SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
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YOUTH, IMPROVING NON-PROFITS FOR CHILDREN

Audited Financial Statements

December 31, 2016

307 Fifth Avenue, 15th Floor
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Independent Auditors' 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, 2016, 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.

Auditors' 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.

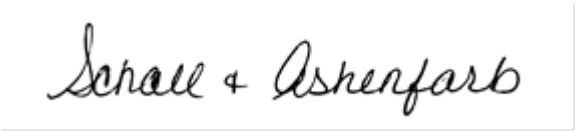
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

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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, 2016, 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.



Schall & Ashenfarb
Certified Public Accountants, LLC

May 12, 2017

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016

Assets

Cash and cash equivalents	$2,363,194
Contributions receivable, net (Note 3)	1,090,928
Prepaid expenses and other assets	57,160
Fixed assets, net (Note 4)	252,434
Security deposit	115,843
Total assets	$3,879,559

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	$317,698
Grant expense payable	520,935
Deferred rent	34,259
Total liabilities	872,892
Net assets:	
Unrestricted	2,649,557
Temporarily restricted (Note 5)	357,110
Total net assets	3,006,667
Total liabilities and net assets	$3,879,559

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

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Contributions and special events, net	$7,664,421	$312,500	$7,976,921
In-kind contributions	1,174,706		1,174,706
Realized loss on short term investments	(4,667)		(4,667)
Net assets released from restrictions	102,101	(102,101)	0
Total public support and revenue	8,936,561	210,399	9,146,960
Expenses:			
Program services	6,674,260		6,674,260
Management and general	1,316,768		1,316,768
Fundraising	1,182,244		1,182,244
Total expenses	9,173,272	0	9,173,272
Change in net assets	(236,711)	210,399	(26,312)
Net assets - beginning of year	2,886,268	146,711	3,032,979
Net assets - end of year	$2,649,557	$357,110	$3,006,667

The attached notes and auditors' 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, 2016

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, payroll taxes and benefits	$1,386,959	$387,756	$592,208	$2,366,923
Professional fees	54,155	187,394	10,601	252,150
Management fees (Note 7)	164,350	37,250	48,400	250,000
Consultants	367,776		3,750	371,526
Grants expense	2,922,606			2,922,606
Office expenses	48,983	46,750	15,707	111,440
Occupancy	161,076	37,207	47,436	245,719
Travel and meetings	12,186	34,689	5,436	52,311
Insurance	2,303	9,449	678	12,430
Production cost	996,234	14,765	318,278	1,329,277
In-kind professional expenses	469,481	508,982	114,694	1,093,157
In-kind use of facilities	13,284	14,401	3,245	30,930
In-kind goods	21,740	23,569	5,310	50,619
Other expenses	24,908	7,501	8,632	41,041
Bad debt expense	1,500	1,000		2,500
Depreciation	26,719	6,055	7,869	40,643
Total	$6,674,260	$1,316,768	$1,182,244	$9,173,272

The attached notes and auditors' 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, 2016

Cash flows from operating activities:	
Change in net assets	($26,312)
Adjustments to reconcile change in net assets	
to net cash used for operating activities:	
Depreciation	40,643
Bad debt	2,500
Changes in assets and liabilities:	
Contributions receivable	(362,860)
Prepaid expenses and other assets	(37,069)
Security deposit	(85,843)
Accounts payable and accrued expenses	(471,091)
Grant expense payable	520,935
Deferred rent	34,259
Total adjustments	(358,526)
Net cash used for operating activities	(384,838)
Cash flows from investing activities:	
Purchases of fixed assets	(262,280)
Net cash used for investing activities	(262,280)
Net decrease in cash and cash equivalents	(647,118)
Cash and cash equivalents - beginning of year	3,010,312
Cash and cash equivalents - end of year	$2,363,194
Supplemental information:	
Interest and taxes paid	$0

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

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 sixty youth-serving nonprofits that work with over 150,000 kids each year.

Youth INC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. Youth INC has not been designated as 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.

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

- *Unrestricted* – represents all activity without donor-imposed restrictions. Contributions with time and/or purpose restrictions that are fully expended in the same period they are received are classified as unrestricted.

- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to a program nature or by the passage of time.

- *Permanently restricted* – relates to contributions of cash and other assets whereby the assets must remain intact due to restrictions placed by the donor. There was no permanently restricted activity or net assets at December 31, 2016.

c. Revenue Recognition
Contributions are recorded as revenue at the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the temporarily restricted class of net assets. All

other contributions are recorded as unrestricted. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

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 reviews receivables that are unlikely to be collected based on historical experience and a review of activity subsequent to the balance sheet date. Youth INC has established an allowance for doubtful accounts of approximately $12,000 for December 31, 2016. Write-offs will be made directly to operations in the period any receivable is deemed to be uncollectable.

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 – *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 will 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 costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Youth INC.

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, 2013 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 May 12, 2017, 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 August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the December 31, 2018 fiscal year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2020 fiscal year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

Youth INC has not yet evaluated the impact these standards will have on future financial statements.

Note 3 - Contributions Receivable

Contributions receivable are expected in the following periods:

Year ending:	December 31, 2017	$973,353
	December 31, 2018	69,285
	December 31, 2019	64,290
		1,106,928
Present value discount (1%)		(4,000)
Allowance for doubtful accounts		(12,000)
Net contributions receivable		$1,090,928

Note 4 - Fixed Assets

Fixed assets at December 31, 2016 consist of the following:

Furniture and fixtures	$199,215
Computers and software	235,968
	435,183
Less: accumulated depreciation	(182,749)
Total fixed assets, net	$252,434

Note 5 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	Beginning Balance 1/1/16	Contributions	Released from Restrictions	Ending Balance 12/31/16
Program restricted:				
Metrics program	$30,000	$150,000	($30,000)	$150,000
Bridge fund	116,711	66,500	(72,101)	111,110
Total program restricted	146,711	216,500	(102,101)	261,110
MAEVA Social Capital gift - time and purpose restricted	0	96,000	0	96,000
Total	$146,711	$312,500	($102,101)	$357,110

Note 6 - 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, 2016 as follows:

Program services	$1,348,532
Management and general	0
Fundraising	1,065,228
Total	$2,413,760

Note 7 - Related Party Transactions

Youth INC had a management services agreement with Orr Associates, Inc. (OAI) and with Stephen K. Orr, the co-owner of OAI, the founder of Youth INC, and a member of the Board of Directors of Youth INC in prior years. OAI is 100% owned by Stephen K. Orr and his family. The agreement ended in 2015. Youth INC entered into a six-month transition services agreement commencing on January 1, 2016 to shift management of day-to-day operations in house.

Contracts and agreements with OAI were reviewed and approved by officers and directors unaffiliated with OAI.

For the year ended December 31, 2016, Youth INC incurred management fees with OAI totaling $250,000.

Youth INC leased facilities under an agreement with OAI. For the year ended December 31, 2016, Youth INC incurred rent expense to OAI totaling $92,309.

Under the terms of the management services and rental agreements, Youth INC reimbursed OAI for reimbursable expenses, such as supplies, telecom, IT, postage, printing, travel and other in the amount of $31,338.

Note 8 - Significant Concentrations

Youth INC participates in the Trade for the Kids fundraising event and a Trading Week for the Kids fundraising event with two financial services firms. The financial services firms agree to contribute an amount equal to the Youth INC designated trade commissions for a period determined by the firms. During the year ended December 31, 2016, contributions from these events totaled $1,250,000, which represented 16% of contributions.

Note 9 - 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, 2017	$191,548
	December 31, 2018	196,816
	December 31, 2019	202,229
	December 31, 2020	207,790
	December 31, 2021	69,887
Total		$868,270

Rent expense was $245,719 in 2016.

Note 10 - 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 were $50,864 in 2016.