

Pittsburgh Urban Magnet Project

Financial Statements

Years Ended December 31, 2016 and 2015
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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PITTSBURGH URBAN MAGNET PROJECT

YEARS ENDED DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses:	
- Year Ended December 31, 2016	3
- Year Ended December 31, 2015	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

Board of Directors
Pittsburgh Urban Magnet Project

We have audited the accompanying financial statements of Pittsburgh Urban Magnet Project (PUMP), a nonprofit organization, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 PUMP as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maher Duessel

Pittsburgh, Pennsylvania
July 28, 2017

PITTSBURGH URBAN MAGNET PROJECT

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 91,287	\$ 101,661
Accounts and pledges receivable	27,711	72,069
Prepaid expenses	19,710	25,465
	<hr/>	<hr/>
Total current assets	138,708	199,195
	<hr/>	<hr/>
Equipment, net	22,933	15,248
	<hr/>	<hr/>
Total Assets	\$ 161,641	\$ 214,443
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
<hr/>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 21,624	\$ 16,489
Deferred revenue	100,075	118,559
	<hr/>	<hr/>
Total Liabilities	121,699	135,048
	<hr/>	<hr/>
Net Assets:		
Unrestricted	21,803	29,395
Temporarily restricted	18,139	50,000
	<hr/>	<hr/>
Total Net Assets	39,942	79,395
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 161,641	\$ 214,443
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Change in Unrestricted Net Assets:		
Revenue and support:		
Program service fees	\$ 991,453	\$ 960,070
Special events	51,210	50,840
Anniversary event	22,400	-
Sponsorships	97,898	67,506
Donated materials and services	38,164	8,432
Contributions	21,446	15,764
Membership dues	45,925	43,483
Interest and other income	1,369	2,768
Net assets released from restrictions	34,927	-
	<u>1,304,792</u>	<u>1,148,863</u>
Expenses:		
Program services	1,209,137	1,038,494
General and administrative	81,145	84,225
Fundraising	22,102	18,503
	<u>1,312,384</u>	<u>1,141,222</u>
Change in Unrestricted Net Assets	<u>(7,592)</u>	<u>7,641</u>
Change in Temporarily Restricted Net Assets:		
Grants and contributions	3,066	50,000
Net assets released from restrictions	(34,927)	-
Change in Temporarily Restricted Net Assets	<u>(31,861)</u>	<u>50,000</u>
Change in Net Assets	<u>(39,453)</u>	<u>57,641</u>
Net Assets:		
Beginning of year	<u>79,395</u>	<u>21,754</u>
End of year	<u>\$ 39,942</u>	<u>\$ 79,395</u>

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>		Total Program Services Expenses	<u>Support Services</u>		Total Support Services	Total
	Membership and Events	Pittsburgh Sports League		General and Administrative	Fundraising		
Salaries	\$ 112,006	\$ 164,224	\$ 276,230	\$ 27,537	\$ 13,288	\$ 40,825	\$ 317,055
Benefits and payroll taxes	17,644	37,886	55,530	10,462	1,542	12,004	67,534
Contracted services	47,299	191,731	239,030	29,611	2,562	32,173	271,203
Office and facilities rental	33,298	295,625	328,923	883	261	1,144	330,067
Equipment, supplies, and maintenance	4,417	37,593	42,010	674	2,230	2,904	44,914
Depreciation	2,750	3,133	5,883	160	53	213	6,096
Travel and meetings	3,542	7,044	10,586	3,759	-	3,759	14,345
Insurance	-	51,065	51,065	4,109	-	4,109	55,174
T-shirts	4,639	70,187	74,826	-	-	-	74,826
Other expenses	71,739	53,315	125,054	3,950	2,166	6,116	131,170
	<u>\$ 297,334</u>	<u>\$ 911,803</u>	<u>\$ 1,209,137</u>	<u>\$ 81,145</u>	<u>\$ 22,102</u>	<u>\$ 103,247</u>	<u>\$ 1,312,384</u>

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services		Total Program Services Expenses	Support Services		Total Support Services	Total
	Membership and Events	Pittsburgh Sports League		General and Administrative	Fundraising		
Salaries	\$ 86,994	\$ 137,778	\$ 224,772	\$ 26,056	\$ 12,199	\$ 38,255	\$ 263,027
Benefits and payroll taxes	15,139	28,140	43,279	12,479	514	12,993	56,272
Contracted services	26,247	191,334	217,581	29,927	2,073	32,000	249,581
Office and facilities rental	7,536	283,157	290,693	3,155	1,601	4,756	295,449
Equipment, supplies, and maintenance	3,042	40,144	43,186	758	245	1,003	44,189
Depreciation	1,177	3,024	4,201	226	135	361	4,562
Travel and meetings	3,558	7,642	11,200	2,945	18	2,963	14,163
Insurance	-	49,638	49,638	4,542	-	4,542	54,180
T-shirts	2,209	72,846	75,055	-	-	-	75,055
Other expenses	29,404	49,485	78,889	4,137	1,718	5,855	84,744
	\$ 175,306	\$ 863,188	\$ 1,038,494	\$ 84,225	\$ 18,503	\$ 102,728	\$ 1,141,222

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (39,453)	\$ 57,641
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,096	4,562
Change in:		
Accounts and pledges receivable	44,358	(33,589)
Prepaid expenses	5,755	1,122
Accounts payable and accrued expenses	5,135	790
Deferred revenue	<u>(18,484)</u>	<u>12,114</u>
Net cash provided by (used in) operating activities	<u>3,407</u>	<u>42,640</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of equipment	<u>(13,781)</u>	<u>(7,165)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(10,374)	35,475
<u>Cash and Cash Equivalents:</u>		
Beginning of year	<u>101,661</u>	<u>66,186</u>
End of year	<u><u>\$ 91,287</u></u>	<u><u>\$ 101,661</u></u>

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

1. ORGANIZATION

Pittsburgh Urban Magnet Project (PUMP) incorporated as a nonprofit corporation under the laws of the Commonwealth of Pennsylvania on October 28, 1996.

Founded in 1996, PUMP is a membership organization with a mission to make Pittsburgh the most dynamic and diverse place by engaging, educating, and mobilizing all young people to effect change in our community. Our vision is to see a Pittsburgh where young people have an active role in advocating and caring for our City, making Pittsburgh the first choice for everyone to live, work, and play. Each year, PUMP serves over 25,000 young people through civic, social, and charitable programming. More information can be found at www.pump.org.

PUMP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Basis of Net Assets

Contributions received, including unconditional promises to give, are recognized as increases in net assets in the period received at their fair values.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of PUMP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. PUMP has temporarily restricted net assets of \$18,139 and \$50,000 for the years ended December 31, 2016 and 2015, respectively. The restriction relates toward building internal staff capacity and organizational capabilities.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that must be maintained permanently by PUMP. Generally, the donors of these assets permit the use of all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. PUMP does not currently have permanently restricted net assets for the years ended December 31, 2016 and 2015.

Revenue Recognition

Revenue is recognized when earned. Revenues from Pittsburgh Sports League fees are reported in the fiscal year in which the sports leagues are held. Winter sports leagues typically run from January through March and are typically collected prior to the beginning of the session. The portion of the winter sports league fees that are collected prior to year-end are reported as deferred revenue at December 31 of each year, as they relate to the upcoming calendar year.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

assets and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

PUMP maintains its cash accounts at a single financial institution. The balances, at times, may exceed federally insured limits. The FDIC insures up to \$250,000 of these accounts within each individual bank. At December 30, 2016 and 2015, respectively, PUMP did not have cash on deposit exceeding the insured limit.

Equipment

Equipment is recorded at cost when purchased if it exceeds the capitalization threshold of \$500. Depreciation of equipment is provided by the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in income (expense) for the year.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the Pittsburgh Sports League and sponsorships. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for doubtful accounts receivable deemed necessary at December 31, 2016 and 2015.

Pledges Receivable

PUMP records the receivable for unconditional pledges and corresponding revenue, at estimate net realizable value when the commitment is made. Pledges are recorded based on written commitments from the donors. Pledges receivable are \$0 and \$25,000 at December 31, 2016 and 2015, respectively.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

In-Kind Support

Donated materials and services are reflected in the statements of activities at their estimated values at date of receipt. In-kind support, which consists of various materials and services, is primarily charged to program expenses. There was \$38,164 and \$8,432 of donated services revenue and expense recorded in 2016 and 2015, respectively.

PUMP also receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because these volunteer efforts do not meet the following recognition criteria: create or enhance a non-financial asset, or require specialized skills that are provided by entities or persons possessing these skills and would be purchased if they were not donated.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, personnel costs have been allocated among the programs and supporting services benefited based on the time spent on each activity. All other costs are allocated based on the specific identification method.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

3. EQUIPMENT

Equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 45,457	\$ 34,804
Leasehold improvements	3,128	-
Computer equipment	<u>30,675</u>	<u>30,675</u>
	79,260	65,479
Less: accumulated depreciation	<u>(56,327)</u>	<u>(50,231)</u>
Total equipment, net	<u>\$ 22,933</u>	<u>\$ 15,248</u>

Depreciation expense was \$6,096 and \$4,562 for the years ended December 31, 2016 and 2015, respectively.

4. LINE OF CREDIT

PUMP has a line-of-credit agreement with a bank providing for borrowings of up to \$15,000. The line is renewed through August 13, 2017. The outstanding borrowings under the line are payable on demand and bear interest at prime (3.25% at December 31, 2016) plus 5%. There was no outstanding balance on the line of credit at December 31, 2016 and 2015. PUMP accepted terms with a different bank on a new line-of-credit on November 17, 2016 for \$50,000. The outstanding borrowings under the line are payable on demand and bear interest at prime plus 2%.

5. LEASES

In March 2013, PUMP entered into a sixty-two-month operating lease for office space which commenced on August 1, 2013. In May 2016, PUMP signed a lease amendment which increased their office space and rent payments. The new lease amendment is in effect for the remainder of the original lease. Rent expense was approximately \$27,900 and \$18,950 for the years ended December 31, 2016 and 2015, respectively.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

Future rental payments under the terms of the amended lease are approximately:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	\$ 30,000
2018	22,500
	<u>\$ 52,500</u>

6. BENEFIT PLAN

PUMP has a 408(k) Simplified Employee Pension plan (plan) covering all eligible employees. PUMP matches employee contributions to the plan at 6% of gross monthly salary. PUMP's contribution to the plan was \$16,112 and \$15,483, respectively, for the years ended December 31, 2016 and 2015.