

Pittsburgh Urban Magnet Project

Financial Statements

Years Ended December 31, 2018 and 2017
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

PITTSBURGH URBAN MAGNET PROJECT

YEARS ENDED DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses:	
- Year Ended December 31, 2018	3
- Year Ended December 31, 2017	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

Board of Directors Pittsburgh Urban Magnet Project

We have audited the accompanying financial statements of Pittsburgh Urban Magnet Project (PUMP), a nonprofit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PUMP as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, PUMP adopted ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which amends the requirements for financial statements for nonprofit entities. Our opinion is not modified with respect to this matter.

Maier Duessel

Pittsburgh, Pennsylvania
October 2, 2019

PITTSBURGH URBAN MAGNET PROJECT

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
<hr/> Assets <hr/>		
Current assets:		
Cash and cash equivalents	\$ 29,817	\$ 31,091
Accounts and pledges receivable	43,573	16,868
Prepaid expenses	11,734	10,719
	<hr/>	<hr/>
Total current assets	85,124	58,678
	<hr/>	<hr/>
Equipment, net	42,400	42,063
	<hr/>	<hr/>
Total Assets	\$ 127,524	\$ 100,741
	<hr/> <hr/>	<hr/> <hr/>
<hr/> Liabilities and Net Assets <hr/>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 76,547	\$ 32,204
Deferred revenue	61,397	80,357
	<hr/>	<hr/>
Total Liabilities	137,944	112,561
	<hr/>	<hr/>
Net Assets:		
Without donor restrictions	(10,420)	(11,820)
	<hr/>	<hr/>
Total Net Assets	(10,420)	(11,820)
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 127,524	\$ 100,741
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Change in Net Assets without Donor Restrictions:		
Revenue and support:		
Program service fees	\$ 930,839	\$ 965,270
Special events	47,855	47,537
Sponsorships	92,351	98,912
Donated materials and services	3,491	-
Contributions	182,098	19,536
Membership dues	103,407	40,975
Interest and other income	256	342
Net assets released from restrictions	6,969	19,961
Total revenue and support	1,367,266	1,192,533
Expenses:		
Program services	1,255,691	1,122,103
General and administrative	89,982	82,565
Fundraising	20,193	21,488
Total expenses	1,365,866	1,226,156
Change in Net Assets without Donor Restrictions	1,400	(33,623)
Change in Net Assets with Donor Restrictions:		
Grants and contributions	6,969	1,822
Net assets released from restrictions	(6,969)	(19,961)
Change in Net Assets with Donor Restrictions	-	(18,139)
Change in Net Assets	1,400	(51,762)
Net Assets:		
Beginning of year	(11,820)	39,942
End of year	\$ (10,420)	\$ (11,820)

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services			Total Program Services Expenses	Support Services		Total Support Services	Total
	Advocacy	Membership and Events	Pittsburgh Sports League		General and Administrative	Fundraising		
Salaries	\$ 88,719	\$ 28,274	\$ 170,837	\$ 287,830	\$ 29,554	\$ 14,927	\$ 44,481	\$ 332,311
Benefits and payroll taxes	14,832	3,685	34,483	53,000	9,248	3,150	12,398	65,398
Contracted services	169,189	11,827	182,740	363,756	33,341	394	33,735	397,491
Office and facilities rental	8,942	6,380	272,957	288,279	1,305	596	1,901	290,180
Equipment, supplies, and maintenance	816	2,171	34,564	37,551	2,206	139	2,345	39,896
Depreciation	3,613	1,955	5,951	11,519	630	215	845	12,364
Travel and meetings	2,021	82	12,846	14,949	3,435	17	3,452	18,401
Insurance	-	43	50,028	50,071	4,275	-	4,275	54,346
T-shirts	210	3,538	62,149	65,897	29	14	43	65,940
Dues, sponsorships, registrations	10,732	8,783	2,766	22,281	1,768	5	1,773	24,054
Other expenses	4,884	13,213	42,461	60,558	4,191	736	4,927	65,485
Total Expenses	\$ 303,958	\$ 79,951	\$ 871,782	\$ 1,255,691	\$ 89,982	\$ 20,193	\$ 110,175	\$ 1,365,866

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services			Total Program Services Expenses	Support Services		Total Support Services	Total
	Advocacy	Membership and Events	Pittsburgh Sports League		General and Administrative	Fundraising		
Salaries	\$ 69,542	\$ 13,165	\$ 180,913	\$ 263,620	\$ 28,360	\$ 14,180	\$ 42,540	\$ 306,160
Benefits and payroll taxes	12,576	1,640	36,859	51,075	9,192	1,996	11,188	62,263
Contracted services	17,000	9,961	210,556	237,517	32,006	667	32,673	270,190
Office and facilities rental	9,340	5,209	288,202	302,751	900	600	1,500	304,251
Equipment, supplies, and maintenance	2,465	2,432	42,482	47,379	352	2,506	2,858	50,237
Depreciation	1,947	245	4,840	7,032	184	123	307	7,339
Travel and meetings	1,867	404	8,518	10,789	3,212	-	3,212	14,001
Insurance	-	-	50,389	50,389	5,512	-	5,512	55,901
T-shirts	162	3,005	71,836	75,003	18	12	30	75,033
Dues, sponsorships, registrations	-	-	-	-	-	-	-	-
Other expenses	3,773	19,057	53,718	76,548	2,829	1,404	4,233	80,781
Total Expenses	\$ 118,672	\$ 55,118	\$ 948,313	\$ 1,122,103	\$ 82,565	\$ 21,488	\$ 104,053	\$ 1,226,156

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,400	\$ (51,762)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,364	7,339
Change in:		
Accounts and pledges receivable	(26,705)	10,843
Prepaid expenses	(1,019)	8,991
Accounts payable and accrued expenses	44,347	10,580
Deferred revenue	(18,960)	(19,718)
Net cash provided by (used in) operating activities	11,427	(33,727)
Cash Flows From Investing Activities:		
Purchase of equipment	(12,701)	(26,469)
Draws on line of credit	50,000	-
Payments on line of credit	(50,000)	-
Net cash provided by (used in) investing activities	(12,701)	(26,469)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,274)	(60,196)
Cash and Cash Equivalents:		
Beginning of year	31,091	91,287
End of year	\$ 29,817	\$ 31,091

See accompanying notes to financial statements.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Organization

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

Founded in 1996, PUMP is a membership organization with a mission to make Pittsburgh the most dynamic and diverse place by engaging, educating, and mobilizing all young people to create change in our community. Our vision is to see a Pittsburgh where young people have an active role in advocating and caring for our City, making Pittsburgh the first choice for everyone to live, work, and play. Each year, PUMP serves nearly 30,000 individuals, primarily under the age of 40, through its programming. More information can be found at www.pump.org.

PUMP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. PUMP annually files a Form 990.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

Basis of Net Assets

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

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Without donor restrictions – Net assets that are not subject to any donor-imposed stipulations.

With donor restrictions – Net assets that are subject to donor-imposed restrictions on the use of the assets that may be met either by actions of PUMP or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated funds be maintained in perpetuity.

Revenue Recognition

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

Contributions received are recorded as with or without donor restrictions, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

PUMP maintains its cash accounts at a single financial institution. The balances, at times, may exceed federally insured limits. The FDIC insures up to \$250,000 of these accounts within each individual bank. At December 30, 2018 and 2017, respectively, PUMP did not have cash on deposit exceeding the insured limit.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Equipment

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

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

Accounts Receivable

Accounts receivable consist primarily of amounts due from the Pittsburgh Sports League and sponsorships. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for doubtful accounts receivable deemed necessary at December 31, 2018 and 2017.

Pledges Receivable

PUMP records the receivable for unconditional pledges and corresponding revenue, at estimate net realizable value when the commitment is made. Pledges are recorded based on written commitments from the donors. Pledges receivable are \$0 as of December 31, 2018 and 2017.

In-Kind Support

Donated materials and services are reflected in the statements of activities at their estimated values at date of receipt. In-kind support, which consists of various materials and services, is primarily charged to program expenses. There was \$3,491 and \$0 of donated services revenue and expense recorded in 2018 and 2017, respectively.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Functional Allocation of Expenses

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

Liquidity and Availability

PUMP's financial assets (cash and cash equivalents and accounts receivable) as of December 31, 2018 and 2017 expected to be available to meet the cash needs for general expenditures within one year were \$73,390 and \$47,959, respectively.

PUMP manages its liquid resources by focusing on generating revenue through the services it provides to its members through program service fees to ensure the entity has sufficient funds to cover the programs that are being conducted. PUMP prepares a very detailed budget, cash flow projections, and resource development plan each year to ensure that the entity remains liquid.

PUMP maintains a line of credit to assist in meeting cash needs if they experience a lag between the service revenue, mentioned in the preceding paragraph, and the payment of costs. As of December 31, 2018 and 2017, there were no draws taken from the line of credit and no outstanding balance.

Adopted Accounting Pronouncement

For the year ended December 31, 2018, PUMP adopted ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The implementation of this standard was applied retrospectively to the comparative amounts presented for the year ended December 31, 2017.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Pending Pronouncements

The Financial Accounting Standards Board (FASB) has issued statements that will become effective in future years as outlined below. Management has not yet determined the impact of these statements on the financial statements.

ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606),”* is effective for the financial statements for the year beginning after December 15, 2018 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for the financial statements for the year beginning after December 15, 2019. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-18, *“Statement of Cash Flows (Topic 230): Restricted Cash,”* is effective for the financial statements for the year beginning after December 15, 2018. This amendment requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

ASU 2016-13, *“Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,”* is effective for the financial statements for the year beginning after December 15, 2021 (as amended by ASU 2018-19). This amendment requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

ASU 2018-08, *“Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,”* is effective for the financial statements for the year beginning after December 15, 2018. This amendment provides guidance for characterizing grants and similar contracts with government agencies and

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

Subsequent Events

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

3. Equipment

Equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 47,850	\$ 46,359
Leasehold improvements	3,128	3,128
Computer equipment	<u>36,776</u>	<u>25,566</u>
	87,754	75,053
Less: accumulated depreciation	<u>(45,354)</u>	<u>(32,990)</u>
Total equipment, net	<u><u>\$ 42,400</u></u>	<u><u>\$ 42,063</u></u>

Depreciation expense was \$12,364 and \$7,339 for the years ended December 31, 2018 and 2017, respectively.

4. Line of Credit

PUMP has a line-of-credit agreement with Dollar Bank providing for borrowings of up to \$50,000. The line is renewed through November 2019. The outstanding borrowings under the line are payable on demand and bear interest at prime plus 2%. PUMP drew down on their line of credit during 2018 but was fully repaid. There was no outstanding balance on the line of credit at December 31, 2018 and 2017.

PITTSBURGH URBAN MAGNET PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

5. Leases

In March 2013, PUMP entered into a sixty-two-month operating lease for office space which commenced on August 1, 2013. In May 2016, PUMP signed a lease amendment which increased their office space and rent payments. The new lease amendment is in effect until March 31, 2022. Rent expense was approximately \$32,900 and \$31,700 for the years ended December 31, 2018 and 2017, respectively.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 30,755
2020	31,375
2021	32,000
2022	8,120
	<u>\$ 102,250</u>

6. Benefit Plan

PUMP has a 408(k) Simplified Employee Pension plan (plan) covering all eligible employees. PUMP contributes to the plan at 6% of gross monthly salary. PUMP's contribution to the plan was \$18,448 and \$16,898, respectively, for the years ended December 31, 2018 and 2017.