

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN

Audited Financial Statements

December 31, 2018

Independent Auditor's Report

To the Board of Directors of
Youth, Improving Non-Profits for Children

Report on the Financial Statements

We have audited the accompanying financial statements of Youth, Improving Non-Profits for Children ("Youth INC"), which comprise the statement of financial position as of December 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 organization'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 organization'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 Youth, Improving Non-Profits for Children as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended 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, Youth, INC. adopted Accounting Standards Update No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" Topic (958). Our opinion is not modified with respect to this matter.



Schall & Ashenfarb
Certified Public Accountants, LLC

July 29, 2019

**YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018**

Assets

Cash and cash equivalents	\$3,276,543
Contributions receivable, net	642,531
Prepaid expenses and other assets	34,176
Fixed assets, net (Note 3)	191,962
Security deposit	<u>115,843</u>
Total assets	<u><u>\$4,261,055</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$492,155
Grant expense payable	450,238
Deferred rent	<u>30,822</u>
Total liabilities	<u>973,215</u>
Net assets:	
Without donor restrictions:	
For operations	2,122,572
Board designated operating reserve	<u>1,020,978</u>
Total without donor restrictions net assets	3,143,550
With donor restrictions (Note 4)	<u>144,290</u>
Total net assets	<u><u>3,287,840</u></u>
Total liabilities and net assets	<u><u>\$4,261,055</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and special events, (net of expenses with direct benefit to donors)	\$6,574,070	\$160,000	\$6,734,070
In-kind contributions	1,477,811		1,477,811
Interest and dividends	9,071		9,071
Net assets released from restrictions	<u>224,285</u>	<u>(224,285)</u>	<u>0</u>
Total public support and revenue	<u>8,285,237</u>	<u>(64,285)</u>	<u>8,220,952</u>
Expenses:			
Program services	6,172,843		6,172,843
Management and general	987,909		987,909
Fundraising	<u>689,233</u>		<u>689,233</u>
Total expenses	<u>7,849,985</u>	<u>0</u>	<u>7,849,985</u>
Change in net assets	435,252	(64,285)	370,967
Net assets - beginning of year	<u>2,708,298</u>	<u>208,575</u>	<u>2,916,873</u>
Net assets - end of year	<u><u>\$3,143,550</u></u>	<u><u>\$144,290</u></u>	<u><u>\$3,287,840</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fundraising	Cost of direct benefits to donors	Total Expenses
Salaries, payroll taxes and benefits	\$1,612,116	\$254,536	\$320,387		\$2,187,039
Professional fees	111,333	391,054	18,952		521,339
Consultants	227,522	15,000			242,522
Grants expense	2,320,375				2,320,375
Office expenses	58,746	46,119	16,894		121,759
Occupancy	162,407	32,908	32,295		227,610
Travel and meetings	24,822	17,934	3,898		46,654
Insurance	7,326	1,466	1,476		10,268
Production cost	437,495	8,939	83,246	\$596,853	1,126,533
In-kind professional expenses	1,011,821	147,069	183,091		1,341,981
In-kind use of facilities	104,271	4,070	8,198		116,539
In-kind goods	14,848		4,443		19,291
Other expenses	28,594	25,204	6,167		59,965
Bad debt expense		34,250			34,250
Depreciation	51,167	9,360	10,186		70,713
Total program and supporting services expenses	6,172,843	987,909	689,233	596,853	8,446,838
Less: cost of direct benefits to donors				(596,853)	(596,853)
Total Expenses	<u>\$6,172,843</u>	<u>\$987,909</u>	<u>\$689,233</u>	<u>\$0</u>	<u>\$7,849,985</u>

The attached notes and auditor's report are an integral part of these financial statements.

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:	
Change in net assets	\$370,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	70,713
Bad debt	34,250
Changes in assets and liabilities:	
Contributions receivable	71,934
Prepaid expenses and other assets	4,802
Accounts payable and accrued expenses	202,470
Grant expense payable	36,146
Conditional contributions	(18,375)
Deferred rent	(4,352)
Total adjustments	<u>397,588</u>
Net cash provided by operating activities	<u>768,555</u>
 Cash flows from investing activities:	
Purchases of fixed assets	<u>(53,676)</u>
Net cash used for investing activities	<u>(53,676)</u>
 Net increase in cash and cash equivalents	714,879
 Cash and cash equivalents - beginning of year	<u>2,561,664</u>
 Cash and cash equivalents - end of year	<u><u>\$3,276,543</u></u>
 Supplemental information:	
Interest and taxes paid	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - Nature of the Organization

Youth, Improving Non-Profits for Children (“Youth INC”) is a non-profit organization that seeks to transform the lives of NYC kids through its unique venture philanthropy model that empowers the nonprofits that serve them. Since its founding in 1995, Youth INC has taken a uniquely holistic approach to address the many different needs of nonprofits, from improving fundraising practices and building boards, to funding critical elements of infrastructure. By applying the best practices from the corporate and nonprofit sectors, Youth INC empowers its partner nonprofits with the tools to achieve sustainable growth. Youth INC currently partners with more than 80 youth-serving nonprofits that work with over 220,000 kids each year.

Our Venture Philanthropy Model

Our program model is to build knowledge of best business practices along with the leadership skills and behaviors that move organizations forward. We do this by meeting our nonprofit partners where they are with a flexible core of programs that target key elements of organizational sustainability and growth. We work with our nonprofit partners through three main avenues of support:

Coaching

We provide best practices and individualized coaching to help teams implement strong practices in four key elements of organizational thriving:

- Fundraising: Fundraising unrestricted revenue through an event-based approach
- Governance: Board and senior staff build effective oversight and accountability for growth
- Impact Evaluation: Measure the impact of our partners’ programs on the character - or ‘Social and Emotional Learning’ (‘SEL’) - growth of young people served and use data and best practices to inform program design decisions
- Service: Corporate volunteer support and volunteer management best practices coaching

Capital

- BridgeFund Grants: Capital investments for infrastructure needs key to further growth and development
- Sponsored Grants: Funding from individual and corporate partners to support capacity-building

Connections

- Advisory: Pro-bono partnerships between corporate and nonprofit partners to leverage business best practices and provide financial, strategic, and organizational improvement
- Board Placements: Match-making between corporate partner professionals and nonprofit partners’ boards
- Partner Network community: Peer exchange opportunities to strengthen best practices through cohort-based program model and PN-wide events

Youth INC is a not-for-profit organization and has been notified by the Internal Revenue Service that they are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective, January 1, 2018, Youth INC adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This 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 between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 6).

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances.

b. Basis of Presentation

Youth INC reports information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use. In February 2018, Youth INC's Board of Directors approved an operating reserve fund and designated a minimum of three months of operating expenses of unrestricted resources (Note 6).
- *Net Assets with Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the without donor restrictions class of net assets. Contributions that do contain donor restrictions are recorded in assets with donor restrictions class of net assets. 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. If donor restricted contributions are satisfied in the same period they were received, they are classified in the without donor restrictions class of net assets.

Contributions expected to be received within one year are recorded at net realizable value. Conditional contributions are recognized as income when the conditions have been substantially met.

d. Cash and Cash Equivalents

Youth INC considers all liquid investments available for current use and with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments, which potentially subject Youth INC to concentration of credit risk consist of cash and money market accounts which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end Youth INC had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

f. Allowance for Doubtful Accounts

Youth INC evaluates receivables for collectability based on historical experience and a review of activity subsequent to the statement of financial position date. Youth INC has established an allowance for doubtful accounts of approximately \$15,000 for December 31, 2018. At December 31, 2018 all contributions receivables are due in less than a year.

g. Capitalization Policy

Property and equipment that exceed pre-determined amounts and have a useful life of greater than one year are recorded at cost or at fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset, as follows:

Furniture and fixtures – *5 to 7-year life*

Computers and software – *3 to 5-year life*

Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expenses as incurred.

h. Grant Expenses

Grants authorized but unpaid at year end are reported as liabilities. All grants outstanding are due to be paid within the following year.

i. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

j. In-Kind Contributions and Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their fair value on the date of donation. Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist Youth INC. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

k. Functional Allocation of Expenses

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently and equitably applied. The expenses that are allocated include the following:

- salaries and wages
- benefits
- payroll taxes
- occupancy
- depreciation
- office expenses
- information technology
- insurance
- and other

These expenses were allocated on the basis of estimates of time and effort.

l. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

m. Accounting for Uncertainty of Income Taxes

Youth INC does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2015 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through July 29, 2019, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

o. New Accounting Pronouncement

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

Lastly, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

Youth INC is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

Furniture and fixtures	\$199,215
Computers and software	<u>309,028</u>
	508,243
Less: accumulated depreciation	<u>(316,281)</u>
Total fixed assets, net	<u>\$191,962</u>

Note 4 - Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

	Beginning Balance <u>1/1/18</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/18</u>
Program restricted:				
Metrics Program	\$100,000	\$0	(\$50,000)	\$50,000
BridgeFund	33,575	0	(19,285)	14,290
Future of Jobs Challenge	<u>0</u>	<u>10,000</u>	<u>(5,000)</u>	<u>5,000</u>
Total program restricted	133,575	10,000	(74,285)	69,290
Website development	75,000		(75,000)	0
Time restricted	<u>0</u>	<u>150,000</u>	<u>(75,000)</u>	<u>75,000</u>
Total	<u>\$208,575</u>	<u>\$160,000</u>	<u>(\$224,285)</u>	<u>\$144,290</u>

Note 5 - Allocation of Joint Costs

Youth INC incurred expenses that were identifiable with a particular function but served joint purposes. Expenses related to certain events, donor call services, and program materials jointly support Youth INC programs and fundraising. These expenses were allocated at December 31, 2018 as follows:

Program services	\$1,198,251
Fundraising	<u>434,752</u>
Total	<u>\$1,633,003</u>

Note 6 - Availability and Liquidity

Financial assets at year-end:

Cash and cash equivalents	\$3,276,543
Accounts receivable	<u>642,531</u>
Total financial assets	<u>3,919,074</u>

Less amounts not available

for general expenditures within one year:

Net assets with donor restrictions	(144,290)
Board designated funds	<u>(1,020,978)</u>
Total restricted cash	<u>(1,165,268)</u>

Financial assets available to meet cash needs

for general expenditures within one year \$2,753,806

Youth INC regularly monitors liquidity required to meet its operating and grant making needs. Additionally, in February 2018, Youth INC's Board of Directors approved an operating reserve fund, which designated a minimum of three months of operating expenses of unrestricted resources to be included in reserves. The purpose of Youth INC's operating reserve fund is to help ensure the long-term financial stability of the mission, programs, employment, and ongoing operations of the organization. The operating reserve may only be spent with the prior approval of the Audit Committee of the Board of Directors.

Note 7 - Commitments

Youth INC occupies space in New York under an operating lease that expires in April 2021. Future minimum payments are summarized as follows:

Year ending:	December 31, 2019	\$202,229
	December 31, 2020	207,790
	December 31, 2021	<u>69,887</u>
Total		<u>\$479,906</u>

Note 8 - Retirement Plan

Youth INC maintains a retirement plan under Internal Revenue Code section 401(k). The plan covers all employees who are at least 21 years of age. Youth INC makes a safe harbor contribution of 3% of the salary of eligible employees and total contributions to the plan was \$49,676 in 2018.