Rebound, Inc.

FINANCIAL STATEMENTS

For the Years Ended
October 31, 2018 and 2017 (As Restated)

Rebound, Inc.
Table of Contents
For the Years Ended October 31, 2018 and 2017 (As Restated)

INDEPENDENT AUDITORS' REPORT **1-2**

STATEMENTS OF FINANCIAL POSITION **3-4**

STATEMENTS OF ACTIVITIES **5**

STATEMENTS OF FUNCTIONAL EXPENSES **6-7**

STATEMENTS OF CASH FLOWS **8**

NOTES TO FINANCIAL STATEMENTS **9-16**

Boeckermann Grafstrom Mayer

Independent Auditors' Report

Board of Directors
Rebound, Inc.
Minneapolis, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of Rebound, Inc., which comprise the statements of financial position as of October 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 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.

Adjustments to Prior Period Financial Statement
The October 31, 2017 financial statements were reviewed by us, and our report thereon, dated January 22, 2018, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

As discussed in Note 10, the Organization has restated its 2017 financial statements and adjusted beginning net assets during the current year to properly record accounts receivable, in accordance with accounting principles general accepted in the United States of America.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rebound, Inc. as of October 31, 2018, and the results of its operations and its cash flows for the year ended October 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Boeckermann Grafstrom + Mayer, LLC

BOECKERMANN GRAFSTROM & MAYEER, LLC
Certified Public Accountants

St. Paul, Minnesota
January 21, 2019

Rebound, Inc.
Statements of Financial Position
October 31, 2018 and 2017 (As Restated)

ASSETS	2018	2017 (As Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 116,368	$ 24,529
Accounts Receivable	136,852	34,650
Prepaid Expenses	1,500	1,842
Total Current Assets	$ 254,720	$ 61,021
PROPERTY AND EQUIPMENT		
Furniture and Equipment	$ 10,252	$ 10,683
Leasehold Improvements	-	2,000
Vehicles	17,464	11,068
	$ 27,716	$ 23,751
Less Accumulated Depreciation	6,823	4,045
Net Property and Equipment	$ 20,893	$ 19,706
OTHER ASSETS		
Security Deposits	$ 2,165	$ -
TOTAL ASSETS	$ 277,778	$ 80,727

LIABILITIES AND NET ASSETS	2018	2017 (As Restated)
CURRENT LIABILITIES		
Account Payable	$ 3,195	$ 930
Accrued Expenses	27,538	32,240
Current Portion of Long-Term Debt	1,857	1,806
Total Current Liabilities	$ 32,590	$ 34,976
LONG-TERM DEBT		
Note Payable, Net of Current Portion	$ 1,908	$ 3,764
Total Long-Term Liabilities	$ 1,908	$ 3,764
NET ASSETS		
Unrestricted	$ 243,280	$ 41,987
Temporarily Restricted	-	-
Total Net Assets	$ 243,280	$ 41,987
TOTAL LIABILITIES AND NET ASSETS	$ 277,778	$ 80,727

Rebound, Inc.
Statements of Activities
For the Years Ended October 31, 2018 and 2017 (As Restated)

	2018	2017 (As Restated)
SUPPORT AND REVENUE		
Program Service Income	$ 1,120,749	$ 434,542
Grant Income	-	40,093
Contributions	15,876	3,454
Interest	61	1
Total Support and Revenue	$ 1,136,686	$ 478,090
EXPENSES		
Program Services	$ 767,620	$ 402,086
Management and General	164,933	98,345
Fundraising	2,840	323
Total Expenses	$ 935,393	$ 500,754
CHANGE (DECREASE) IN NET ASSETS	$ 201,293	$ (22,664)
NET ASSETS - Beginning of Year	$ 41,987	$ 15,151
PRIOR PERIOD ADJUSTMENT	-	49,500
NET ASSETS - Beginning of Year, As Restated	$ 41,987	$ 64,651
NET ASSETS - End of Year	$ 243,280	$ 41,987

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statements of Functional Expenses
For the Year Ended October 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 523,649	$ 134,021	$ -	$ 657,670
Payroll Taxes	35,278	8,820	-	44,098
Employee Benefits	7,793	-	-	7,793
Contract Services	12,672	-	-	12,672
Advertising	-	-	2,765	2,765
Insurance	15,001	3,717	-	18,718
Auto Expense	3,248	-	-	3,248
Licenses and Permits	4,245	-	-	4,245
Dues and Subscriptions	-	1,155	-	1,155
Bank and Payroll Fees	1,197	436	-	1,633
Miscellaneous expense	-	-	-	-
Office Expense	3,125	-	-	3,125
Supplies	7,864	-	-	7,864
Professional fees	6,138	1,712	-	7,850
Resident Activities and Expenses	58,013	-	-	58,013
Interest	1,488	-	-	1,488
Rent	39,900	11,782	-	51,682
Repairs and Maintenance	10,589	-	-	10,589
DHS Net Study	635	-	-	635
Staff Development	1,369	2,953	75	4,397
Other Program Expense	12,766	-	-	12,766
Meeting Expense	-	337	-	337
Utilities	17,441	-	-	17,441
Loss on Asset Disposal	779	-	-	779
Total before Depreciation	$ 763,190	$ 164,933	$ 2,840	$ 930,963
Depreciation	4,430	-	-	4,430
TOTAL	$ 767,620	$ 164,933	$ 2,840	$ 935,393

Rebound, Inc.
Statements of Functional Expenses
For the Year Ended October 31, 2017 (As Restated)

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 265,964	$ 84,704	$ -	$ 350,668
Payroll Taxes	23,481	7,415	-	30,896
Employee Benefits	1,159	-	-	1,159
Contract Services	7,066	-	-	7,066
Advertising	-	-	128	128
Insurance	15,727	4,082	-	19,809
Auto Expense	2,322	-	-	2,322
Licenses and Permits	660	-	-	660
Dues and Subscriptions	-	126	-	126
Bank and Payroll Fees	839	90	-	929
Miscellaneous expense	-	(1,642)	-	(1,642)
Office Expense	368	-	-	368
Supplies	530	-	-	530
Professional fees	4,351	1,450	-	5,801
Resident Activities and Expenses	35,246	-	-	35,246
Interest	73	-	-	73
Rent	17,400	1,176	-	18,576
Repairs and Maintenance	9,732	-	-	9,732
DHS Net Study	2,955	-	-	2,955
Staff Development	423	944	195	1,562
Utilities	8,815	-	-	8,815
Loss on Asset Disposal	2,237	-	-	2,237
Total before Depreciation	$ 399,348	$ 98,345	$ 323	$ 498,016
Depreciation	2,738	-	-	2,738
TOTAL	$ 402,086	$ 98,345	$ 323	$ 500,754

Rebound, Inc.
Statements of Cash Flows
For the Years Ended October 31, 2018 and 2017 (As Restated)

	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change (Decrease) in Net Assets	$ 201,293	$ (22,664)
Adjustments to Reconcile Change (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	4,430	2,738
Loss on Asset Disposal	779	2,237
Changes in Operating Assets and Liabilities		
Accounts Receivable	(102,202)	26,638
Prepaid Expenses	342	(1,842)
Security Deposits	(2,165)	-
Accounts Payable and Accrued Liabilities	(2,437)	13,528
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 100,040	$ 20,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and Equipment Purchases	$ (6,396)	$ (14,015)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	$ (6,396)	$ (14,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable from Board Member	$ 16,000	$ 5,000
Payments on Note Payable to Board Member	(16,000)	(12,120)
Proceeds from Note Payable	-	5,570
Payments on Note Payable	(1,805)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	$ (1,805)	$ (1,550)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 91,839	$ 5,070
CASH AND CASH EQUIVALENTS - Beginning of Year	24,529	19,459
CASH AND CASH EQUIVALENTS - End of Year	$ 116,368	$ 24,529

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
Rebound, Inc. (the Organization) is a Minnesota nonprofit corporation, located in Minneapolis, Minnesota, organized on November 4, 2014 to provide services to African American youth ages 14-21 involved in the juvenile justice system with the goal of successfully reintegrating them into their families and communities through group homes called Jordan House and Naima House. These services include screening and assessment, social and interpersonal skill development, chemical use and abuse awareness, correctional programming, transition and life skill development, opportunities for physical exercise and recreation, and access community resources to meet educational, medical, dental, mental health and chemical dependency needs of its residents. During the year ended October 31, 2018, the Organization added a one-on-one mentorship program for corrections involved youth. In September 2018, the Organization was granted a contract to start a family resilience program to prevent justice system involvement in African American youth that show signs of traumatic stress. The family resilience program was in the initial set-up phase during the year ended October 31, 2018 and is scheduled to launch with clients in January or February 2019.

Standards of Accounting and Financial Reporting
The Organization follows Accounting Standards Codification (ASC) 958. Under the provisions of these standards, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted - Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose. All property, equipment, and related debt are considered unrestricted.

- Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. The Organization has no temporarily restricted net assets at October 31, 2018 or 2017.

- Permanently Restricted - Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. The donors of such resources permitted the use of all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes. The Organization has no permanently restricted net assets at October 31, 2018 or 2017.

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements
The estimated fair values of the Organization's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Revenue Recognition
Program service revenues are recorded and recognized during the period the service is provided.

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled, unless the restrictions expire or are fulfilled in the same calendar year the contribution is received, in which case the contribution is recorded as unrestricted. Temporarily or permanently restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled.

Donated services, materials and equipment and facilities are recorded at their fair market value at the date they are received, if significant and measurable. The Organization received donated materials totaling $7,100 and $0 for years ended October 31, 2018 and 2017, respectively.

Cash and Cash Equivalents
The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At times, cash may be in excess of FDIC insurance limits.

Accounts Receivable
Accounts receivable represents amounts due from county agencies. The Organization does not require collateral to support its outstanding receivables. Substantially all amounts are expected to be collected within one year. No interest is accrued on accounts receivable.

The Organization has determined that an allowance for doubtful accounts is not currently required. Bad debts are expensed when determined to be uncollectible. Bad debt expense was $0 for the years ended October 31, 2018 and 2017.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)
Purchase of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the *Statements of Activities*. Depreciation is provided over the estimated economic useful lives of each class of assets and is computed using the straight-line method. Total depreciation expense was $4,430 and $2,738 for the years ended October 31, 2018 and 2017, respectively.

Estimated economic useful lives of property and equipment range from 5 to 27.5 years.

Security Deposits
The security deposits are held by landlords for facilities as related to long-term leases.

Accrued Vacation Time
Accrued vacation is recognized when earned. Paid vacation is available for salaried employees and employees earn 3.08 hours each pay period up to a maximum of 80 hours. Salaried employees that leave the Organization are paid the hours of accrued vacation time with their final paycheck.

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

Advertising
Advertising costs are charged to operations when incurred. Advertising expense, included in fundraising expenses, was of $2,765 and $128 for the years ended October 31, 2018 and 2017, respectively.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and the comparable section of the Minnesota Income Tax Statutes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and contributions by donors are tax deductible. During the year ended October 31, 2018 and 2017, the Organization had no unrelated business income.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Community's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2014. Interest and penalties are classified as expense as incurred.

Subsequent Events
The Organization evaluated for the occurrence of subsequent events through January 21, 2019, the date which the financial statements were available for issue. No subsequent events occurred, except as noted in NOTE 9.

Reclassifications
Certain reclassifications have been made in the 2017 financial statements to conform to classifications used in 2018.

New Accounting Pronouncements
In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (*Continued*)
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

NOTE 2: LINE OF CREDIT

The Organization has a line of credit with Royal Credit Union for $35,000 that was extended to November 15, 2019. Interest is variable at the Prime Rate as reported in the Wall Street Journal (4.25% and 5.25% at October 31, 2018 and 2017, respectively), adjusted to a minimum rate of 7.5%. The line of credit is secured by personal guarantees of two board members. No balance was due on the line of credit at October 31, 2018 and 2017.

NOTE 3: NOTES PAYABLE

On October 6, 2017, the Organization entered into a loan agreement with Royal Credit Union for the purchase of a vehicle. Starting November 6, 2017, the monthly payments are $162 and include principle and interest at a fixed rate of 2.79 percent. The loan balance at October 31, 2018 was $3,765.

The current maturities are as follows:

2019	$	1,857
2020	$	1,908

NOTE 4: LEASES

The Organization entered into an operating lease agreement for Jordan House with the Organization's Executive Director and Co-Founder that expired on December 31, 2017. The monthly payments were $1,450. The lease was renewed on January 1, 2018 and will automatically renewed for one year. The new monthly payments are $1,500.

On September 1, 2017, the Organization entered into an operating lease agreement for office space with St. Olaf Residence Inc. for office space that expired on June 30, 2018. The monthly payments were $392.

On July 1, 2017, the Organization entered into an operating lease agreement for office space with The Sanctuary Covenant Church, Inc. for office space that expires on June 30, 2019. The lease has a one year renewal option. The lease is a net lease. The Organization is responsible for operating expenses such as insurance, utilities, and repairs and maintenance. The Organization is also responsible for their proportionate share of real estate taxes and common area expenses. The monthly base rent payments are $1,787.

On November 1, 2017, the Organization entered into an operating lease agreement with an individual for a second group home that expires on January 31, 2019. The monthly payments for the first three months are $1,000 and thereafter are $2,100.

The lease expense was $51,682 and $18,576 for the years ended October 31, 2018 and 2017, respectively.

NOTE 4: LEASES (Continued)

The minimum annual rental commitments are as follows:

2019	$	45,744
2020	$	60,184
Thereafter	$	-

NOTE 5: ECONOMIC DEPENDENCY

The Organization receives a substantial amount of its revenue from Hennepin and Ramsey Counties. Any significant reduction in this level of funding, if this were to occur, would have a significant effect on the Organization's activities.

NOTE 6: CONCENTRATIONS

During 2018, the Organization had two customers whose revenues accounted for approximately 99% of its total revenue. Two customers accounted for approximately 100% of the Organization's accounts receivable for the year ended October 31, 2018.

During 2017, the Organization had two customers whose revenues accounted for approximately 92% of its total revenue. Two customers accounted for approximately 100% of the Organization's accounts receivable for the year ended October 31, 2017.

NOTE 7: RELATED PARTIES

The Organization leases a group home from the Organization's Executive Director and Co-Founder (see Note 3).

NOTE 8: SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was $1,488 and $73 for the years ended October 31, 2018 and 2017, respectively.

Cash paid for income taxes was $0 for the years ended October 31, 2018 and 2017.

NOTE 9: SUBSEQUENT EVENTS

On November 9, 2018, the Organization signed a purchase agreement for a house in Minneapolis that Naima House would relocate to for $199,000. On December 27, 2018, the Organization closed on the house purchase. The Organization's new mortgage of $149,250 is payable in equal interest and principal payments of $1,105 beginning on February 1, 2019 with the balance due in full on January 1, 2039. The interest is variable and is the prime rate as published by the Wall Street Journal with a floor of 4.50%.

NOTE 10: PRIOR PERIOD ADJUSTMENTS

During 2018, Management determined that prior period adjustments were necessary as follows:

Accounts receivable were understated for the years ended October 31, 2017 and 2016. As a result, prior period adjustments were made to correct the errors that increased accounts receivable by $34,100 and $49,500 for the years ended October 31, 2017 and 2016, respectively.

Accrued vacation was not recorded in accrued expenses for the year ended October 31, 2017. As a result, a prior period adjustment was made to correct the error that increased accrued expenses by $3,991 for the year ended October 31, 2017.

The net cumulative increase to unrestricted net assets for the year ended October 31, 2017 was $30,109. The net decrease to revenues reported in the *Statement of Activities* was $15,400 for the year ended October 31, 2017. The net increase to expenses reported in the *Statement of Activities* was $3,991 for the year ended October 31, 2017.