

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

June 30, 2015 and 2014

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, 2015 and 2014, and the related statements of activities, changes in consolidated unrestricted net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

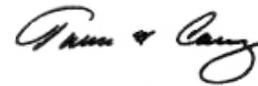
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Ohio Youth for Christ, Inc., Subsidiaries and Affiliates as of June 30, 2015 and 2014, and the changes in its net assets, changes in consolidated unrestricted net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 34 and 35 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Westerville, Ohio
March 4, 2016

CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,107,820	\$ 1,207,997
Cash and cash equivalents - restricted	432,861	1,623,448
Accounts receivable, net	113,855	189,604
Grant receivable	47,212	-
Employee advance	1,000	1,600
Prepaid expenses	25,925	2,699
Interest receivable	52,531	-
Vehicle inventory	47,000	27,500
	1,828,204	3,052,848
Total current assets		
Fixed Assets		
Land	452,542	390,042
Buildings	7,756,234	2,256,669
Furniture	104,292	52,851
Machinery & equipment	470,950	352,238
Trucks and autos	22,600	22,600
Construction in progress	117,600	4,072,831
Accumulated depreciation	(1,003,612)	(825,731)
	7,920,606	6,321,500
Total fixed assets		
Other Assets		
Note Receivable	4,226,000	4,226,000
Loan fees, net	408,208	433,609
Deposits	4,199	2,699
	4,638,406	4,662,308
Total other assets		
TOTAL ASSETS	\$ 14,387,216	\$ 14,036,656

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, 2015 AND 2014

	2015	2014
LIABILITIES		
Current liabilities		
Accounts payable	\$ 27,227	\$ 17,453
Short-term notes and credit cards payable	29,060	22,661
Current portion of notes and leases payable	41,873	26,231
Accrued expenses	<u>214,118</u>	<u>112,233</u>
Total current liabilities	312,276	178,579
Long term liabilities		
Notes payable, net of current portion	10,782,619	10,802,331
Capital leases payable, net of current portion	<u>15,132</u>	<u>14,436</u>
Total long term liabilities	10,797,752	10,816,767
TOTAL LIABILITIES	11,110,028	10,995,346
NET ASSETS		
Unrestricted net assets	3,216,785	2,874,239
Noncontrolling interest in subsidiary	<u>633</u>	<u>4,235</u>
Total unrestricted net assets	<u>3,217,418</u>	<u>2,878,474</u>
Temporarily restricted net assets	59,769	162,836
TOTAL NET ASSETS	<u><u>3,277,187</u></u>	<u><u>3,041,310</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,387,216</u></u>	<u><u>\$ 14,036,656</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support:			
Contributions	\$ 1,886,262	\$20,703	\$ 1,906,965
Revenue:			
Grants	91,221	25,429	116,650
Program fees and product sales	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	<u>999,285</u>	<u>25,667</u>	<u>1,024,952</u>
Total public support and revenue	2,885,547	46,370	2,931,917
Net assets released from restrictions	<u>149,437</u>	<u>(149,437)</u>	<u>-</u>
	3,034,984	(103,067)	2,931,917
EXPENSES			
Program services	2,163,734		2,163,734
Management and general	567,517		567,517
Fund raising	216,038		216,038
Total expenses	<u>2,947,289</u>	-	<u>2,947,289</u>
Increase in consolidated net assets before acquisition income	87,696	(103,067)	(15,371)
Excess of fair value of net assets over consideration in acquisition of the acquired entity	<u>251,248</u>		<u>251,248</u>
Increase in consolidated net assets	338,944		235,877
Less: Net income attributable to the noncontrolling interest	3,602		3,602
Increase in net asset attributable to Central Ohio Youth For Christ and Subsidiaries	<u>342,546</u>	<u>(103,067)</u>	<u>239,479</u>
Net assets at beginning of year	2,874,239	162,836	3,037,075
Net assets at end of year	<u>\$ 3,216,785</u>	<u>\$ 59,769</u>	<u>\$ 3,276,553</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, 2014

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support:			
Contributions	\$ 1,626,260	\$723,491	\$ 2,349,751
Revenue:			
Grants	77,422	5,177	82,599
Program service fees	236,478		236,478
Counseling	649,465		649,465
Rental income	102,653		102,653
Special events, net of expenses	64,961		64,961
Other Income	308		308
Total revenue	<u>1,131,288</u>	<u>5,177</u>	<u>1,136,465</u>
Total public support and revenue	2,757,547	728,668	3,486,215
Net assets released from restrictions	<u>684,463</u>	<u>(684,463)</u>	<u>-</u>
	3,442,010	44,205	3,486,215
EXPENSES			
Program services	1,667,136		1,667,136
Management and general	432,289		432,289
Fund raising	<u>149,979</u>		<u>149,979</u>
Total expenses	2,249,405	-	2,249,405
Increase in net assets	<u>1,192,606</u>	<u>44,205</u>	<u>1,236,811</u>
Less: Net income attributable to the noncontrolling interest	<u>(3,235)</u>		<u>(3,235)</u>
Increase in net asset attributable to Central Ohio Youth For Christ and Subsidiaries	1,189,371	44,205	1,233,576
Net assets at beginning of year	1,684,868	118,631	1,803,499
Net assets at end of year	<u>\$ 2,874,239</u>	<u>\$ 162,836</u>	<u>\$ 3,037,074</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, 2015 and 2014

	Total	Controlling Interest	Noncontrolling Interest
Balance at July 1, 2013	\$ 1,684,868	\$ 1,684,868	\$ -
Excess of revenues over expenses	\$ 1,192,606	1,189,371	3,235
Capital contribution	\$ 1,000	-	1,000
Balance at June 30, 2014	<u>\$ 2,878,474</u>	<u>\$ 2,874,239</u>	<u>\$ 4,235</u>
Excess of revenues over expenses	338,944	342,546	(3,602)
Balance at June 30, 2015	<u><u>\$ 3,217,418</u></u>	<u><u>\$ 3,216,785</u></u>	<u><u>\$ 633</u></u>

CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Consolidated Net Assets	\$ 235,877	\$ 1,236,811
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Gain) Loss on asset disposition	2,883	
Depreciation	177,857	79,061
Amortization of loan costs	25,401	15,044
Excess fair value on acquisition	-	
Decrease/(increase) in current assets:		
Accounts receivable	75,749	(29,732)
Vehicle inventory	(19,500)	1,500
Prepaid expenses	(23,226)	(2,699)
Other assets	600	(3,953)
Deposits	(1,500)	-
Increase/(decrease) in current liabilities:		
Accounts payable	9,774	(76,956)
Credit cards payable	(2,531)	2,448
Accrued expenses	101,884	10,070
	583,268	1,231,594
Net cash provided by operating activities		
CASH FLOWS TO INVESTMENT ACTIVITIES		
Purchase of fixed assets	(1,779,846)	(320,916)
Interest receivable	(52,531)	-
Construction in progress	-	(3,344,061)
	(1,832,377)	(3,664,977)
Net cash used by investment activities		
CASH FLOWS TO FINANCING ACTIVITIES		
Change in Demand notes	8,930	(200,000)
Notes payable, net	(334)	5,595,778
Capital leases	(3,039)	(18,480)
Loan origination fees	-	(448,654)
	5,557	4,928,644
Net cash provided by financing activities		
Net increase in cash & cash equivalents	(1,243,553)	2,495,261
CASH BEGINNING OF YEAR	2,831,445	336,184
CASH & EQUIVALENT AT END OF YEAR	\$ 1,587,892	\$ 2,831,445

The accompanying notes are an integral part of these financial statements

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) 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 \$11,250 and \$27,000 at June 30, 2015 and 2014, 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.

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. At June 30, 2014, the property located at 154 Chicago Avenue had been transferred to this entity. 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>2015</u>		<u>2014</u>
Checking accounts - unrestricted	\$ 1,107,820	\$	1,079,737
Checking accounts - restricted	<u>432,861</u>		<u>1,751,709</u>
	\$ 1,540,681	\$	2,831,446

Restrictions on cash consist of the following:

	<u>2015</u>		<u>2014</u>
Construction loan funds	69,812		1,623,449
Project expenses	<u>480,323</u>		<u>128,260</u>
	\$ <u>550,135</u>	\$	<u>1,751,709</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, 2015 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. Therefore, the fund 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 \$11,738 and \$11,400, respectively). During the years ended June 30, 2015 and 2014, the fund had total net income of \$338 and \$1,392, respectively. Income for the year ended June 30, 2015 and 2014 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, 2015, the remaining funds for the "Project" under this loan were \$69,812. See Note 6 and 7 for additional information related to the Project.

The Organization established a separate restricted account to hold funds received from construction loans as required by the bank. All funds utilized from this account must be requested via a construction draw form and approved by the bank. 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.

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 that intentions to give are promises that are legally binding and 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.

7. Property and Equipment

The straight-line depreciation method is used by the Organization with useful lives of buildings at 30 to 50 years and fixtures, furniture and equipment ranging from 3 to 15 years.

Depreciation expenses for the years ending June 30, 2015 and 2014 were \$177,857 and \$79,061 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 but the Project but the project was substantially complete.

The Organization currently has construction in progress for a residential property located on Chicago avenue and also a housing complex for the Gracehaven ministry (see Note 15 for more information). Total construction expenditures at June 30, 2015 were \$5,843 and \$111,757, respectively. The Organization has currently ceased construction on the Chicago avenue property due to the extent of repairs and renovations required. No plans to continue renovation exist at this time.

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.

CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES

Notes to Financial Statements

8. Financial restructuring, continued

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.

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% the by 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).

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

8. Financial restructuring, continued

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

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

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, 2015 and 2014 in the amount of \$214,325 and \$109,172.

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>2015</u>	<u>2014</u>
Gross Carrying Amount	\$ 448,654	\$ 448,654
Less: Accumulated Amortization	<u>40,4456</u>	<u>15,0445</u>
	<u>\$ 408,208</u>	<u>\$ 433,609</u>

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

10. Loan Fees, continued

Amortization expense for the year ended June 30, 2015 and 2014 was \$25,401 and 15,045, respectively. Estimated aggregate amortization expense at June 30, 2016 for each of the five succeeding years is as follows:

2016	\$25,402
2017	25,274
2018	25,146
2019	25,146
2020	25,146

11. Short-Term Notes and Credit Cards Payable

	2015	2014
Line of credit	\$ 18,930	\$ 0
Demand note	-	10,000
Credit cards payable	<u>10,131</u>	<u>12,661</u>
Total	<u>\$ 29,060</u>	<u>\$ 22,661</u>

As of June 30, 2014, Central Ohio Youth for Christ had a non interest bearing, unsecured, 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. This note was paid in full during the year ended June 30, 2015 with interest of approximately \$60.

On January 7, 2011 Central Ohio Youth for Christ executed a demand loan payable to a friend of the Organization in the amount of \$145,000. The stated interest rate was nominal. The balance on this note was \$95,000 at June 30, 2013 and paid in full during 2014. Interest is imputed at a rate of 7% and was approximately \$1,271 for the year ending June 30, 2014.

On June 21, 2013, Central Ohio Youth for Christ executed a \$100,000 demand note payable to a member of the Organization's Board of Directors. The stated interest rate was 2.00%. The balance on this note was \$100,000 at June 30, 2013. In addition, during August 2013, the Organization executed three additional demand notes. Two \$100,000 notes payable to board members and a \$150,000 note payable to a friend of the Organization. The notes each bear interest at 2% due and payable monthly. These notes, totaling \$450,000, were repaid during the year ended June 30, 2014 plus interest of \$3,985. All notes were unsecured.

On July 17, 2012, Central Ohio Youth for Christ executed a noninterest bearing demand loan payable to an officer of the Organization in the amount of \$10,000. The balance on this loan was \$5,000 at June 30, 2013. Interest is imputed at a rate of 7% was approximately \$350, for the years ending June 30, 2014 and 2013. The loan was paid in full during the year ended June 30, 2014.

The Organization has seven 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:

	2015	2014
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.	\$ 202,158	\$ 211,765
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 were amended February 5, 2016, to begin measurement with the fiscal year ending June 30, 2016.	2,307,171	2,310,000
Note payable to a foundation, interest at 3.00% per annum, quarterly payments of interest only. Last loan payment scheduled to occur in July 2018. Collateralized by key man life insurance policies. Subordinated to bank loans.	600,000	750,000
Note payable to a foundation, interest at 3.00% per annum, quarterly payments of interest only. Last loan payment scheduled to occur in July 2018. Collateralized by key man life insurance policies. Subordinated to bank loans.	600,000	750,000
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 \$146,620.	4,226,000	4,226,000

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

12. Long-Term Debt, continued

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 \$146,620.

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 (3.18125% at June 30, 2015). 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 were amended February 5, 2016, to begin measurement with the fiscal year ending June 30, 2016.

146,620 -

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.

165,482 -

Less amount due within one year

10,811,431	\$	10,811,765
(28,811)		(9,434)

Total Long-term debt

10,782,620	\$	10,802,331
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CENTRAL OHIO YOUTH FOR CHRIST, INC. AND SUBSIDIARIES
Notes to Financial Statements

12. Long-Term Debt, continued

Maturities of notes payable are as follows:

Year ended June 30, 2016	28,811
2017	211,410
2018	153,272
2019	1,209,180
2020	111,587
thereafter	9,097,171
Total Maturities	10,811,431

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:

	2015	2014
Equipment	\$ 87,209	\$ 115,745
Less accumulated depreciation	(36,566)	(53,932)
	\$ 50,643	\$ 61,813

The following is a schedule by years of future minimum lease payments required under the capital lease obligations as of June 30, 2015:

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ 14,126
2017	6,808
2018	3,972
2019	3,972
2020	1,986
Total minimum lease payments	30,864
Less: amount representing interest	(2,670)
Present value of future minimum lease payments	28,194
Less: current portion of capital leases	(13,062)
Capital leases, net of current portion	\$ 15,132

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

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>	2015		2014
Cash and cash equivalents	\$ 69,812	\$	1,735,127
Restricted cash	432,861		
Accounts Receivable	18,361		20,660
Total current assets	521,034		1,755,787
Property and equipment, net	7,072,861		5,743,720
Loan fees, net	339,282		351,540
Total Assets	\$ 7,933,177	\$	7,851,047
<u>LIABILITIES AND MEMBERS'</u>			
<u>EQUITY</u>			
Accounts Payable	\$ 16,037	\$	11,217
Accts payable – related party	68,636		167,555
Other current liabilities	101,654		-
Total current liabilities	186,327		178,772
Long-term debt	6,936,620		6,790,000
Total Liabilities	7,122,947		6,968,772
Members' Equity	810,230		882,275
Total Liabilities & Equity	\$ 7,933,177	\$	7,851,047
<u>INCOME STATEMENT</u>			
Rent revenue	\$ 386,250	\$	95,000
Less:			
Management fees	15,000		8,000
Professional services	48,508		0
Other expenses	46,677		211
Interest expense	219,656		0
Depreciation and amortization	132,055		22,082
Net Income (Loss)	(75,646)		64,707
Less: Non-Controlling Interest	3,602		(3,235)
Net Income (Loss) included in the financial statements	\$ (72,044)	\$	61,472

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	
<u>ASSETS</u>	2015
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
<u>LIABILITIES AND MEMBERS'</u>	
<u>EQUITY</u>	
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 \$59,769 and \$162,836 at June 30, 2015 and 2014 respectively were restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Youth & Family Impact	\$3,789	\$1,999
City Life programs	15,000	5,177
Gracehaven programs	10,429	0
Chicago Avenue facility renovations	11,738	139,660
Funds held as an agent	<u>18,813</u>	<u>16,000</u>
	<u>\$59,769</u>	<u>\$162,836</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. Net assets totaling \$18,813 represent funds held that will be distributed to these organizations.

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 years ending June 30, 2015 were \$33,543 for insurance, \$31,163 for dues and \$12,625 for staff training. For the year ended June 30, 2014, the payments were \$31,429 for insurance and \$30,000 for dues.

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 \$3,342 and \$2,640 respectively during the years ending June 30, 2015 and June 30, 2014.

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. Instead of charging the Organization for the services provided, the board member contributed the legal services at fair market value. For the year ending June 30, 2015 the value of the services provided was \$6,824. In addition, the board member received compensation for services rendered in coordination of the NMTC credit of approximately \$46,000. See Note 8 for information regarding the NMTC credit. No services were donated during the year ended June 30, 2015.

See other notes for more related party transactions.

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 agencies 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. Survivors 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). Survivors Ink raises money to have tattoo artists cover that ownership tattoo with a different tattoo consistent with their new life.

Services agreed to included set 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). See Note 28 regarding current status of this agency relationship.

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. See Note 28 regarding subsequent events related to Franklinton Rising. Prior to June 30, 2014, the Organization had collected approximately \$13,000 of funds Franklinton Rising's behalf. 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 reported 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.

During the year ended June 30, 2015, the Organization received shares of stock. The donation was reported at the fair market value of the stock upon donation and is included in contributions in these financial statements. Total fair value of stock received during the year was \$36,118. The Organization's policy is to sell stock received. At June 30, 2015, the Organization owned \$10,981 of stock shares which have been included with cash and equivalents as the Organization's intent is to liquidate the shares for cash.

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

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

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 has been reported with other property and equipment. See Note 28 on subsequent transfer of the real estate.

21. Rental Income and Leasing Activities

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

Central Ohio Youth for Christ, Inc. leases the commercial space for its City Life ministry (located at 40 Chicago Avenue) and YFC Promotions program (located at 1256 West Broad) from its 95% owned subsidiary, City Life Enterprises, LLC under a non-cancellable twenty-year lease agreement. The lease agreement requires monthly rent of \$25,000 through 2023 and increasing rents through 2033 plus reimbursement of common area charges, utilities, maintenance, insurance, and taxes. This lease serves as collateral under bank debt as noted in the long-term debt disclosure. City Life Enterprises, LLC is consolidated in these financial statements and therefore, these transactions have been eliminated in consolidation. See Notes 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, 2015 and \$16,667 for the twelve months ending June 30, 2016. During the year ended June 30, 2015 and 2014, the Organization reported rent income of \$150,000 and \$83,333, 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 \$7,567,242 with accumulated depreciation of \$605,591 at June 30, 2015.

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

21. Rental Income and Leasing Activities, continued

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

Year Ending June 30	Amount
2016	\$ 200,000
2017	225,000
2018	225,000
2019	225,000
2020	225,000
thereafter	<u>550,000</u>
	<u>\$ 1,650,000</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 \$39,150 and \$19,320 during the year ended June 30, 2015 and 2014, respectively.

22. Operating Leases

The Organization leases various facilities under operating leases. Rent expense for these leases for the years ended June 30, 2015 and 2014 was \$84,395 and \$57,400 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. Previous lease terms were on a month-to-month basis at \$2,000 per month.

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

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

The Organization leased other facilities on a temporary basis due to construction and for one-time events. Rent expense for these temporary uses was \$630 and \$20,402 for the year ended June 30, 2015 and 2014, respectively.

As of June 30, 2015, the future minimum lease payments under non-cancellable lease agreements are as follows:

2016	\$ 50,382
2017	<u>35,432</u>
	<u>\$ 85,814</u>

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

23. 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.

24. 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, 2015 and 2014, 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, 2012. 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, 2015 and 2014.

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

25. 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).

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 periods ended June 30, 2015 and 2014, 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).

26. 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, 2015 and 2014. 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, 2015 and 2014 were as follows:

	2015	2014
Interest and finance charges paid	\$ 467,045	\$ 296,778
Less: capitalized interest	(73,280)	(255,820)
Accrued interest	12,840	11,234
Less: Prior accrued interest	(11,234)	0
Interest expense	<u>\$ 395,371</u>	<u>\$ 59,616</u>

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

26. 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.

27. Contingency

The Organization was assessed real estate taxes for the 6 months ended June 30, 2014 and for the 12 months ended June 30, 2015. 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 is currently working to get their nonprofit exemption acknowledged by Franklin County. Real estate taxes currently charged by the County, including penalties and interest, approximates \$208,150. In addition, real estate taxes on the properties for the six months ended December 31, 2015 at approximately \$84,000 would be due and payable in January 2016, if the exemption is not accepted. The Organization has indicated that it more likely than not that the exemption will be granted; therefore, no accrual for these taxes has been recorded. This restriction has been reported with other restricted funds.

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

28. Subsequent Events

Subsequent events have been evaluated through March 4, 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.

On November 16, 2015, the Organization donated land and a residence located at Dana Avenue to Franklinton Rising (see note 18 regarding agency relationships) with a value of \$38,500

During August 2015, the Organization completed construction and was granted occupancy for its Gracehaven residential complex and began accepting victims of sex trafficking for placement by counties in Ohio.

The Organization has initiated a tentative contract to purchase a building to allow for central location of all administrative functions. Currently, the administrative team for the various activities of the Organization is located in various owned and leased properties. The Organization believes this acquisition will occur prior to the year ending June 30, 2016.

During August 2015, Survivor's Ink was granted its own 501(c) (3) and therefore ended the agency relationship with Gracehaven, Inc. Approximately \$38,000 of fund attributable to the activities of Survivor's Ink were transferred out of Gracehaven, Inc. at that time.

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

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program Service</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Cost of goods sold	\$ 99,063	\$ 2,761	\$ 5	\$ 101,829
Personnel expense	1,062,779	312,154	156,365	1,531,298
Training and development	55,074	30	2,630	57,734
Travel and meals	4,027	1,719	20,636	26,382
Occupancy expense	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	17,975	488	6,005	24,468
Dues and licenses	2,587	34,480	60	37,127
Advertising and promotion	2,581	-	6,575	9,156
Insurance - general	13,912	1,470	-	15,382
Contributions	38,500	-	-	38,500
Other expenses	4,351	147	-	4,498
Interest expense	354,946	40,425	-	395,371
Bank fees and charges	9,923	13,245	1,049	24,217
Amortization of Loan Fees	12,258	13,143	-	25,401
	<u>2,011,739</u>	<u>541,750</u>	<u>215,942</u>	<u>2,769,431</u>
Total expenses before depreciation				
Depreciation expense	\$ 151,994	25,767	96	\$ 177,857
Total expenses	<u>\$ 2,163,734</u>	<u>\$ 567,517</u>	<u>\$ 216,038</u>	<u>\$ 2,947,289</u>

See independent auditor's report.

CENTRAL OHIO YOUTH FOR CHRIST, INC. & SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 62,965	\$ 1,639	\$ -	\$ 64,604
Personnel	1,135,937	240,123	107,968	1,484,028
Training and development	27,698	\$ 14,446	\$ -	\$ 42,144
Travel and meals	6,191	-	8,075	14,266
Occupancy	159,187	8,891	8,302	176,380
Office Expense	50,536	30,814	22,156	103,506
Professional services	57,320	21,178	519	79,017
Supplies	32,211	1,851	2,959	37,021
Dues and licenses	9,715	24,585	-	34,300
Advertising and promotion	16,100	-	-	16,100
Insurance	8,132	36,185	-	44,317
Interest expense	13,000	16,742	-	29,742
Bank fees and charges	9,777	20,097	-	29,874
Loan fees and amortization	6,129	8,915	-	15,044
Total expenses before depreciation	<u>1,594,898</u>	<u>425,466</u>	<u>149,979</u>	<u>2,170,343</u>
Depreciation expense	<u>72,238</u>	<u>6,823</u>	<u>-</u>	<u>79,061</u>
Total expenses	<u>\$ 1,667,136</u>	<u>\$ 432,289</u>	<u>\$ 149,979</u>	<u>\$ 2,249,405</u>

See independent auditor's report.