

Robert G. Gillette, CPA

Nonprofit Clients Only


INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Ohio Youth for Christ, Inc.

I have audited the accompanying statements of financial position of Central Ohio Youth for Christ, Inc. as of June 30, 2012 and 2011 and the related statements of activities, cash flows and functional expenses for the twelve month periods then ended. These financial statements are the responsibility of the Central Ohio Youth for Christ, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Central Ohio Youth for Christ, Inc. as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the twelve month periods then ended in conformity with accounting principles generally accepted in the United States of America.


Robert G. Gillette, CPA
Columbus, Ohio
September 17, 2012

CENTRAL OHIO YOUTH FOR CHRIST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents (Note 5)	\$282,435	\$73,416
Accounts receivable, net	120,462	22,016
Vehicle inventory	23,500	12,400
Equity in subsidiary (Note 4)	0	3,920
Total current assets	<u>426,397</u>	<u>111,752</u>
Fixed Assets (Note 6)		
Equipment and furniture	381,680	320,812
Land and building	2,317,876	2,317,876
Accumulated depreciation	(636,039)	(541,240)
Construction in progress	74,585	11,350
Net fixed assets	<u>2,138,102</u>	<u>2,108,798</u>
TOTAL ASSETS	<u><u>\$2,564,499</u></u>	<u><u>\$2,220,550</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$195,458	\$65,816
Agency funds held for others (Note 7)	0	13,209
Current portion of notes and leases payable	1,141,314	954,804
Total current liabilities	<u>1,336,772</u>	<u>1,033,829</u>
Loans payable (Note 8)	0	228,490
Leases payable (Note 9)	40,915	0
TOTAL LIABILITIES	<u>1,377,687</u>	<u>1,262,319</u>
	(1,377,687)	
NET ASSETS		
Unrestricted net assets	959,554	958,231
Restricted net assets	227,258	0
TOTAL NET ASSETS	<u>1,186,812</u>	<u>958,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$2,564,499</u></u>	<u><u>\$2,220,550</u></u>

The accompanying notes are an integral part of the financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Contributions	\$1,281,043	\$311,485	\$1,592,528
Events			
Event revenue	\$54,855		
Event expenses	(18,254)		
	<u>36,601</u>		36,601
Grants	150,520		150,520
Program service fees	200,875		200,875
Counseling	656,091		656,091
Released from restrictions	84,227	(84,227)	
Total support and revenue	<u>2,409,357</u>	<u>227,258</u>	<u>2,636,615</u>
EXPENSES			
Program services	1,847,457		1,847,457
Administration	415,670		415,670
Fundraising	144,907		144,907
Total expenses	<u>2,408,034</u>	<u>0</u>	<u>2,408,034</u>
Increase in net assets	<u>1,323</u>	<u>227,258</u>	<u>228,581</u>
Net Assets - Beginning of year	958,231	0	958,231
Net Assets - End of year	<u><u>\$959,554</u></u>	<u><u>\$227,258</u></u>	<u><u>\$1,186,812</u></u>

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CENTRAL OHIO YOUTH FOR CHRIST, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Contributions	\$1,362,270	\$0	\$1,362,270
Events			
Event revenue	\$58,610		
Event expenses	<u>(27,231)</u>		
	31,379		31,379
Government contracts	168,554		168,554
Grants	133,876		133,876
Program service fees	138,779		138,779
Counseling	566,116		566,116
Released from restrictions	9,143	(9,143)	
Total support and revenue	<u>2,410,117</u>	<u>(9,143)</u>	<u>2,400,974</u>
EXPENSES			
Program services	1,624,042		1,624,042
Administration	532,968		532,968
Fundraising	137,634		137,634
Total expenses	<u>2,294,644</u>	<u>0</u>	<u>2,294,644</u>
Increase in net assets	<u>115,473</u>	<u>(9,143)</u>	<u>106,330</u>
Net Assets - Beginning of year	805,094	9,143	814,237
Prior period adjustment (Note 13)	37,664		37,664
Net Assets - End of year	<u><u>\$958,231</u></u>	<u><u>\$0</u></u>	<u><u>\$958,231</u></u>

The accompanying notes are an integral part of the financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	<u>Program Service</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$1,195,060	\$267,419	\$93,975	\$1,556,454
Supplies	98,654	9,842	2,090	110,586
Utilities	57,023	7,496		64,519
Rent	54,000			54,000
Postage and printing	1,099	10,733	6,132	17,964
Camps and retreats	41,544			41,544
Insurance	47,107	10,959		58,066
Professional services	44,013	17,034	42,710	103,757
Interest & finance charges	55,913	26,404		82,317
Dues and fees	32,317			32,317
Depreciation	70,675	35,338		106,013
Advertising	15,409			15,409
Repairs and maintenance	29,972	6,283		36,255
Taxes and titles	20,251	24,162		44,413
Scholarships and support	80,500			80,500
Loss on disposal of subsidiary	3,920			3,920
	<u>\$1,847,457</u>	<u>\$415,670</u>	<u>\$144,907</u>	<u>\$2,408,034</u>

The accompanying notes are an integral part of the financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	<u>Program Service</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$1,076,343	\$280,137	\$95,461	\$1,451,941
Supplies	146,963	9,418	24,120	180,501
Utilities	53,749	9,880		63,629
Rent	54,000			54,000
Postage and printing	87	8,402	4,025	12,514
Camps and retreats	12,711			12,711
Insurance	17,264	12,870		30,134
Professional services	65,478	54,003	14,028	133,509
Interest & finance charges	60,716	28,503		89,219
Dues and fees	6,969	54,284		61,253
Depreciation	61,653	30,357		92,010
Advertising	14,425			14,425
Repairs and maintenance	25,141	7,802		32,943
Taxes and titles	17,129	37,312		54,441
Scholarships and support	11,414			11,414
	<u>\$1,624,042</u>	<u>\$532,968</u>	<u>\$137,634</u>	<u>\$2,294,644</u>

The accompanying notes are an integral part of the financial statements

CENTRAL OHIO YOUTH FOR CHRIST, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2012</u>	<u>2011</u>
Increase (Decrease) in Net Assets	\$228,581	\$106,330
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Accounts receivable	(98,446)	19,571
Vehicle inventory	(11,100)	7,200
Depreciation	106,013	92,010
Accounts payable	129,642	16,784
Agency funds held for others (Note 7)	(13,209)	(7,096)
Net Cash Provided (Used) by Operations	<u>341,481</u>	<u>234,799</u>
 CASH FLOWS TO INVESTMENT ACTIVITIES		
Disposal of equipment	(11,214)	
Purchase of equipment	(60,868)	(38,754)
Purchase of land and building		(250,450)
Construction in progress	(63,235)	(4,730)
Net Cash Used by Investment Activities	<u>(135,317)</u>	<u>(293,934)</u>
 CASH FLOWS TO FINANCING ACTIVITIES		
Disposal of subsidiary	3,920	0
Borrowing	(1,065)	46,283
Net Cash Provided (Used) by Financing Activities	<u>2,855</u>	<u>46,283</u>
Less prior period adjustment (Note 14)		37,664
Increase (Decrease) in Cash	<u>209,019</u>	<u>24,812</u>
CASH BEGINNING OF YEAR	73,416	48,604
CASH END OF YEAR	<u>\$282,435</u>	<u>\$73,416</u>

The accompanying notes are an integral part of the financial statements

Central Ohio Youth for Christ, Inc.
June 30, 2012 and 2011
Notes to Financial Statements

NOTE 1 - PURPOSE OF CENTRAL OHIO YOUTH FOR CHRIST, INC.

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:

1. **Campus Life/Campus:** Life JV-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.
2. **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.
3. **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.
4. **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 our community where Christian counseling is often inaccessible, with scholarship funding for those who typically could not pay.
5. **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.

NOTE 1 - PURPOSE OF CENTRAL OHIO YOUTH FOR CHRIST, INC. - continued

6. **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.

Subsequent Events

Subsequent events have been evaluated through September 17, 2012 which is the date the financial statements were available to be issued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Central Ohio Youth for Christ have been prepared on the accrual basis, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business, in accordance with generally accepted accounting principles.

Cash

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates the fair market value because of the short maturities of those financial instruments.

Fixed Assets

Fixed assets are carried on the books at historical cost for items purchased or assigned cost for donated items, with the appropriate accumulated depreciation. The depreciation charged against net assets consists of the amount required to write down the original cost of fixed assets to a residual value over their estimated useful lives. It is the Organization's policy to capitalize property and equipment of \$2,500 or higher. Lesser amounts are expensed as period costs. The straight-line depreciation method is used by the Organization with useful lives of furniture, fixtures and equipment ranging from 3 to 10 years. Fixed assets are stated at cost less accumulated depreciation.

Unrestricted, Temporarily Restricted and Permanently Restricted Support

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

Contributions that are temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Permanently restricted net assets would consist of funds donated to be held indefinitely.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued
Unrestricted, Temporarily Restricted and Permanently Restricted Support - continued

There were no restricted assets as of June 30, 2011. Temporarily restricted net assets at June 30, 2012 consisted of donations, less expenditures, used to expand the Organization's Chicago Avenue facility.

Use of Estimates

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

Reclassifications

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

NOTE 3 - TAX EXEMPT STATUS

The Organization is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements

NOTE 4 – 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 / 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 by laws 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.

Chicago Avenue Financial Literacy Project, LLC is a LLC and a disregarded entity with one LLC member, Central Ohio Youth for Christ. It was formed to develop, market and sell financial software. There were no revenue or expenses for the LLC during the years ending June 30, 2012 and 2011. Accounts of Chicago Avenue Financial Literacy Project, LLC would be consolidated with Central Ohio Youth for Christ, Inc. as required by generally accepted accounting principles.

NOTE 5 – CASH AND CASH EQUIVALENTS

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

	<u>2012</u>	<u>2011</u>
Unrestricted		
Checking accounts	\$280,787	\$39,926
Savings and money market accounts	1,648	33,490
	<u>\$282,435</u>	<u>\$73,416</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment are carried on the books at historical cost for items purchased or assigned cost for donated items, with the appropriate accumulated depreciation. The depreciation charged against net assets consists of the amount required to write down the original cost of fixed assets to a residual value over their estimated useful lives. It is the Organization's policy to capitalize property and equipment of \$2,500 or higher. Lesser amounts are expensed as period costs.

The straight-line depreciation method is used by the Organization with useful lives of buildings at 30 years and fixtures, furniture and equipment ranging from 3 to 10 years.

Fixed assets consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$213,076	\$213,076
Buildings	2,104,800	2,104,800
Fixtures, furniture, & equipment	<u>381,680</u>	<u>320,812</u>
Subtotal	2,699,556	2,638,688
Less: accumulated depreciation	<u>(636,039)</u>	<u>(541,240)</u>
Subtotal	2,063,517	2,097,448
Construction in progress	<u>74,585</u>	<u>11,350</u>
Net	<u>\$2,138,102</u>	<u>\$2,108,798</u>

Depreciation expenses for the years ending December 31, 2012 and 2011 were \$106,013 and \$92,010 respectively.

NOTE 7 -FISCAL AGENT

Central Ohio Youth for Christ was the fiscal agent for Consortium, a nonprofit organization. As fiscal agent, Central Ohio Youth for Christ received approximately \$4,870 and returned approximately \$11,966 to the Consortium during the year ended June 30, 2011. As of June 30, 2011, Central Ohio Youth for Christ held in a separate checking account approximately \$13,209 in undisbursed funds due to Consortium. Central Ohio Youth for Christ disbursed the remaining funds for Consortium during the fiscal year ending June 30, 2012, so no funds were remaining.

NOTE 8 - LOANS AND CREDIT CARDS PAYABLE

The Organization has the following loans payable:

	<u>Principal</u>	<u>Line of</u>	<u>Rate</u>	<u>Term</u>	<u>Collateral</u>
	<u>Balance</u>	<u>Credit</u>			
Term note	\$803,971	N/A	6.50%	1 year	All assets
Term note	229,134	N/A	6.73%	5 years	Real estate
Demand note	95,000	N/A	0%	Demand	Real estate
Demand note	10,000	N/A	0%	Demand	Unsecured
Credit cards	11,796	67,000	Various	Revolve	Unsecured
	<u>\$1,149,901</u>				

The Organization has the following loans payable:

	<u>Principal</u>	<u>Line of</u>	<u>Rate</u>	<u>Term</u>	<u>Collateral</u>
	<u>Balance</u>	<u>Credit</u>			
Term note	\$841,687	N/A	6.50%	12 months	All assets
Term note	236,607	N/A	6.73%	5 years	Real estate
Demand note	95,000	N/A	0%	Demand	Real estate
Demand note	10,000	N/A	0%	Demand	Unsecured
Credit cards	4,131	67,000	Various	Revolve	Unsecured
	<u>\$1,187,425</u>				

On April 1, 2011 a loan in the amount of \$846,541 was refinanced for six months at a fixed interest rate of 6.50%. It was secured by a first lien on real estate owned by the Organization, located on Chicago Avenue in Columbus, Ohio, and on all other business assets was refinanced for an additional six months. The agreement required five monthly payments, beginning May 1, 2011, of principal and interest of \$7,802 due each month until maturity. The entire remaining balance and any accrued interest were due at maturity on October 1, 2011. The maturity date of the loan was then extended for another year at substantially the same terms with a new maturity date of October 1, 2012.

On December 13, 2007 the Organization established a term note with Fifth Third Bank in the amount of \$260,000. Interest on the outstanding balance accrues at 6.73%. The note is payable in 60 monthly installments of \$1,974. The note matures with a balloon payment on December 31, 2012 and is secured by a first lien on real estate owned by the Organization, located on North High Street in Columbus, Ohio.

As of June 30, 2011 Central Ohio Youth for Christ had a non interest bearing demand note payable to a friend of the Organization in the amount of \$10,000. Interest imputed at a rate of 7% was approximately \$700 a year. The balance on this note was \$10,000 at June 30, 2011 and 2012.

NOTE 8 - LOANS AND CREDIT CARDS PAYABLE - continued

On January 7, 2011 Central Ohio Youth for Christ executed a demand note payable to a friend of the Organization in the amount of \$145,000. The stated interest rate was nominal. Interest is imputed at a rate of 7% was approximately \$10,150 for the year ending June 30, 2011 and \$6,650 for the year ending June 30, 2012. The balance on this note was \$95,000 at both June 30, 2011 and 2012.

The Organization has five credit cards with interest rates ranging from 10.99% to 29.99%. Total interest expense and finance charges for the years ending June 30, 2012 and 2011 were \$82,317 and \$89,219 respectively.

NOTE 9 - LEASES

The Organization currently leases equipment with bargain purchases at the end of the terms:

		<u>2012</u>	
	<u>Principal</u>	<u>Monthly</u>	
	<u>Balance</u>	<u>Payments</u>	<u>Maturity</u>
Telephone system	\$35,148	\$1,035	October 10, 2015
Embroider machine	<u>8,976</u>	408	June 9, 2015
	<u>\$44,124</u>		

At June 30, 2012, minimum lease payments for each of the four succeeding fiscal years is as follows:

<u>Fiscal year</u>	<u>Amount</u>
2013	\$14,103
2014	15,350
2015	10,684
2016	<u>3,987</u>
Total future lease payments	<u>\$44,124</u>

NOTE 10 - 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. Membership expenses for the years ending June 30, 2012 and 2011 were \$27,500 and \$26,454 respectively.

A member of the Board of Directors of Central Ohio Youth for Christ is the owner of Lithik Systems, Inc. Central Ohio Youth for Christ had a consulting contract with Lithik Systems, Inc. and paid them \$1,450 and \$3,155 respectively during the years ending June 30, 2012 and June 30 2011.

NOTE 10 - RELATED PARTY TRANSACTIONS - Continued

The Executive Director of Central Ohio Youth for Christ serves as a member of the Board of Directors of Families Come First. Central Ohio Youth for Christ had a consulting contract with Families Come First and paid them \$23,699 during the year ending June 30, 2011. The Executive Director of Central Ohio Youth for Christ received no compensation from Families Come First. There were no transactions with Families Come First during the year ending June 30, 2012.

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Organization places some of its temporary cash and money market accounts with creditworthy, high-quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE 12 - DONATED SERVICES

The Organization receives volunteer services that are not recordable under generally accepted accounting principles. A substantial number of volunteers have donated a significant amount of time in the Organization's program services. The value of volunteer services is not disclosed as no objective basis is available to measure the value of such services.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

During the year ending June 30, 2011 the Organization had a prior period adjustment in the amount of \$37,664. This was the resulting of exercising its option to purchase property in Johnstown, Ohio which was previously leased with an option to purchase. The adjustment reclassified previous lease payments expensed as rent expense in 2010 of \$37,664 and capitalized them as land and buildings and resulting in a credit to net assets for the previous year for the same amount.