SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN

Audited Financial Statements

December 31, 2019

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

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, 2019, 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 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.

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Youth INC 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

July 14, 2020

YOUTH, IMPROVING NON-PROFITS FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019
(With comparative totals at December 31, 2018)

	12/31/19	12/31/18
Assets		
Cash and cash equivalents	$4,040,443	$3,276,543
Contributions receivable, net	789,458	642,531
Prepaid expenses and other assets	64,236	34,176
Fixed assets, net (Note 3)	121,336	191,962
Security deposit	115,843	115,843
Total assets	$5,131,316	$4,261,055
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$568,837	$492,155
Grant expense payable	1,211,776	450,238
Deferred rent	21,065	30,822
Total liabilities	1,801,678	973,215
Net assets:		
Without donor restrictions:		
For operations	1,538,533	2,122,572
Board designated operating reserve	1,791,105	1,020,978
Total without donor restrictions net assets	3,329,638	3,143,550
With donor restrictions (Note 4)	0	144,290
Total net assets	3,329,638	3,287,840
Total liabilities and net assets	$5,131,316	$4,261,055

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, 2019
(With comparative totals for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/19	Total 12/31/18
Public support and revenue:				
Contributions and special events, (net of expenses with direct benefit to donors)	$6,516,688		$6,516,688	$6,734,070
In-kind contributions	2,271,531		2,271,531	1,477,811
Interest and dividends	7,797		7,797	9,071
Net assets released from restrictions	144,290	($144,290)	0	0
Total public support and revenue	8,940,306	(144,290)	8,796,016	8,220,952
Expenses:				
Program services	6,464,418		6,464,418	6,172,843
Management and general	1,583,824		1,583,824	987,909
Fundraising	705,976		705,976	689,233
Total expenses	8,754,218	0	8,754,218	7,849,985
Change in net assets	186,088	(144,290)	41,798	370,967
Net assets - beginning of year	3,143,550	144,290	3,287,840	2,916,873
Net assets - end of year	$3,329,638	$0	$3,329,638	$3,287,840

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, 2019
(With comparative totals for the year ended December 31, 2018)

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Expenses 12/31/19	Total Expenses 12/31/18
Salaries, payroll taxes and benefits	$1,575,869	$515,861	$349,084		$2,440,814	$2,187,039
Professional fees	65,931	339,516	12,575		418,022	521,339
Consultants	181,530				181,530	242,522
Grants expense	2,269,479				2,269,479	2,320,375
Office expenses	52,525	48,194	17,183		117,902	121,759
Occupancy	147,579	40,998	36,435		225,012	227,610
Travel and meetings	13,787	15,466	2,953		32,206	46,654
Insurance	8,336	2,316	2,058		12,710	10,268
Production cost	501,451	6,917	106,169	$501,872	1,116,409	1,126,533
In-kind professional expenses	1,480,318	554,415	127,875		2,162,608	1,341,982
In-kind use of facilities	70,806	5,650	9,097		85,553	116,539
In-kind goods	5,522		17,848		23,370	19,290
Other expenses	38,853	15,571	11,988		66,412	59,965
Bad debt expense		27,005			27,005	34,250
Depreciation	52,432	11,915	12,711		77,058	70,713
Total expenses	6,464,418	1,583,824	705,976	501,872	9,256,090	8,446,838
Less: cost of direct benefits to donors				(501,872)	(501,872)	(596,853)
Total expenses for statement of activities	$6,464,418	$1,583,824	$705,976	$0	$8,754,218	$7,849,985

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, 2019
(With comparative totals for the year ended December 31, 2018)

	12/31/19	12/31/18
Cash flows from operating activities:		
Change in net assets	$41,798	$370,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,058	70,713
Bad debt	27,005	34,250
Changes in assets and liabilities:		
Contributions receivable	(173,932)	71,934
Prepaid expenses and other assets	(30,060)	4,802
Accounts payable and accrued expenses	76,682	202,470
Grant expense payable	761,538	36,146
Conditional contributions	0	(18,375)
Deferred rent	(9,757)	(4,352)
Total adjustments	728,534	397,588
Net cash provided by operating activities	770,332	768,555
Cash flows from investing activities:		
Purchases of fixed assets	(6,432)	(53,676)
Net cash used for investing activities	(6,432)	(53,676)
Net increase in cash and cash equivalents	763,900	714,879
Cash and cash equivalents - beginning of year	3,276,543	2,561,664
Cash and cash equivalents - end of year	$4,040,443	$3,276,543
Supplemental information:		
Interest and taxes paid	$0	$0

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, 2019

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 youth 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 and governance practices and building boards, to funding critical elements of infrastructure and evaluating impact. By applying the best practices from the corporate, academic and nonprofit sectors, Youth INC empowers its partner nonprofits with the tools to achieve sustainable growth and maximize impact on youth served. Youth INC currently partners with 80 youth-centered nonprofits that work with over 200,000 young people 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 designed to accelerate organizations to not only survive but thrive. 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 donor identification, cultivation and stewardship
- Governance: Board and senior staff build effective oversight and accountability for growth as organizations evolve to the next phase of maturity
- 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 evidence-based 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
- Corporate-Sponsored Grants: Funding from 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: Bespoke matching between corporate professionals and nonprofit partners' boards
- Partner Network community: Peer exchange opportunities to strengthen best practices through cohort-based program model and partner network-wide events

Youth INC is a nonprofit 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, 2019, Youth INC adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, Youth INC adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, Youth INC evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, Youth INC applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both standards resulted in no significant changes in the way Youth INC recognizes revenue.

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* – represents those resources for which there are no restrictions by donors as to their use. Youth INC's Board of Directors established an operating reserve fund and designated a minimum of four and a half months of operating expenses of unrestricted resources (Note 6).

  Activity of the board designated fund was as follows:

Balance – beginning of year	$1,020,978
Transfers in	770,127
Appropriations	0
Board designated fund at 12/31/19	$1,791,105

- *Net Assets With Donor Restrictions* – represents 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 class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. 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 class of net assets without donor restrictions.

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. An allowance of approximately $9,000 and $15,000 has been established for potential uncollectible receivables as of December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018 there was one multi-year contribution due in one to five years in the amount of $10,000 and $15,000, respectively. All other contributions receivables are due in less than one 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. Prior-Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Youth INC's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

l. 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
- payroll taxes
- benefits
- office expenses
- occupancy
- insurance
- other expenses
- depreciation

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

m. 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.

n. 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, 2016 and later are subject to examination by applicable taxing authorities.

o. New Accounting Pronouncement
FASB issued ASU No. 2016-02, *Leases.* The ASU which becomes effective for the December 31, 2022 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 this standard will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	12/31/19	12/31/18
Furniture and equipment	$388,008	$381,576
Software	126,667	126,667
	514,675	508,243
Less: accumulated depreciation	(393,339)	(316,281)
Total fixed assets, net	$121,336	$191,962

Note 4 - Net Assets with Donor Restrictions

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

	December 31, 2019			
	Beginning Balance 1/1/19	Contributions	Released from Restrictions	Ending Balance 12/31/19
Program restricted:				
Metrics Program	$50,000	$0	($50,000)	$0
BridgeFund	14,290	0	(14,290)	0
Future of Jobs Challenge	5,000	0	(5,000)	0
Total program restricted	69,290	0	(69,290)	0
Time restricted	75,000	0	(75,000)	0
Total	$144,290	$0	($144,290)	$0

	December 31, 2018			
	Beginning Balance 1/1/18	Contributions	Released from Restrictions	Ending Balance 12/31/18
Program restricted:				
Metrics Program	$100,000	$0	($50,000)	$50,000
BridgeFund	33,575	0	(19,285)	14,290
Future of Jobs Challenge	0	10,000	(5,000)	5,000
Total program restricted	133,575	10,000	(74,285)	69,290
Website development	75,000	0	(75,000)	0
Time restricted	0	150,000	(75,000)	75,000
Total	$208,575	$160,000	($224,285)	$144,290

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's programs and fundraising. These expenses were allocated as follows:

	12/31/19	12/31/18
Program services	$1,114,800	$1,198,251
Fundraising	504,315	434,752
Total	$1,619,115	$1,633,003

Note 6 - Availability and Liquidity

Financial assets at year-end:

Cash and cash equivalents	$4,040,443	
Contributions receivable, net	789,458	
Total financial assets		$4,829,901
Less amounts not available for general expenditures within one year:		
Board designated funds		(1,791,105)
Financial assets available to meet cash needs for general expenditures within one year		$3,038,796

Youth INC regularly monitors liquidity required to meet its operating and grant making needs. Additionally, Youth INC's Board of Directors established an operating reserve fund, which designated a minimum of four and a half 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 Executive 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, 2020	$207,790
	December 31, 2021	69,887
Total		$277,677

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 eligible employees' salaries. Total contributions to the plan were $53,629 and $49,676 in 2019 and 2018, respectively.

Note 9 - Subsequent Events

Management has evaluated the impact of all subsequent events through July 14, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect Youth INC's donors, programs and events, participants, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for Youth INC's services and harm Youth INC's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on Youth INC's business cannot be quantified.

Subsequent to year-end, Youth INC obtained a loan from the SBA in the amount of $366,090 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.