

Life Challenge of Southeastern MI

Financial Statements

December 31, 2016

Richard J. Boyse, CPA, PC

Certified Public Accountant

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Life Challenge of Southeastern MI
17667 Pierson
Detroit, MI 48219

We have reviewed the accompanying financial statements of Life Challenge of Southeastern MI (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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 my our review, 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.

Other Matter

The accompanying statement of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying

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accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Richard J. Boyse, CPA, PC
Rochester, MI
December 28, 2017

**Life Challenge of Southeastern MI
Statement of Financial Position**

	December 31, 2016	As of December 31, 2015
Assets		
Current Assets		
Huntington - Main Checking	\$ 126,075.73	\$ 44,636.60
Huntington - Secondary Checking	6,590.83	7,136.84
Petty Cash/Student Cash on Hand	2,293.65	1,885.77
Investments	<u>1,792.00</u>	<u>1,392.00</u>
Total Current Assets	<u>136,752.21</u>	<u>55,051.21</u>
Property and Equipment		
Buildings and Land	1,019,931.83	1,033,931.83
Furnishings & Equipment	310,046.96	285,880.96
Less Accumulated Depreciation	<u>(657,025.73)</u>	<u>(615,960.84)</u>
Net Property and Equipment	<u>672,953.06</u>	<u>703,851.95</u>
Non Current Assets		
Note Receivable - 16754 Braille	2,700.00	4,500.00
Education Fund Account	<u>87,727.70</u>	<u>81,549.06</u>
Total Non Current Assets	<u>90,427.70</u>	<u>86,049.06</u>
Total Assets	<u>\$ 900,132.97</u>	<u>\$ 844,952.22</u>
Liabilities and Net Assets		
Current Liabilities		
Amex - Credit Card	\$ 0.00	\$ 374.85
Chase Credit Card	13,456.12	7,084.25
Payroll Liabilities	2,148.78	3,121.43
Sales Tax Payable	61.88	49.68
Student Funds Holding Account	<u>2,659.97</u>	<u>3,429.41</u>
Total Current Liabilities	<u>18,326.75</u>	<u>14,059.62</u>
Long-Term Liabilities		
Total Long-Term Liabilities	<u>0.00</u>	<u>0.00</u>
Total Liabilities	<u>18,326.75</u>	<u>14,059.62</u>
Net Assets		
Net Assets Without Donor Restrictions	742,746.53	749,043.54
Net Assets With Donor Restrictions	139,059.69	81,849.06
Total Net Assets	<u>881,806.22</u>	<u>830,892.60</u>
Total Liabilities and Net Assets	<u>\$ 900,132.97</u>	<u>\$ 844,952.22</u>

See Accountants' Review Report

**Life Challenge of Southeastern MI
Statement of Activities and Changes in Net Assets**

	12 Months Ended December 31, 2016
Changes in Net Assets Without Donor Restrictions:	
Revenue	
Donations - Detroit	\$ 739,263.53
Donations - Flint	34,449.52
Fund Raising Activities	181,785.61
Community Service	18,672.78
Gifts in Kind	233,739.00
Vending Net Income	1,394.69
Induction and Program Fees	97,263.00
Storefront Resale	17,273.54
Miscellaneous Income	4,665.98
Net Assets Released - Satisfaction of Program Restrictions	2,911.01
Total Revenue Without Donor Restrictions	1,331,418.66
Expenses	
Program	1,013,222.66
General and Administrative	237,288.55
Fundraising	74,918.46
Total Expenses Without Donor Restrictions	1,325,429.67
Revenue Less Expenses Without Donor Restrictions	5,988.99
Other Changes in Net Assets Without Donor Restrictions	
Unrealized Security Gain/Loss	400.00
Gain (Loss) on Sale of Asset(s)	(12,686.00)
Total Other Changes	(12,286.00)
Increase (Decrease) in Net Assets Without Donor Restrictions	(6,297.01)
Changes in Net Assets With Donor Restrictions	
Donations - Mission Trips	3,943.00
Donations - Bathroom Upgrade	50,000.00
Education Fund Gain or Loss	6,178.64
Assets Released From Restrictions	(2,911.01)
Increase (Decrease) in Net Assets With Donor Restrictions	57,210.63
Increase (Decrease) in Net Assets	50,913.62
Net Assets, Beginning of Year	830,892.60
Net Assets, End of Year	\$ 881,806.22

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Life Challenge of Southeastern MI Statement of Functional Expenses

	Amount	%Total
Total Expenses	\$ 1,325,429.67	100.00%
Program Expenses		
Advertising	\$ 3,841.41	0.29%
Auto Expense - Program	24,740.67	1.87
Depreciation - Program	35,469.89	2.68
Dues and Subscriptions	1,444.00	0.11
Employee and Student Development - Program	10,887.76	0.82
Insurance - Program	46,184.58	3.48
Printing and Reproduction	16,789.95	1.27
Program Expense	256,037.86	19.32
Repairs and Maintenance - Program	28,494.44	2.15
Salaries and Benefits - Program	440,542.40	33.24
Taxes - Payroll - Program	25,026.52	1.89
Taxes - Property - Program	2,080.48	0.16
Travel	2,810.83	0.21
Utilities - Program	118,871.87	8.97
Total Program Expenses	\$ 1,013,222.66	76.44%
General and Administrative Expenses		
Administrative Expense	\$ 8,532.93	0.64%
Auto Expense - General	4,366.00	0.33
Bank Charges	9,446.20	0.71
Depreciation - General	8,713.00	0.66
Employee Development - General	2,744.45	0.21
Insurance - General	10,625.42	0.80
Fines and Penalties	46.37	0.00
Office Expense	2,866.01	0.22
Legal and Accounting	3,900.00	0.29
Repairs and Maintenance - General	8,171.47	0.62
Salaries and Benefits - General	138,135.18	10.42
Taxes - Payroll - General	6,730.93	0.51
Taxes - Property - General	6,241.42	0.47
Utilities - General	26,769.17	2.02
Total General and Administrative Expenses	\$ 237,288.55	17.90%
Fundraising Expenses		
Depreciation - Fundraising	\$ 316.00	0.02%
Fund Raising Expenses	18,112.93	1.37
Salaries and Benefits - Fundraising	53,293.68	4.02
Taxes - Payroll - Fundraising	3,195.85	0.24
Total Fundraising Expenses	\$ 74,918.46	5.65%
Total Expenses	\$ 1,325,429.67	100.00%

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**Life Challenge of Southeastern MI
Statement of Cash Flows**

	12 Months Ended December 31, 2016
Cash Flows from Operating Activities	
Increase (decrease) in net assets	\$ 50,913.62
Adjustments to reconcile net increase (decrease) to net cash provided by (used in) operating activities:	
Depreciation and Amortization	44,182.89
Decrease (Increase) in Operating Assets:	
Other	(400.00)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	5,227.58
Payroll Tax Accrual	(972.65)
Sales Tax Accrual	12.20
Total Adjustments	48,050.02
Net Cash Provided By (Used In) Operating Activities	98,963.64
Cash Flows from Investing Activities	
Purchase of Fixed Assets	(24,166.00)
Net Cash Provided By (Used In) Investing Activities	(24,166.00)
Cash Flows from Financing Activities	
Net Cash Provided By (Used In) Financing Activities	0.00
Net Increase (Decrease) In Cash and Cash Equivalents	74,797.64
Beginning Cash and Cash Equivalents	53,659.21
Ending Cash and Cash Equivalents	\$ 134,960.21

Life Challenge of Southeastern MI
Notes to Financial Statements
December 31, 2016

Nature of Activities and Significant Accounting Policies

Nature of Activities

Life Challenge of Southeastern Michigan ("the Organization") is a one year Christian-growth program providing residential care for men

Financial Statement Presentation

According to Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-For-Profit Entities, the Organizat

The net assets of the Organization are classified accordingly depending on the presence and characteristics of donor-imposed restrictio

Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as net assets

Contributed Materials and Services

The Organization received certain donated materials that have not met the requirements for recognition in the financial statements and

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an ir

Investments

Under SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in marketable securities with

Property and Equipment

Buildings, equipment, furniture and transportation equipment are recorded at cost when purchased. Donations of property and equipme

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Functional Allocation Expenses

The costs of providing program, general and administrative, and fundraising services have been reported on a functional basis in the s

Tax Status

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the United States Internal Rever

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estim

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transac

Permanent Restrictions on Net Assets

Net Assets with donor restrictions as of December 31, 2016 relate to funds that have been contributed for the establishment of an Edu