



Urban Outreach Inc.

**URBAN OUTREACH, INCORPORATED**

Financial Statements  
And CFO Comments for  
Years Ended July 31, 2015 and 2014

URBAN OUTREACH, INC.

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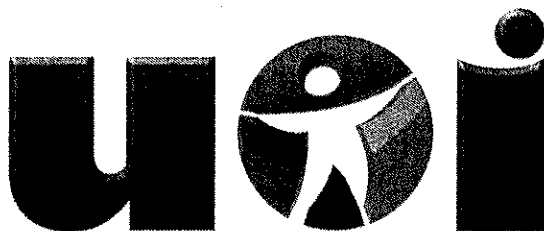
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Urban Outreach Inc.

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To the Board of Trustees  
Urban Outreach, Incorporated  
Houston, Texas

I have prepared the accompanying financial statements of Urban Outreach, Incorporated (a Texas non-profit corporation), which comprise the statement of financial position as of July 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management 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.

My responsibility is to prepare these financial statements based on financial records I maintained. Consequently, I am not able to express an independent opinion concerning the financial statements referred to above.

Regards,

Gordon Whitworth, CPA

Houston, Texas  
September 17, 2014

**URBAN OUTREACH, INCORPORATED**

Comparative Statement of Financial Position as of July 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 345,870	\$ 287,982
Investments	0	57,350
Prepaid expenses	4,200	15,068
Security deposit	1,875	1,875
Accounts receivable	<u>10,862</u>	<u>27,172</u>
 TOTAL ASSETS	 <u>\$ 362,807</u>	 <u>\$ 389,447</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses and payroll taxes payable	\$ <u>13,481</u>	\$ <u>12,700</u>
Total liabilities	<u>13,481</u>	<u>12,700</u>
Net assets:		
Unrestricted	321,479	364,513
Temporarily restricted	<u>27,847</u>	<u>12,234</u>
Total net assets	<u>349,326</u>	<u>376,747</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 362,807</u>	 <u>\$ 389,447</u>

## URBAN OUTREACH, INCORPORATED

Statement of Activities for the Year Ended July 31, 2015

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 211,044	\$ 44,950	\$ 255,994
Fundraising events	106,027	4,250	110,277
Program service revenue	189,528	43,864	233,392
Contributed services, facilities and supplies	1,669,109	-	1,669,109
Investment and interest	<u>(15,763)</u>	<u>-</u>	<u>(15,763)</u>
Total revenue	2,237,396	93,064	2,253,009
Net assets released from restrictions:			
Expiration of time and purpose restrictions	<u>77,451</u>	<u>(77,451)</u>	<u>-</u>
Total	<u>2,237,396</u>	<u>15,613</u>	<u>2,253,009</u>
EXPENSES:			
Program services:			
Program service	<u>2,019,573</u>	<u>-</u>	<u>2,019,573</u>
Total program services	2,019,573	-	2,019,573
Management and general	108,951	-	108,951
Fundraising and development	<u>151,906</u>	<u>-</u>	<u>151,906</u>
Total expenses	<u>2,280,430</u>	<u>-</u>	<u>2,280,430</u>
CHANGES IN NET ASSETS	(43,034)	15,613	(27,421)
Net assets, beginning of year	<u>364,513</u>	<u>12,234</u>	<u>376,747</u>
Net assets, end of year	<u>\$ 321,479</u>	<u>\$ 27,847</u>	<u>\$ 349,326</u>

## URBAN OUTREACH, INCORPORATED

Statement of Activities for the Year Ended July 31, 2014

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 254,855	\$ 41,042	\$ 295,897
Fundraising events	-	-	-
Program service revenue	226,500	-	226,500
Contributed services, facilities and supplies	1,671,340	-	1,671,340
Investment and interest	<u>(7,803)</u>	<u>-</u>	<u>(7,803)</u>
Total revenue	2,144,892	41,042	2,185,934
Net assets released from restrictions:			
Expiration of time and purpose restrictions	<u>44,891</u>	<u>(44,891)</u>	<u>-</u>
Total	<u>2,189,783</u>	<u>(3,849)</u>	<u>2,185,934</u>
EXPENSES:			
Program services:			
Program service	<u>1,956,448</u>	<u>-</u>	<u>1,956,448</u>
Total program services	1,956,448	-	1,956,448
Management and general	124,497	-	124,497
Fundraising and development	<u>55,571</u>	<u>-</u>	<u>55,571</u>
Total expenses	<u>2,136,516</u>	<u>-</u>	<u>2,136,516</u>
CHANGES IN NET ASSETS	53,267	(3,849)	49,418
Net assets, beginning of year	<u>311,246</u>	<u>16,083</u>	<u>327,329</u>
Net assets, end of year	<u>\$ 364,513</u>	<u>\$ 12,234</u>	<u>\$ 376,747</u>

**URBAN OUTREACH, INCORPORATED**

**Statement of Functional Expenses for the Year Ended July 31, 2015**

	Program Services	Support Management and General	Fundraising and Development	Total
Salaries, wages and benefits	\$ 92,024	\$ 66,833	\$ 27,985	\$ 186,842
Contract coordinators and labor	113,162	-	3,648	116,810
Contributed services	907,940	25,400	35,900	969,240
Contributed facilities and supplies	684,400	-	15,469	699,869
Direct program costs	186,477	-	-	186,477
Insurance	290	10,269	88	10,647
Rent and lease	15,540	11,517	4,302	31,359
Telephone, postage and miscellaneous	1,364	5,366	5,104	11,834
Office supplies and equipment	-	12,266	-	12,266
Professional fees	-	-	-	-
Grants	-	-	-	-
Special event expense	-	-	55,086	55,086
Allocate indirect expenses	18,736	(22,700)	4,324	-
<b>TOTAL EXPENSES</b>	<b>\$2,019,573</b>	<b>\$108,951</b>	<b>\$151,906</b>	<b>\$ 2,280,430</b>

**URBAN OUTREACH, INCORPORATED**

**Statement of Functional Expenses for the Year Ended July 31, 2014**

	Program Services	Support Management and General	Fundraising and Development	Total
Salaries, wages and benefits	\$ 83,542	\$ 50,993	\$ 19,423	\$ 153,958
Contract coordinators and labor	92,439	-	-	92,439
Contributed services	885,240	48,900	28,800	962,940
Contributed facilities and supplies	708,400	-	-	708,400
Direct program costs	154,439	-	-	154,439
Insurance	183	9,489	42	9,714
Rent and lease	15,289	11,337	4,236	30,863
Telephone, postage and miscellaneous	943	6,397	1,905	9,245
Office supplies and equipment	-	7,518	-	7,518
Professional fees	-	6,000	-	6,000
Grants	1,000	-	-	1,000
Special event expense	-	-	-	-
Allocate indirect expenses	14,973	(16,137)	1,164	-
<b>TOTAL EXPENSES</b>	<b>\$1,956,448</b>	<b>\$124,497</b>	<b>\$55,571</b>	<b>\$ 2,136,516</b>



URBAN OUTREACH, INCORPORATED

Statements of Cash Flows for the Years Ended July 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ <u>(27,421)</u>	\$ <u>49,418</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	57,350	10,311
Changes in operating assets and liabilities:		
Other receivables	16,310	(22,520)
Prepaid expenses	10,868	(11,489)
Accrued expenses and payroll taxes	781	(1,453)
Contribution received of investment securities	<u>-</u>	<u>49,130</u>
Net cash provided by operating activities	<u>57,888</u>	<u>73,397</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,888	73,397
Cash and cash equivalents, beginning of year	<u>287,982</u>	<u>214,585</u>
Cash and cash equivalents, end of year	<u>\$ 345,870</u>	<u>\$ 287,982</u>

## **URBAN OUTREACH, INCORPORATED**

Notes to Financial Statements for the Year Ended July 31, 2015 and 2014

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### **NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### Organization

Urban Outreach, Incorporated (UOI) is a publicly supported 501 (c) 3 non-profit corporation incorporated in 199 under the laws of the State of Texas. The UOI mission is to provide life changing programs for at-risk youth and vulnerable families in apartment complexes, schools and camps in the greater Houston area. UOI accomplishes this mission by building relationships with families and providing essential services that help them make lasting changes. UOI has three major programs: (1) Apartment Ministry Program to children and families ; (2) Character Development In Schools Program in Houston area schools and; (3) the Christian Summer Camping Program for children and youth. Through Support Programs, UOI remains committed to addressing additional needs in the Houston area by collaborating with key partners and supporters to leverage available resources for inner-city families of food, clothing, home furnishings, computer equipment and tickets for sporting and cultural events.

#### Federal income tax status

UOI is exempt from federal income tax under §501(c) (3) of the Internal Revenue Code and is classified as a public charity under §170(b) (1)(A)(vi). UOI files annual federal information returns.

#### Use of Estimates

Management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

#### Cash and Cash Equivalents

Cash equivalents include highly liquid financial instruments with original maturities of three months or less. Cash accounts are primarily interest-bearing cash accounts and money market accounts with two financial institutions.

## URBAN OUTREACH, INCORPORATED

Notes to Financial Statements for the Year Ended July 31, 2015 and 2014

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Investments

Stock investments are carried at fair market value and realized and unrealized gains and losses are reflected in the statement of activities. Investments in certificates of deposit for an initial maturity of more than three months are recorded as investments. Investment returns are reported in the statement of activities as an increase in unrestricted net assets unless its use is limited by donor-imposed restrictions. These investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and cash equivalents and consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 2,778	\$ 2,492
Realized and unrealized gain (loss) on investments	(18,541)	(10,295)
Total investment returns	<u>\$ (15,763)</u>	<u>\$ (7,803)</u>

#### Pledges receivable

Contributions are recognized when the donor makes a promise to give to Urban Outreach, Inc. that is expected to be collected within one year and are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows. At July 31, 2015 and 2014 there were no promises to give.

#### Net asset classification

Revenue and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or future time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

URBAN OUTREACH, INCORPORATED

Notes to Financial Statements for the Year Ended July 31, 2015 and 2014

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period on which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenue, support and expenses and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are generally reported as unrestricted contributions in the accompanying financial statements.

Contributed Services

UOI recognizes as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used or when the service is provided. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, UOI receives hundreds of hours of donated work from Board members and other volunteers helping with business and program activities. While the value of such contributed efforts is vitally beneficial to UOI, no dollar amount is recognized in these financial statements for those contributions.

Equipment

It is UOI's policy to capitalize acquisition of property and equipment over \$5,000. Property and equipment are depreciated using straight-line method over estimated useful lives of assets.

**NOTE 2 – FAIR VALUE MEASUREMENTS**

UOI measures and reports certain assets and liabilities at fair value and within a hierarchal disclosure framework which prioritizes and ranks the level of observable inputs used in measuring fair value. At each balance sheet date, UOI performs an analysis of all instruments subject to fair value measurements.

## URBAN OUTREACH, INCORPORATED

Notes to Financial Statements for the Year Ended July 31, 2015 and 2014

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### NOTE 2 – FAIR VALUE MEASUREMENTS - CONTINUED

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value three-tier hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.

The fair value of cash and cash equivalents, accounts receivable and accrued liabilities are carried at amounts that approximate book value at July 31, 2015 due to the short-term nature of these accounts.

### NOTE 2 – RENT AND LEASE EXPENSE

UOI paid a mutually agreed rent for the offices located at 1425 Blalock Road, Suite 201, Houston, Texas 77055 for the first seven months of the fiscal year. In March 2015 UOI entered into a thirty-six months lease agreement for the offices. In addition, UOI paid monthly rent for a storage unit and leased a copier for the office. Office rent and lease expense is considered a direct functional expense of programs, fundraising and development only for the space assigned or occupied. Rental expense for the storage unit is allocated in the same proportion. Lease of the copier and the balance of rent and lease expense is considered management and general support expense. Future minimum payments under the office and copier operational leases are as follows:

Year Ending July 31,	
2016	\$30,504
2017	31,405
2018	<u>18,645</u>
Total Minimum Payments	<u>\$80,554</u>

#### **NOTE 4 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 17, 2015 which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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