

I CHALLENGE MYSELF, INC.

Financial Statements

For the Years Ended June 30, 2019 and 2018

 **BUCHBINDER**

I CHALLENGE MYSELF, INC.
For the Years Ended June 30, 2019 and 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
I Challenge Myself, Inc.

We have reviewed the accompanying financial statements of I Challenge Myself, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, the Organization adopted new accounting guidance, ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Our conclusion is not modified with respect to that matter.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

New York, NY
January 8, 2020

I CHALLENGE MYSELF, INC.
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 13,273	\$ 42,835
Grants receivable	17,999	15,426
Prepaid expenses	1,577	8,042
Security deposits	2,607	2,607
Property assets, net	<u>66,554</u>	<u>67,468</u>
Total assets	<u>\$ 102,010</u>	<u>\$ 136,378</u>
 Liabilities:		
Accounts payable and accrued expenses	\$ 20,082	\$ 37,210
Deferred special events revenue	13,680	-
Loan payable	<u>3,940</u>	<u>-</u>
Total liabilities	<u>37,702</u>	<u>37,210</u>
 Net assets:		
Without donor restrictions	52,787	78,721
With donor restrictions	<u>11,521</u>	<u>20,447</u>
Total net assets	<u>64,308</u>	<u>99,168</u>
Total liabilities and net assets	<u>\$ 102,010</u>	<u>\$ 136,378</u>

See independent accountant's review report and notes to financial statements.

I CHALLENGE MYSELF, INC.
Statements of Activities
For the years ended June 30, 2019 and 2018

	2019			2018		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Revenue:						
Contributions (including in-kind contributions of \$60,000 for 2018)	\$ 98,055	\$ 23,055	\$ 75,000	\$ 267,180	\$ 157,180	\$ 110,000
Government grants	70,799	-	70,799	79,620	-	79,620
Special events	64,009	64,009	-	46,263	46,263	-
Earned revenue from workshops and training	5,000	5,000	-	34,892	34,892	-
Interest and other income	18	18	-	34	34	-
 Net assets released from purpose restrictions	 -	 154,725	 (154,725)	 -	 190,428	 (190,428)
 Total revenue	 <u>237,881</u>	 <u>246,807</u>	 <u>(8,926)</u>	 <u>427,989</u>	 <u>428,797</u>	 <u>(808)</u>
Expenses:						
Program services	193,504	193,504	-	267,170	267,170	-
Supporting activities:						
Management and general	54,896	54,896	-	92,054	92,054	-
Fundraising	24,341	24,341	-	40,186	40,186	-
 Total expenses	 <u>272,741</u>	 <u>272,741</u>	 <u>-</u>	 <u>399,410</u>	 <u>399,410</u>	 <u>-</u>
 Change in net assets	 (34,860)	 (25,934)	 (8,926)	 28,579	 29,387	 (808)
Net assets:						
Beginning of year	<u>99,168</u>	<u>78,721</u>	<u>20,447</u>	<u>70,589</u>	<u>49,334</u>	<u>21,255</u>
 End of year	 <u>\$ 64,308</u>	 <u>\$ 52,787</u>	 <u>\$ 11,521</u>	 <u>\$ 99,168</u>	 <u>\$ 78,721</u>	 <u>\$ 20,447</u>

See independent accountant's review report and notes to financial statements.

I CHALLENGE MYSELF, INC.
Statements of Functional Expenses
For the years ended June 30, 2019 and 2018

	2019				2018			
	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising
Expenses:								
Salaries, payroll taxes and benefits	\$ 100,993	\$ 78,359	\$ 10,962	\$ 11,672	\$ 181,527	\$ 124,110	\$ 38,402	\$ 19,015
Program expenses	64,680	64,680	-	-	68,530	68,530	-	-
Accounting fees	15,435	-	15,435	-	16,118	-	16,118	-
Professional fees	24,522	9,071	11,993	3,458	48,916	15,596	21,579	11,741
Rent	36,125	21,114	7,414	7,597	34,530	22,007	5,048	7,475
Travel	3,299	2,870	429	-	8,199	7,313	886	-
Printing, postage and delivery	2,101	2,033	6	62	1,833	1,482	206	145
Office supplies	913	460	444	9	4,763	2,635	2,128	-
Insurance	2,589	1,354	1,235	-	1,683	991	692	-
Telephone	1,830	1,307	330	193	1,421	-	1,421	-
Dues and subscriptions	630	237	393	-	778	196	582	-
Bank fees	52	-	19	33	562	102	-	460
College bike tour lodging	-	-	-	-	3,880	3,880	-	-
Americorps living allowance	9,000	9,000	-	-	12,000	12,000	-	-
Interest	-	-	-	-	418	-	418	-
Meals	2,043	1,341	490	212	5,579	4,396	1,012	171
Gifts	-	-	-	-	60	60	-	-
Technology	6,115	-	5,010	1,105	5,850	1,920	2,825	1,105
Professional development	-	-	-	-	115	115	-	-
Depreciation	2,414	1,678	736	-	2,574	1,837	737	-
Miscellaneous	-	-	-	-	74	-	-	74
Total expenses	\$ 272,741	\$ 193,504	\$ 54,896	\$ 24,341	\$ 399,410	\$ 267,170	\$ 92,054	\$ 40,186

See independent accountant's review report and notes to financial statements.

I CHALLENGE MYSELF, INC.
Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (34,860)	\$ 28,579
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,414	2,574
Donated equipment	-	(60,000)
Changes in operating assets and liabilities:		
(Increase) decrease in grants receivable	(2,573)	45,682
Decrease (increase) in prepaid expenses	6,465	(4,903)
(Decrease) increase in accounts payable and accrued expenses	(17,128)	15,292
Increase in deferred special events revenue	<u>13,680</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(32,002)</u>	<u>27,224</u>
Cash flows from investing activities:		
Acquisition of property assets	<u>(1,500)</u>	<u>(3,785)</u>
Net cash (used in) investing activities	<u>(1,500)</u>	<u>(3,785)</u>
Cash flows from financing activities:		
Proceeds from loan payable	<u>3,940</u>	<u>-</u>
Net cash provided by financing activities	<u>3,940</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(29,562)	23,439
Cash and cash equivalents:		
Beginning of year	<u>42,835</u>	<u>19,396</u>
End of year	<u>\$ 13,273</u>	<u>\$ 42,835</u>

See independent accountant's review report and notes to financial statements.

I CHALLENGE MYSELF, INC.
Notes to Financial Statements
June 30, 2019 and 2018

Note 1 - Nature of Operations

I Challenge Myself, Inc. (the “Organization”) is a not-for-profit organization established in New York in 2003. The Organization uses fitness-based challenges and service learning that allow youth in low-income communities to develop physically, academically and socially.

The Organization’s programs are founded on the premise that challenges provide opportunities to learn and grow. Perceiving challenges as opportunities allows youth to establish positive life skills in their critical adolescent years. To this end, the Organization is creating a movement that encourages youth to grow physically, mentally and emotionally. The Organization accomplishes this by providing public school students with demanding challenges: long distance cycling, fitness contests, service learning projects and college and career exploration. These challenges help students connect with their inner strength by setting and achieving goals. Students learn the value of teamwork, lead a more active lifestyle and expand their vision of future possibilities.

During the fiscal years ended June 30, 2019 and 2018, the Organization served approximately 700 and 631 students through its fitness, cycling and college and career readiness programs, respectively. The Organization partnered with seven New York City public high schools located in the South Bronx, the Lower East Side and Gravesend, Brooklyn.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Organization’s financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization’s financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

I CHALLENGE MYSELF, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in accordance 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

I CHALLENGE MYSELF, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts

The Organization uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts ("Allowance") is based on management's analysis of possible bad debts based on historical collection experience and its assessment on the collectability of existing specific accounts. Bad debt recoveries are charged against the Allowance account as realized.

Specific accounts are charged off against the Allowance when management believes that the specific account is not collectible.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

Revenue Recognition

Revenue and expenses are recorded on an accrual basis. Revenues received for future periods are deferred to the applicable period.

Contributions and Grants

Contributions are recorded as without donor restrictions or with donor restrictions depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions as applicable. Amounts are reclassified to net assets without donor restrictions from net assets with donor restrictions when restrictions expire by passage of time or the fulfillment of the stipulated purpose.

Donated Goods

Those donated goods that meet the requirements for recognition under generally accepted accounting principles are reported as both revenue and expense (or, in some cases, as assets) in the accompanying statements of activities, at amounts determined by management to be reasonable for obtaining such goods.

I CHALLENGE MYSELF, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes and benefits	Time and effort
Professional fees	Purpose of services provided
Rent	Use of space
Travel	Time and effort
Printing, postage and delivery	Asset usage
Office supplies	Asset usage
Insurance	Asset usage
Telephone	Asset usage
Dues and subscriptions	Asset usage
Bank fees	Asset usage
Meals	Time and effort
Technology	Purpose of services provided
Depreciation	Asset usage

Property Assets

Property assets are stated at cost, or if donated, at approximate fair value at the date of donation. Depreciation of property assets is provided on the straight-line method over the estimated useful lives of 5 to 7 years.

Income Taxes

The Organization files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service ("IRS"). At June 30, 2019, the Organization's Form 990s for the years 2015 through 2018 remain eligible for examination by the IRS.

I CHALLENGE MYSELF, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Organization adopted the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740-10-05, relating to the accounting and reporting for uncertainty on income taxes. Because of the Organization's general tax-exempt status, ASC Topic 740-10-05 did not have, and is not anticipated to have, a material impact on the Organization's financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Subsequent Events

The Organization has evaluated subsequent events and transactions through January 8, 2020, the date that the financial statements were available to be issued, and has concluded that no additional subsequent events disclosures are required.

Note 3 - Risks and Uncertainties

The Organization maintains its cash balances at a major money center financial institution. Balances fluctuate during the year and may exceed the FDIC insurance limits. The Organization has not experienced any losses in such accounts and management does not anticipate nonperformance by the financial institution.

Note 4 - In-kind Contributions

During the year ended June 30, 2018, the Organization received a donation of forty indoor stationary bicycles. In the fiscal year ended June 30, 2018, \$60,000 was recorded as both property and equipment and revenue in the accompanying financial statements, respectively.

I CHALLENGE MYSELF, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 5 - Net Assets with Donor Restrictions

As of June 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
College Bike Tour	\$ 11,521	\$ 11,521
Hispanic Federation Latino CORE Initiative	-	5,726
Heisman Trophy Youth Development Fund	<u>-</u>	<u>3,200</u>
Total net assets with donor restrictions	<u>\$ 11,521</u>	<u>\$ 20,447</u>

Note 6 - Property Assets

Property assets at cost or donated value at June 30, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Storage containers	\$ 11,289	\$ 11,289
Bikes	43,429	41,929
Indoor stationary bicycles	60,000	60,000
Computers	<u>3,682</u>	<u>3,682</u>
	118,400	116,900
Less: accumulated depreciation and amortization	<u>51,846</u>	<u>49,432</u>
Property assets, net	<u>\$ 66,554</u>	<u>\$ 67,468</u>

During 2019 and 2018, depreciation and amortization expense of property assets amounted to \$2,414 and \$2,574, respectively.

I CHALLENGE MYSELF, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 7 - Lease Commitment

On November 29, 2016, the Organization entered into a sublease agreement with Vita Sports Partners, Inc. for seven workstations in office premises located in New York City, under the terms of an operating lease that expires on November 29, 2023. The lease requires the following future minimum rental payments:

Years Ending June 30,	Amount
2020	\$ 31,637
2021	31,637
2022	31,637
2023	31,637
2024	13,182
Total	\$ 139,730

Rent expense for the years ended June 30, 2019 and 2018 amounted to \$36,125 and \$34,530, respectively.

Note 8 - Tax Status

The Organization has been determined by the IRS to be exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC") and has been classified as a publicly supported organization as described in Section 509(a)(1) of the IRC.

Note 9 - Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 13,273	\$ 42,835
Grants receivable	17,999	15,426
	\$ 31,272	\$ 58,261

The Organization's goal is to generally maintain sufficient financial assets to allow it to meet its obligations as they become due.

I CHALLENGE MYSELF, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 10 - Loan Payable

In May 2019, the Organization secured a short-term loan of \$3,940 from the Fund for the City of New York. The loan was non-interest bearing and the Organization repaid the loan in full in August 2019.