25,401	25,401
Decrease/(increase) in current assets:		
Accounts receivable	(91,576)	90,118
Grant receivable	(105,402)	(47,212)
Rent receivable	(19,450)	(14,369)
Pledges receivable	(64,059)	-
Vehicle inventory	(44,655)	(19,500)
Prepaid expenses	(30,865)	(23,226)
Other assets	(520)	600
Deposits	-	(1,500)
Increase/(decrease) in current liabilities:		
Accounts payable	5,407	9,774
Credit cards payable & line of credit	(26,257)	(2,531)
Accrued expenses	(16,069)	101,885
Net cash provided by (used by) operating activities	(580,289)	536,057
<b>CASH FLOWS TO INVESTMENT ACTIVITIES</b>		
Purchase of fixed assets	(43,597)	(1,779,846)
Interest receivable	(881)	(52,531)
Construction in progress	(100,399)	-
Net cash used by investment activities	(144,877)	(1,832,377)
<b>CASH FLOWS TO FINANCING ACTIVITIES</b>		
Change in Demand notes	-	8,930
Notes payable, net	(28,135)	(334)
Capital leases	(13,060)	(3,039)
Net cash provided by (used by) financing activities	(41,195)	5,557
Net decrease in cash & cash equivalents	(766,361)	(1,290,764)
CASH BEGINNING OF YEAR	1,540,681	2,831,445
CASH & EQUIVALENT AT END OF YEAR	\$ 774,320	\$ 1,540,681

The accompanying notes are an integral part of these financial statements

**CENTRAL OHIO YOUTH FOR CHRIST, INC. & 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 goods sold	\$ 174,485	\$ 3,810	\$ 90	\$ 178,385
Personnel expense	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 expense	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	455,788	21,413	60	477,261
Bank fees and charges	4,566	15,645	90	20,301
Amortization of Loan Fees	12,258	13,143	-	25,401
<b>Total expenses before depreciation</b>	<b>2,861,097</b>	<b>720,342</b>	<b>200,900</b>	<b>3,782,339</b>
Depreciation expense	\$ 183,231	28,292	-	\$ 211,523
<b>Total expenses</b>	<b>\$ 3,044,328</b>	<b>\$ 748,634</b>	<b>\$ 200,900</b>	<b>\$ 3,993,862</b>

The accompanying notes are an integral part of these financial statements



**CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<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	\$ 97,674	\$ 2,761	\$ 5	\$ 100,440
Personnel	1,062,779	312,154	156,365	1,531,298
Residential client expense	1,389			1,389
Training and development	55,074	\$ 30	\$ 2,630	57,734
Travel and meals	4,027	1,719	20,636	26,382
Occupancy	228,190	44,926	1,398	274,514
Office Expense	35,723	30,354	9,350	75,427
Professional services	69,851	46,408	11,869	128,128
Supplies	18,922	488	6,005	25,415
Dues and licenses	2,587	34,480	60	37,127
Advertising and promotion	2,581	-	6,575	9,156
Insurance	13,912	1,470	-	15,382
Contributions	38,500	-	-	38,500
Other expenses	3,404	147	-	3,551
Interest expense	354,946	40,425	-	395,371
Bank fees and charges	9,923	13,245	1,049	24,217
Loan fees and amortization	12,258	13,143	-	25,401
Total expenses before depreciation	<u>2,011,739</u>	<u>541,750</u>	<u>215,942</u>	<u>2,769,431</u>
Depreciation expense	<u>151,994</u>	<u>25,767</u>	<u>96</u>	<u>\$ 177,857</u>
Total expenses	<u>\$ 2,163,734</u>	<u>\$ 567,517</u>	<u>\$ 216,038</u>	<u>\$ 2,947,290</u>

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

**CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES**  
**CHANGES IN CONSOLIDATED UNRESTRICTED NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2016 and 2015**

	<b>Total</b>	<b>Controlling Interest</b>	<b>Noncontrolling Interest</b>
Balance at July 1, 2014	\$ 2,878,474	\$ 2,874,239	\$ 4,235
Excess (deficit) of revenues over expenses	338,944	342,546	(3,602)
Balance at June 30, 2015	<u>\$ 3,217,418</u>	<u>\$ 3,216,785</u>	<u>\$ 633</u>
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>

# CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

## Notes to Financial Statements

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

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.

## CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

### Notes to Financial Statements

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

**YFC Wheels:** YFC Wheels 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.

**YFC Promotions:** YFC 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.

**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. See Note 15 regarding the acquisition of Gracehaven, Inc.

# CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

## Notes to Financial Statements

### 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) 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.

#### 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 \$48,254 and \$11,250 at June 30, 2016 and 2015, respectively.

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

**2. Significant Accounting Policies, continued**

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.

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.

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

**2. Significant Accounting Policies, continued**

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**

#### **3. Affiliated Organizations**

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.

As of September 24, 2014, Gracehaven, Inc. is now governed by the Board of Directors of Central Ohio Youth for Christ. See Note 15 for more information.

#### **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.

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.

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 has ownership of the developed software but is currently inactive. Chicago Avenue Financial Literacy Project, LLC is 100% owned by Central Ohio Youth for Christ, Inc.



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

**5. Cash and Restricted Cash**

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

	<u>2016</u>		<u>2015</u>
Checking accounts - unrestricted	\$ 623,508	\$	1,107,820
Checking accounts - restricted	<u>150,812</u>		<u>432,861</u>
	<u>\$ 774,320</u>	\$	<u>1,540,681</u>

Restrictions on cash consist of the following:

	<u>2016</u>		<u>2015</u>
Construction loan funds	\$ 812	\$	69,812
Real estate tax fund	150,000		150,000
Project expenses	<u>216,074</u>		<u>480,323</u>
	<u>\$ 366,886</u>	\$	<u>700,135</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, 2016 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 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 \$12,495 and \$11,738, respectively). During the years ended June 30, 2016 and 2015, the fund had total net income of \$757 and \$1,392, respectively. Income for the year ended June 30, 2016 and 2015 included unrealized losses of \$340 and unrealized gains of \$1,137, respectively, which have been reported with other income.

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, 2016 and 2015, the remaining funds for the "Project" under this loan were \$812 and \$69,812, respectively. See Note 6 and 7 for additional information related to the Project.

A separate checking account was established to hold contributions related to the Project fundraising. All cash in this account is restricted by the donor to project related expenses. The funds in this account at June 30, 2016 and 2015, amounted to \$216,074 and \$480,323, respectively.

In addition, \$150,000 has been restricted by the bank for use in payment of potential real estate tax assessments. See Note 29 for further details on this restriction and its release.

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

**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. As part of the campaign, the Organization received various intentions to give from donors. Generally Accepted Accounting Standards in the United States require that the Organization have documentation supporting 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 year ended June 30, 2016, the Organization sponsored a new 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, 2016, the Organization had pledges receivable from this event of \$64,059.

**7. 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, 2016 and 2015 were \$211,523 and \$177,857 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 at this time. Remaining construction in progress for that property is \$5,844. Construction and improvements on the Gracehaven housing complex for the years ending June 30, 2016 and 2015 were \$7,764 and \$111,757, respectively. The project was completed in August of 2015.

## CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

### Notes to Financial Statements

#### 8. 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).

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.

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

**8. Financial restructuring, continued**

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, 12, 14).

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 QLIC loan A in the amount of \$4,226,000 and QLIC 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.

**9. Note Receivable**

As part of the financial restructuring and NMTC program as described in Note 8, 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, 2016 and 2015 in the amount of \$214,325 and \$109,172.

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

**10. Loan Fees**

As part of the financial restructuring described above, the Organization incurred various NMTC and other loan fees. The loan fees are being amortized over the life of the related loans.

The loan fees, net of accumulated amortization, are as follows:

	<u>2016</u>	<u>2015</u>
Gross Carrying Amount	\$ 448,654	\$ 448,654
Less: Accumulated Amortization	<u>(65,846)</u>	<u>(40,445)</u>
	<u>\$ 382,807</u>	<u>\$ 408,208</u>

Amortization expense for each of the years ended June 30, 2016 and 2015 was \$25,401. Estimated aggregate amortization expense at June 30, 2016 for each of the five succeeding years is as follows:

2017	25,274
2018	25,146
2019	25,146
2020	25,146
2021	16,140

**11. Short-Term Notes and Credit Cards Payable**

	<b>2016</b>	<b>2015</b>
Line of credit	\$ 0	\$ 18,930
Credit cards payable	<u>2,804</u>	<u>10,131</u>
Total	<u>\$ 2,804</u>	<u>\$ 29,060</u>

The Organization has six credit cards with interest rates ranging from 10.99% to 29.99%. See Note 24 regarding annual interest and finance charges on all debt.

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

**12. Long-Term Debt**

The Organization has the following loans payable:

	<b>2016</b>	<b>2015</b>
<p>Note payable to a bank, fixed interest at 6.73% per annum, monthly payments of principal and interest of \$1,974. The loan was refinanced with the same bank on January 6, 2014. New loan terms include 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 matures in February, 2017. The Organization's intent is to either refinance the loan or sell the building. Neither option has been finalized at the date of the report. The loan is therefore shown as current with other current maturities.</p>	\$ 192,240	\$ 202,158
<p>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 8 and 9. 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. Covenant measurements begin with the fiscal year ending June 30, 2016. All covenants for the current year have been met.</p>	2,307,171	2,307,171
<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>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

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

**12. Long-Term Debt, continued**

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 \$138,599.

4,226,000                      4,226,000

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 \$138,599.

2,564,000                      2,564,000

Promissory note for construction executed on December 27, 2013 for up to \$280,000 for construction of the City Life Center. Draws were allowed through December 27, 2014. During the year ended June 30, 2015, the organization drew funds of \$150,000. On December 27, 2014, the loan converted to a term loan and bears interest at the libo rate plus 3% per annum (3.45% at June 30, 2016). 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 \$150,000. 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. Covenant measurements begin with the fiscal year ending June 30, 2016. All covenants for the current year have been met.

138,599                              146,620

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

**12. Long-Term Debt, continued**

Due to the acquisition of Gracehaven, Inc. (see note 15) 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.

	155,285		165,482
	10,783,296	\$	10,811,431
Less amount due within one year	(211,630)		(28,811)
Total Long-term debt	\$ 10,571,666	\$	\$ 10,782,620

Maturities of notes payable are as follows:

Year ended June 30, 2017	211,630
2018	153,403
2019	9,180
2020	9,477
2021	1,209,783
thereafter	9,189,822
Total Maturities	10,783,296

**13. 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:

	<b>2016</b>	<b>2015</b>
Equipment	\$ 87,209	\$ 87,209
Less accumulated depreciation	(45,287)	(36,566)
	\$ 41,922	\$ 50,643



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

**13. 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, 2016:

<u>Year ended June 30.</u>	<u>Amount</u>
2017	\$ 6,808
2018	3,972
2019	3,972
2020	1,986
2021	-
Total minimum lease payments	<u>16,738</u>
Less: amount representing interest	<u>(1,606)</u>
Present value of future minimum lease payments	15,132
Less: current portion of capital leases	<u>(6,048)</u>
Capital leases, net of current portion	<u><u>\$ 9,084</u></u>

**14. Non-controlling interests**

See Note 8 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>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 107,616	\$ 69,812
Restricted cash	150,812	432,861
Accounts Receivable	37,811	18,361
Accounts Receivable – related party	37,828	0
Prepaid Insurance	<u>9,491</u>	<u>0</u>
Total current assets	343,558	521,034
Property and equipment, net	7,007,456	7,072,861
Loan fees, net	<u>327,024</u>	<u>339,282</u>
Total Assets	<u><u>\$ 7,678,038</u></u>	<u><u>\$ 7,933,177</u></u>

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

**14. Non-controlling interests, continued**

LIABILITIES AND MEMBERS'  
EQUITY

Accounts Payable	\$ 1,099	\$ 16,037
Accts payable – related party	0	68,636
Other current liabilities	9,221	101,654
Total current liabilities	<u>10,320</u>	<u>186,327</u>
Long-term debt	6,928,599	6,936,620
Total Liabilities	<u>6,938,919</u>	<u>7,122,947</u>
Members' Equity	739,119	810,230
Total Liabilities & Equity	<u>\$ 7,678,038</u>	<u>\$ 7,933,177</u>

INCOME STATEMENT

Rent revenue	\$ 500,000	\$ 386,250
Interest income	12	0
Less:		
Management fees	20,000	15,000
Professional services	27,814	48,508
Other expenses	51,121	43,075
Interest expense	296,375	219,656
Depreciation and amortization	175,813	132,055
Net Income (Loss)	<u>(71,111)</u>	<u>(72,044)</u>
Less: Non-Controlling Interest	<u>(3,556)</u>	<u>(3,602)</u>
Net Income (Loss) included in the financial statements	<u>\$ (67,555)</u>	<u>\$ (68,442)</u>

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

**15. Acquisition of Gracehaven, Inc.**

Effective September 24, 2014, the Board of Directors of Gracehaven, Inc. adopted a resolution to become a subsidiary 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. 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 Organization is a faith-based nonprofit organized as a 501 (c) (3). Central Ohio Youth for Christ, Inc. utilized the acquisition method of accounting to recognize the approximate fair value of the Organization's assets and liabilities in its consolidated financial statements at the time of adoption. No consideration was exchanged by the Organizations as part of this transaction.

The amounts recognized in the Organization's statement of financial position as of September 24, 2014 were as follows:

BALANCE SHEET  
As of September 24, 2014

ASSETS

Cash and cash equivalents	\$	4,325
Grants receivable		9,706
Total current assets		14,031
Property and equipment, at estimated fair value		319,863
Construction in progress		111,756
Deposits		1,500
Total Assets	\$	447,150

LIABILITIES AND MEMBERS'  
EQUITY

Accounts Payable	\$	6,919
Other current liabilities		1,140
Line of Credit		14,966
Total current liabilities		23,025
Long-term debt		172,877
Total Liabilities		195,902
Members' Equity		251,248
Total Liabilities & Equity	\$	447,150

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

**16. Net Assets**

Temporarily restricted net assets of \$283,172 and \$59,769 at June 30, 2016 and 2015 respectively were restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Youth & Family Impact	\$340	\$3,789
City Life programs	94,380	15,000
Social Enterprises programs	110,878	
Gracehaven programs	65,079	10,429
Chicago Avenue facility renovations	12,495	11,738
Funds held as an agent	0	18,813
	<u>\$283,172</u>	<u>\$59,769</u>

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. Expenses for the year ending June 30, 2016 were \$29,853 for insurance, \$39,327 for dues, \$6,659 for staff training and \$165 for website fees. For the year ended June 30, 2015, the payments were \$33,543 for insurance, \$31,163 for dues and \$12,625 for staff training. The Organization also provides office space to Youth for Christ, USA for IT staff. Rental income for the year ended June 30, 2016 was \$2,100.

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 and \$3,342, respectively during the years ending June 30, 2016 and June 30, 2015.

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. The board member contributed a third of the legal services at fair market value in 2016. For the year ending June 30, 2016 the value of the contributed services provided was \$7,240. No services were donated during the year ended June 30, 2015. In addition, the board member received compensation for services rendered in the years ended June 30, 2016 and 2015 of \$14,481 and approximately \$46,000, respectively.

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

**18. Agency relationships**

During the year ended June 30, 2015, the Organization entered into two agency agreements in which they agreed to collect and remit funds for other Organizations with related missions.

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. At June 30, 2015, Survivor's Ink had \$18,813 of net assets which are reported as temporarily restricted net assets in these financial statements (see Note 5). 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 2015, 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.

During the year ended June 30, 2015, the Organization verbally entered into a similar agency relationship with Franklinton Rising. Franklinton Rising is a program designed to use housing rehabilitation to improve the living conditions within the urban neighborhood of Franklinton, and to teach construction trade skills to Franklinton teens interested in entering the construction industry. Students are recruited to the project and undergo significant training in safety, how to use tools, how to do basic carpentry as well as additional training in areas of specialty. Houses, once finished, are either sold or retained as rentals to help fund future work. During the year ended June 30, 2015, the Organization collected \$25,500 and paid expenses of \$36,750. The net resulting assets of approximately \$1,750 were turned over to Franklinton Rising and the agency relationship ceased. Revenues were included with other contributions on these financial statements and the related expenses were included as contributions to others in the amount of \$38,500.

**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.

As part of its ongoing construction the Organization received some building supplies at the contractors' cost. No value was available for these discounts.

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.

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

**20. Donated Services, Property and In-Kind Revenue, continued**

During the year ended June 30, 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, 2016 and 2015 was \$40,298 and \$36,118, respectively. The Organization's policy is to sell stock received. The shares donated during the year ended June 30, 2016 were sold in December 2015 for \$39,442, resulting in a net loss. In addition, \$10,981 of shares stock held at June 30, 2015, were sold for \$11,269, resulting in a net gain. Overall, the organization realized a net loss of \$569 from the sale of all stock donations during the year ended June 30, 2016. Stock shares are reported with cash and equivalents as the Organization's intent is to liquidate the shares to cash.

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. See Note 18 for further information on Franklinton Rising.

**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 year ended June 30, 2016, Gracehaven received a \$325 per day per diem rate for each individual who resided in the home for a total amount of \$366,974.

**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. AND SUBSIDIARIES**  
**Notes to Financial Statements**

**22. Rental Income and Leasing Activities, continued**

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 8 and 12 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 \$12,500 through June 30, 2016 and \$16,667 for the twelve months ending June 30, 2016. During the years ended June 30, 2016 and 2015, the Organization reported rent income of \$200,000 and \$150,000, 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 \$7,650,440 with accumulated depreciation of \$763,479 at June 30, 2016.

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

Year Ending June 30	Amount
2017	\$ 225,000
2018	225,000
2019	225,000
2020	225,000
2021	225,000
thereafter	<u>225,000</u>
	<u>\$ 1,125,000</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 \$48,322 and \$39,150 during the years ended June 30, 2016 and 2015, respectively.



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

**23. Operating Leases**

The Organization leases various facilities under operating leases. Rent expense for these leases for the years ended June 30, 2016 and 2015 was \$80,282 and \$84,395 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 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 requires monthly payments of \$1,450 through November 2015 and then \$1,525 through August 2016. See note 29 for information on subsequent lease agreement.

As of June 30, 2016, the future minimum lease payments under non-cancellable lease agreements are as follows:

2017	\$	46,432
2018		<u>2,200</u>
	\$	<u>48,632</u>

**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 12 on long-term debt.

## **CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES**

### **Notes to Financial Statements**

#### **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, 2016 and 2015, 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, 2013. 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, 2016 and 2015.

#### **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, 2016 and 2015, 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 capital leases on new equipment, refinancing of debt, donation of real property and investments. For information related to these non-cash transactions, see the notes specific to those transactions.

The Organization incurred interest on short-term and long-term borrowings during the year ended June 30, 2016 and 2015. As part of the financial restructuring and NMTC program, the Organization also receives interest income on the leverage loan related to the Project. The capitalized interest has been offset by interest income on the leverage loan. Interest paid and expensed for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Interest and finance charges paid	\$ 485,594	\$ 467,045
Less: capitalized interest	0	( 73,280)
Accrued interest	4,507	12,840
Less: Prior accrued interest	(12,840)	(11,234)
Interest expense	<u>\$ 477,261</u>	<u>\$ 395,371</u>

## **CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES**

### **Notes to Financial Statements**

#### **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.

#### **29. Contingency and Real Estate Taxes**

The Organization was assessed real estate taxes for the 6 months ended June 30, 2014 and for the 12 months ended June 30, 2015 and 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. The bank that holds the restricted construction funds has established a restriction on \$150,000 of cash that the Organization holds. 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.

The Organization has been actively working to get their nonprofit exemption acknowledged by Franklin County. Real estate taxes charged by the County, including penalties and interest, through June 30, 2015, approximated \$208,150. As the Organization had indicated that it was more likely than not that the exemption would be granted; no accrual for these taxes was recorded on June 30, 2015.

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

**29. Contingency and Real Estate Taxes, continued**

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, 2016 to be approximately \$67,749. This amount has been reported with other accrued expenses in these financial statements.

**30. Subsequent Events**

Subsequent events have been evaluated through November 18, 2016 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.

The Organization entered into a new lease for commercial space for its Gracehaven and Wellspring offices in September 2016. The lease requires monthly payments of \$1,100 through September 2017. As of our report date, the lease has not been signed, and therefore is subject to change.