S.A.Y. DETROIT

Financial Report

For The Year Ended

December 31, 2017

GORDON
Advisors, P.C.
certified public accountants
1301 WEST LONG LAKE ROAD, SUITE 200, TROY MI 48098
PH: 248-952-0200 • FAX: 248-952-0290

S.A.Y. DETROIT AND SUBSIDIARY
Southfield, Michigan

I N D E X

GORDON
Advisors, P.C.
certified public accountants

1301 W. Long Lake Rd., Ste. 200
Troy, MI 48098-6319
t 248.952.0200 f 248.952.0290

INDEPENDENT AUDITORS' REPORT

Board of Directors
S.A.Y. Detroit
Southfield, Michigan

We have audited the accompanying consolidated financial statements of S.A.Y. Detroit (a Michigan nonprofit corporation) and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of S.A.Y. Detroit and subsidiary as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gordon Advisors, P.C.

February 21, 2019

S.A.Y. DETROIT AND SUBSIDIARY
Consolidated Statement of Financial Position
December 31, 2017

ASSETS

Current Assets	
Cash	$ 1,151,729
Pledges receivable, current portion	550,000
Accounts receivable	1,870
Inventory	16,602
Deposits	3,825
Prepaid expenses	20,304
Total Current Assets	1,744,330
Property and Equipment, Net	1,714,684
Other Assets	
Deferred tax asset, net	54,000
Pledges receivable (net of current portion and discount of $711,860)	3,188,140
Total Other Assets	3,242,140
Total Assets	$ 6,701,154

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	$ 110,048
Accounts payable - Related party	692,577
Due to affiliates	74,100
Other current liabilities	2,803
Total Liabilities	879,528
Net Assets	
Unrestricted	1,959,553
Temporarily restricted	3,862,073
Total Net Assets	5,821,626
Total Liabilities and Net Assets	$ 6,701,154

See Independent Auditors' Report and Accompanying Footnotes.

S.A.Y. DETROIT AND SUBSIDIARY
Consolidated Statement of Activities
For The Year Ended December 31, 2017

Changes In Unrestricted Net Assets	
Support:	
Contributions	$ 504,778
Special events, net of related expenses	798,536
Total Support	1,303,314
Dessert shop sales	502,765
Less: Cost of goods sold	(125,057)
Dessert shop gross profit	377,708
	1,681,022
Net assets released from donor restrictions	621,384
Total Revenues	2,302,406
Expenses:	
Program expenses	1,712,621
Supporting services	
Dessert shop operating	331,618
Management and general	158,089
Fundraising	2,699
Total Expenses	2,205,027
Income taxes:	
Current	-
Deferred	32,000
Total provision for income taxes	32,000
Net Increase In Unrestricted Net Assets	65,379
Changes In Temporarily Restricted Net Assets	
Contributions	163,750
Earnings on discounted pledges	164,928
Net assets released from donor restrictions	(621,384)
Net Decrease In Temporarily Restricted Net Assets	(292,706)
Decrease In Net Assets	(227,327)
Net Assets - Beginning of Year	7,303,741
Prior Period Adjustment	(1,254,788)
Net Assets - End of Year	$ 5,821,626

See Independent Auditors' Report and Accompanying Footnotes.

S.A.Y. DETROIT AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services		Supporting Services			
	Community	S.A.Y. Play Center	Management and General	Detroit Water Ice Factory	Fundraising	Total
Health clinic costs	$ 304,003	$ -	$ -	$ -	$ -	$ 304,003
A Time To Help expenses	3,561	-	-	-	-	3,561
Working Homes Working Families	329,167	-	-	-	-	329,167
Contributions - Other organizations	203,736	-	-	-	-	203,736
Facilities and equipment	-	153,484	-	81,122	-	234,606
Education and programs	-	113,274	-	-	-	113,274
Security	-	151,663	-	-	-	151,663
Supplies	-	17,773	-	-	-	17,773
Transportation	-	-	-	7,312	-	7,312
Labor	-	353,297	84,500	139,127	-	576,924
Professional services	-	-	26,921	12,217	-	39,138
Licenses and permits	-	-	-	2,065	-	2,065
Office expense	-	5,970	828	7,183	-	13,981
Credit card processing	-	-	13,459	-	-	13,459
Depreciation	-	74,054	9,617	38,688	-	122,359
Insurance	-	813	22,764	7,916	-	31,493
Advertising	-	-	-	26,546	-	26,546
Other event expenses	-	1,826	-	9,442	-	11,268
Fundraising expenses	-	-	-	-	2,699	2,699
Total Expenses	$ 840,467	$ 872,154	$ 158,089	$ 331,618	$ 2,699	$ 2,205,027

See Independent Auditors' Report and Accompanying Footnotes.

S.A.Y. DETROIT AND SUBSIDIARY
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2017

Cash Flows From Operating Activities	
Decrease in net assets	$ (227,327)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	122,359
Discount on pledges	(164,928)
Deferred taxes	32,000
Work in process	137,079
Change in assets and liabilities:	
Pledges receivable	550,000
Accounts receivable	(1,870)
Inventory	(1,901)
Deposits	(1,275)
Prepaid expenses	(8,915)
Accounts payable - Related party	(105,333)
Accounts payable and accrued expenses	(12,079)
Other current liabilities	126
Net Cash Provided by Operating Activities	317,936
Cash Flows From Investing Activities	
Purchase of property and equipment	(31,023)
Net Cash Used In Investing Activities	(31,023)
Net Increase In Cash and Cash Equivalents	286,913
Cash and Cash Equivalents - Beginning of Year	864,816
Cash and Cash Equivalents - End of Year	$ 1,151,729

See Independent Auditors' Report and Accompanying Footnotes.

S.A.Y. DETROIT AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2017

NOTE:

1. **Organization and Nature of Activities**

S.A.Y. Detroit (the Organization) is a Michigan not-for-profit organization which is committed to providing relief to the poor, distressed and underprivileged. The Organization operates by promoting those organizations and agencies that conduct services to provide these needs under section 501(c)(3) purposes. The Organization also helps provide homes for families in need through its Working Homes Working Families program.

Beginning in 2015, the Organization has partnered with the City of Detroit and Matthew Stafford's Score7 Charitable Fund to create the S.A.Y. Play Center at Lipke Park in Detroit ("Play Center"). The Play Center opened in October 2015. The goal of the Play Center is to provide recreational programs for Detroit's youth while improving their academic performance. Students are able to participate in these athletic and recreational programs and students who are below established academic standards are required to participate in on-site tutoring and mentoring. The Organization has entered into an agreement to lease the property from the City of Detroit for 10 years at no cost (with an option to extend the lease for up to 20 additional years).

The Organization received directed donations to finance the opening of a frozen dessert shop, Detroit Water Ice Factory ("DWIF"), in downtown Detroit in August 2015. The Organization has hired most of its employees from a job training program run by another local non-profit. All of the profits from the shop will flow to the Organization. Management hopes that this will provide an income stream for the Organization into the future.

2. **Summary of Significant Accounting Policies**

Principles of Consolidation – The consolidated financial statements included the accounts of the Organization and its wholly owned subsidiary, DWIF. All material intra-entity transactions have been eliminated. DWIF has elected to have a fiscal year ending March 31, so the accompanying financial statements include the activity of DWIF for the fiscal year ending March 31, 2018, and balances as of March 31, 2018.

Basis of Accounting and Presentation – The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Classification of Net Assets – The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence or absence of donor-imposed restrictions

Cash Equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Pledges Receivable – Pledges receivable are recognized as revenue when a pledge representing an unconditional promise to give is received; absent such a promise, revenue is recognized when the contribution is received. Pledges receivable that are expected to be collected in future years are initially recorded at their estimated fair value using a probability weighted, discounted rate adjusted present value model. The unamortized discount represents the adjustment required to record promises expected to be received in future years at their fair value. Amortization of the discount is recorded as additional contribution revenue and used in accordance with any donor-imposed restrictions over the promise period.

S.A.Y. DETROIT AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

NOTE:

2. Summary of Significant Accounting Policies (Continued)

Promises to Give – Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory – Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Inventory consists of dessert ingredients and disposables used by DWIF.

Concentration of Credit Risk – Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, and accounts receivable. At times, the Organization maintains cash balances that are in excess of limits established by the Federal Deposit Insurance Corporation. Although accounts receivable are due from numerous organizations, the entities are located primarily within Southeast Michigan.

Contributions – Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are measured at fair value and reported as revenue when received. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift was received are all reported as unrestricted support. Other restricted contributions are reported as temporarily restricted when received and are reclassified to unrestricted net assets when the restrictions are met. Earnings, gains, and losses on temporarily restricted net assets are classified as unrestricted unless specially restricted by the donor.

Fixed Assets – The organization's policy is to capitalize acquisitions with a cost of $2,500 or more. Fixed assets are recorded at cost. The Organization generally uses the straight-line method of depreciation over the assets' estimated useful lives. Asset lives for buildings and improvements range from 3 to 39 years, and the useful lives of furniture and equipment range from 5 to 15 years.

The cost of repairs and maintenance is charged to expense when incurred. At least annually, management evaluates whether any events have occurred that would require adjustment to the carrying value of fixed assets due to either impairment or the existence of a legal obligation associated with the eventual retirement of a fixed asset. No such adjustments were deemed necessary during the year ended December 31, 2017.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 amounts of 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.

Advertising and Promotional Literature – The Organization's policy is to expense costs related to advertising and promotional literature when the promotion first takes place. Advertising expense for the year ended December 31, 2017 was $26,546.

Presentation of Sales Tax – The State of Michigan imposes a sales tax at 6% on DWIF sales to nonexempt customers. DWIF collects that sales tax from customers and remits the entire amount to the State. DWIF's accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of goods sold.

S.A.Y. DETROIT AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

NOTE:

2. Summary of Significant Accounting Policies (Continued)

Public Support and Revenue – Donated Services – A number of people have contributed significant amounts of time to the activities of the Organization without compensation. No amounts have been reflected in the financial statements for donated services, except those which require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. The Organization estimates that there were approximately 900 volunteers who in total spent about 4,000 hours serving the Organization during 2017. The Organization generally pays for services requiring specific expertise. However, the Organization received discounts on rehabilitation costs from a few vendors related to the Working Home Working Families Program. For the year ended December 31, 2017, the Organization recognized $12,000 of in-kind contributions which were either recorded as program expenses or capitalized as property and equipment, as applicable.

Income Taxes – The Organization is recognized by the Internal Revenue Service as an organization described in the Internal Revenue Code (IRC) under section 501(c)(3) and is exempt from federal income tax under IRC Section 501(a). The Organization is subject to taxes on the net income from revenues that are unrelated to the tax-exempt purposes for which the entity was founded.

Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred income tax expense is the change during the period in deferred tax assets and liabilities. Current income tax expense is the tax payable or refundable for the period.

Subsequent Events – The Organization has evaluated events and transactions that occurred through February 21, 2019, which is the date the financial statements were available for issue.

Income Tax Uncertainties – Management evaluates, at least annually, whether any tax positions reported on a return are more likely than not to be sustained if challenged. Management believes no such positions exist that would have significant impact on the Organization's financial position and results of operations. As of December 31, 2017, no liability for uncertain tax benefits was recorded.

3. Fixed Assets

Fixed assets as of December 31, 2017 consist of:

Office furniture	$ 228,594
Equipment and fixtures	643,053
Work in process	152,556
Leasehold improvements	980,222
	2,004,425
Less: Accumulated depreciation and amortization	(289,741)
	$ 1,714,684

Depreciation and amortization expense for the year ended December 31, 2017 amounted to $122,359.

S.A.Y. DETROIT AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

NOTE:

4. Pledges Receivable

The Organization raised funds associated with the renovation and operation of the Play Center. The Organization received pledges that will be receivable over future years. All pledges receivable are unconditional. Uncollectible promises are expected to be insignificant. Pledges receivable as of December 31, 2017 are as follows:

Receivable in less than one year	$ 550,000
Receivable in one to five years	2,750,000
Receivable in more than five years	1,150,000
Total pledges receivable	4,450,000
Less: Discounts to net present value	(711,860)
Net pledges receivable	$ 3,738,140

Pledges receivable are discounted, at time of pledge, to estimated fair value. The Organization used a discount rate equal to the Risk-free Treasury Rate at the date of the pledge adjusted for management's consideration of risk. The Organization has not recorded a provision for doubtful pledges since, in the opinion of management, these receivables are fully collectible.

5. Related Party Transactions

Detroit Rescue Mission Ministries

During the year ended December 31, 2017, the Organization had transactions with Detroit Rescue Mission Ministries ("DRMM"), another Detroit area non-profit whose President is also the Treasurer for S.A.Y. Detroit. The following is a summary of related party transactions throughout the year ended December 31, 2017 between the Organization and DRMM:

The Organization was billed by DRMM a total of $300,000 for costs incurred to operate a clinic devoted solely to helping homeless children and their mothers by providing maintenance and preventative healthcare for the uninsured and underinsured.

DRMM processes payroll for employees working at the Play Center. The Organization reimburses DRMM for all payroll and processing costs. Total payroll and benefit expenses processed by DRMM including accrued amounts were $451,024.

At December 31, 2017, the Organization owed $692,577 to DRMM which relates to the costs of operating the clinic and payroll and benefit expenses of the play center.

Due to Affiliate

Due to affiliate includes an amount payable to an affiliate of the Organization administered by the same board of directors and officers. As of December 31, 2017, the balance payable was $74,100.

6. Lease Commitments

Effective May 26, 2015, the Organization agreed to lease the Lipke Center in Detroit, Michigan from the City of Detroit ("lessor"). The lease is for an initial term of 10 years, expiring May 25, 2025 with options to extend up to 20 additional years. Due to the renovations and occupancy costs that the Organization is undertaking, no additional monetary consideration will be due.

S.A.Y. DETROIT AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

NOTE:

6. Lease Commitments (Continued)

Effective May 26, 2015, the Organization agreed to lease the Lipke Center in Detroit, Michigan from the City of Detroit ("lessor"). The lease is for an initial term of 10 years, expiring May 25, 2025 with options to extend up to 20 additional years. Due to the renovations and occupancy costs that the Organization is undertaking, no additional monetary consideration will be due.

Effective July 21, 2015, DWIF agreed to lease space for its retail sales business. The lease expires September 30, 2018 and does not require any direct expenses. DWIF is responsible for certain occupancy costs and shared costs of its landlord. DWIF also leases storage space on a month-to-month basis. Total paid for storage space in 2017 and 2016 was $3,774 and 3,174, respectively.

The Organization leases business equipment and buses under operating leases. In 2017, rent expense for this equipment was $47,625.

Effective March 29, 2017, the Organization has contract with an outside security company to provide security services for the SAY Play Center. The Organization pays a weekly fee of $1,420. In 2017, rent expense for the security contract was $35,500. The following is a schedule of the future minimum payments required for the next 5 years under the aforementioned leases.

Future minimum rentals on all non-cancelable leases are as follows:

Years Ending September 30,	Amount
2018	$ 133,562
2019	133,562
2020	34,207
	$ 301,331

7. Concentration of Credit Risk

The Organization is exposed to credit risk associated with the cash and cash equivalents accounts held at its primary domestic financial institutions. The total cash deposits held in domestic financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 per bank. At various times during the year, such balances may be in excess of the FDIC limit. The Organization has not experienced any losses in such accounts and management believes that using major financial institutions with high credit ratings mitigates the credit risk in cash and cash equivalents accounts.

8. Income Taxes

DWIF is a wholly-owned subsidiary of the Organization and is taxed as a C-Corporation. DWIF files federal, State of Michigan, and City of Detroit income tax returns.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and filings made by DWIF. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. Therefore, no liability for uncertain tax benefits was recorded.

S.A.Y. DETROIT AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

NOTE:

8. Income Taxes (Continued)

A deferred tax asset is recorded and results from the use of accelerated methods of depreciation for tax purposes but not for financial reporting, and for net operating loss (NOL) carryforwards that will be able to be used to offset future income. DWIF has an NOL of approximately $185,000 at December 31, 2017. This NOL is available to be carried forward up to 20 years and will begin to expire in March 2036. Income tax expense does not bear a normal relationship to pre-tax net income because of tax law enacted in December 2017 that lowered the future benefit of the NOL.

9. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Mother Batie's United Sisters of Charity Soup Kitchen	$ 1,804
Play Center Robotics	57,564
Transportation Grant	43,565
Capturing Belief	21,000
For subsequent years' activities	3,738,140
	$ 3,862,073

10. Prior Period Adjustment

Net assets at December 31, 2016 have been restated as a correction of an error. The total impact of this adjustment resulted in a reduction of net assets of approximately $1,250,000. It was determined that a present value discount was not properly recorded in connection with certain multi-year pledges received prior to 2017. The impact of this matter resulted in a reduction of net assets at December 31, 2016 of approximately $875,000. Additionally, management determined that approximately $375,000 of pledges receivable at December 31, 2016 were in fact intentions to give and not promises to give.