
YOUTH ENRICHMENT SERVICES, INC.

Financial Statements

June 30, 2013 and 2012

YOUTH ENRICHMENT SERVICES, INC.

June 30, 2013 and 2012

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Independent Auditors' Report

To the Board of Directors
Youth Enrichment Services, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Youth Enrichment Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Enrichment Services, Inc. as of June 30, 2013 and 2012, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
November 6, 2013

YOUTH ENRICHMENT SERVICES, INC.

Statements of Financial Position June 30,

Assets

Current assets:

Cash and cash equivalents	\$ 586,503	\$ 191,010
Unconditional promises to give	115,257	22,857
Inventory	32,434	36,777
Prepaid expenses	339	8,473
Total current assets	<u>734,533</u>	<u>259,117</u>

Property and equipment, net 377,650 382,110

Deferred financing fees 5,184 8,639

Total assets \$ 1,117,367 \$ 649,866

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$ 24,104	\$ 17,245
Accrued severance	-	49,500
Mortgage payable, current portion	10,890	10,353
Deferred revenue	3,560	-
Security deposit	2,600	2,600
Total current liabilities	<u>41,154</u>	<u>79,698</u>

Mortgage payable, less current portion 402,844 413,686

Net assets:

Unrestricted:		
Undesignated operating	123,362	119,958
Property and equipment	(30,901)	(33,290)
Total unrestricted net assets	<u>92,461</u>	<u>86,668</u>
Temporarily restricted	<u>580,908</u>	<u>69,814</u>
Total net assets	<u>673,369</u>	<u>156,482</u>

Total liabilities and net assets \$ 1,117,367 \$ 649,866

YOUTH ENRICHMENT SERVICES, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2013**

	Unrestricted		Temporarily Restricted	Total	
	Undesignated Operating	Property and Equipment			Total
Revenue and support:					
Contributions	\$ 306,142	\$ -	\$ 306,142	\$ 932,020	\$ 1,238,162
Special events	243,743	-	243,743	-	243,743
In-kind donations	164,301	-	164,301	-	164,301
Participant fees	120,868	-	120,868	-	120,868
Rental income	31,200	-	31,200	-	31,200
Interest and dividends	12	-	12	-	12
Net assets released from restrictions	420,926	-	420,926	(420,926)	-
Total revenue and support	<u>1,287,192</u>	<u>-</u>	<u>1,287,192</u>	<u>511,094</u>	<u>1,798,286</u>
Expenses:					
Program expenses	863,101	52,994	916,095	-	916,095
General and administrative	135,336	3,969	139,305	-	139,305
Fundraising	198,843	5,314	204,157	-	204,157
Total expenses	<u>1,197,280</u>	<u>62,277</u>	<u>1,259,557</u>	<u>-</u>	<u>1,259,557</u>
Change in net assets before transfers and discretionary scholarships	<u>89,912</u>	<u>(62,277)</u>	<u>27,635</u>	<u>511,094</u>	<u>538,729</u>
Transfers	(64,666)	64,666	-	-	-
Discretionary scholarships	(21,842)	-	(21,842)	-	(21,842)
Total transfers and discetionary scholarships	<u>(86,508)</u>	<u>64,666</u>	<u>(21,842)</u>	<u>-</u>	<u>(21,842)</u>
Total change in net assets	3,404	2,389	5,793	511,094	516,887
Net assets, beginning of year	<u>119,958</u>	<u>(33,290)</u>	<u>86,668</u>	<u>69,814</u>	<u>156,482</u>
Net assets, end of year	<u>\$ 123,362</u>	<u>\$ (30,901)</u>	<u>\$ 92,461</u>	<u>\$ 580,908</u>	<u>\$ 673,369</u>

The accompanying notes are an integral part of these financial statements.

YOUTH ENRICHMENT SERVICES, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2012**

	Unrestricted			Temporarily Restricted	Total
	Undesignated Operating	Property and Equipment	Total		
Revenue:					
Contributions	\$ 421,013	\$ -	\$ 421,013	\$ 228,970	\$ 649,983
Special events	223,110	-	223,110	-	223,110
In-kind donations	301,930	-	301,930	-	301,930
Participant fees	142,949	-	142,949	-	142,949
Rental income	31,200	-	31,200	-	31,200
Interest and dividends	6	-	6	7	13
Refund of taxes	4,596	-	4,596	-	4,596
Loss on disposal of assets	-	(8,939)	(8,939)	-	(8,939)
Net assets released from restrictions	257,718	-	257,718	(257,718)	-
Total revenue	1,382,522	(8,939)	1,373,583	(28,741)	1,344,842
Expenses:					
Program expenses	965,819	47,973	1,013,792	-	1,013,792
General and administrative	121,496	10,298	131,794	-	131,794
Fundraising	194,180	1,742	195,922	-	195,922
Total expenses	1,281,495	60,013	1,341,508	-	1,341,508
Change in net assets before transfers and discretionary scholarships	101,027	(68,952)	32,075	(28,741)	3,334
Transfers	(72,635)	72,635	-	-	-
Discretionary scholarships	(27,236)	-	(27,236)	-	(27,236)
Transfers and discretionary scholarships	(99,871)	72,635	(27,236)	-	(27,236)
Total change in net assets	1,156	3,683	4,839	(28,741)	(23,902)
Net assets, beginning of year	118,802	(36,973)	81,829	98,555	180,384
Net assets, end of year	\$ 119,958	\$ (33,290)	\$ 86,668	\$ 69,814	\$ 156,482

The accompanying notes are an integral part of these financial statements.

YOUTH ENRICHMENT SERVICES, INC.

Statement of Functional Expenses For the Year Ended June 30, 2013

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 148,096	\$ 109,328	\$ 146,448	\$ 403,872	\$ 66,904	\$ 122,182	\$ 592,958
Advertising	428	243	117	788	59	79	926
Conferences and meetings	1,425	894	816	3,135	400	681	4,216
Depreciation and amortization	28,782	16,341	7,871	52,994	3,969	5,314	62,277
Equipment related	3,526	-	-	3,526	-	-	3,526
Equipment in-kind	5,888	5,345	2,575	13,808	7,186	1,738	22,732
Grants	9,701	2,723	-	12,424	-	-	12,424
Insurance	12,791	3,198	3,198	19,187	1,066	1,066	21,319
Lift tickets and lodging	18,461	21,531	-	39,992	5,996	-	45,988
Lift tickets and lodging in-kind	150,240	-	-	150,240	-	-	150,240
Materials and supplies	6,399	1,874	903	9,176	457	23,449	33,082
Miscellaneous	871	1,028	871	2,770	2,176	782	5,728
Occupancy	27,184	15,434	7,434	50,052	3,749	5,019	58,820
Occupancy in-kind	3,466	1,968	948	6,382	478	640	7,500
Office supplies and expenses	676	384	185	1,245	93	125	1,463
Other program related expenses	2,469	21,783	3,317	27,569	-	-	27,569
Professional fees	1,217	866	1,217	3,300	45,106	41,577	89,983
Rental shop expenses	3,116	779	-	3,895	-	-	3,895
Staff training	227	129	62	418	31	42	491
Telephone and internet	5,998	3,406	1,640	11,044	827	1,107	12,978
Transportation and travel	63,207	5,910	2,134	71,251	808	356	72,415
Volunteer support	28,615	206	206	29,027	-	-	29,027
Total expenses	\$ 522,783	\$ 213,370	\$ 179,942	\$ 916,095	\$ 139,305	\$ 204,157	\$ 1,259,557

The accompanying notes are an integral part of these financial statements.

YOUTH ENRICHMENT SERVICES, INC.

Statement of Functional Expenses For the Year Ended June 30, 2012

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 226,009	\$ 90,994	\$ 139,435	\$ 456,438	\$ 29,424	\$ 108,320	\$ 594,182
Advertising	436	174	174	784	87	-	871
Conferences and meetings	-	-	-	-	2,533	-	2,533
Depreciation and amortization	36,353	4,806	6,814	47,973	10,298	1,742	60,013
Equipment related	8,284	3,313	3,313	14,910	828	1,669	17,407
Equipment in-kind	30,248	-	-	30,248	-	-	30,248
Grants	11,987	3,363	-	15,350	-	-	15,350
Insurance	12,182	3,045	3,045	18,272	1,015	1,015	20,302
Lift tickets and lodging	30,591	-	-	30,591	-	-	30,591
Lift tickets and lodging in-kind	235,000	-	-	235,000	-	-	235,000
Materials and supplies	6,868	-	-	6,868	-	44,898	51,766
Occupancy	17,902	4,476	6,713	29,091	13,427	2,238	44,756
Occupancy in-kind	3,750	3,750	-	7,500	-	-	7,500
Office supplies and expenses	1,325	331	497	2,153	6,050	166	8,369
Other program related expenses	2,091	4,221	4,055	10,367	-	-	10,367
Professional fees	475	-	-	475	59,821	34,448	94,744
Rental shop expenses	1,956	490	-	2,446	-	-	2,446
Staff training	916	610	610	2,136	610	305	3,051
Telephone and internet	4,000	1,000	1,500	6,500	3,000	500	10,000
Transportation and travel	64,070	8,009	4,004	76,083	4,701	-	80,784
Volunteer support	20,377	115	115	20,607	-	621	21,228
Total expenses	\$ 714,820	\$ 128,697	\$ 170,275	\$ 1,013,792	\$ 131,794	\$ 195,922	\$ 1,341,508

The accompanying notes are an integral part of these financial statements.

YOUTH ENRICHMENT SERVICES, INC.

Statements of Cash Flows For the Years Ended June 30,

Cash flows provided by operating activities:

Changes in net assets	\$ 516,887	\$ (23,902)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	62,276	60,013
Loss from disposal of equipment	-	8,939
Changes in operating assets and liabilities:		
Unconditional promises to give	(92,400)	11,445
Inventory	4,343	15,731
Prepaid expenses	8,134	(3,737)
Accounts payable and accrued expenses	6,859	9,797
Deferred revenue	3,560	-
Accrued severance	(49,500)	16,500
Net cash provided by operating activities	<u>460,159</u>	<u>94,786</u>

Cash flows used in investing activities:

Purchase of property and equipment	<u>(54,361)</u>	<u>(62,857)</u>
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Cash flows used in financing activities:

Payments on mortgage payable	<u>(10,305)</u>	<u>(9,778)</u>
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Net increase in cash	395,493	22,151
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Cash, beginning of year	<u>191,010</u>	<u>168,859</u>
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Cash, end of year	<u>\$ 586,503</u>	<u>\$ 191,010</u>
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Supplemental disclosure:

Cash paid for interest	<u>\$ 23,212</u>	<u>\$ 23,219</u>
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YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

1. Organization Purpose

Youth Enrichment Services, Inc. (the “Organization”) provides recreation, outdoor education, a job training program, and service opportunities to urban youth. Its core programs consist of the following:

Snowsports – the Organization partners with a number of ski slopes throughout New England to offer skiing and snowboarding trips. The ski areas and other retailers donate hundreds of thousands of dollars in lift tickets, lessons, and equipment each year.

Outdoor Adventure – One-day bike and hike tours take urban youth to state parks in and around Boston. Overnight camping trips take place at Swan Lodge in western Massachusetts, made available to the Organization by the Massachusetts Department of Conservation and Recreation.

YES Academy – Youth attend weekly sessions during the school year and are matched with adult mentors in the corporate world to develop workplace competencies and acquire job skills, thereby providing a career pathway for urban young adults to enter the snowsports and outdoor recreation industries.

In addition, the Organization serves as a local chapter of *Dollars for Scholars*, a volunteer program that raises and disburses scholarship funds for students in their communities. Funds disbursed in accordance with the program’s requirements are reported as discretionary scholarships in the statements of activities and changes in net assets.

The Organization derives its support primarily from contributions, conducting special events, and sliding scale fees from program participants.

2. Summary of Significant Accounting Policies

Basis of Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the Organization determines the classification of its net assets and its revenues based on the existence or absence of donor-imposed restrictions.

The net assets of the Organization are reported in three categories as follows:

- (1) Unrestricted net assets represent expendable resources available for support of the Organization’s operations.
- (2) Temporarily restricted net assets represent resources restricted by donors for specific purposes or the passage of time.
- (3) Permanently restricted net assets (endowment funds) represent resources which cannot be expended. Income on these invested endowment funds are utilized in accordance with the donors’ stipulations. The Organization has no permanently restricted net assets.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Contributions that are classified as temporarily restricted support are reclassified to unrestricted net assets upon satisfaction of the use restriction or expiration of the time restriction.

Special event revenue consists of amounts received from ticket sales and contributions for a fundraising gala that was held during the years ended June 30, 2013 and 2012, respectively. Special event revenue is presented net of direct benefits to donors, which include the cost of food and beverages provided at the gala.

The Organization receives various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets, such as equipment and inventory are recognized at fair value when received.

Participant fees are recognized when the trip or event occurs, and fees received prior to the commencement of the trip or event is recorded as deferred revenue.

The store-front portion of the building is leased to a commercial tenant with lease payments recorded ratably over the lease term.

Cash

Cash consists of deposits held in checking accounts at federally insured banks and money market funds.

Inventory

The Organization's inventory consists of ski apparel and equipment donated by manufacturers or retailers of ski equipment, and is recorded at its net realizable value. The inventory is typically sold to program participants and their families at a price below its fair value based on the ability to pay. The expenses associated with inventory sales are reported as equipment in-kind in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment is stated at cost. Donated ski and camping equipment utilized for the Organization's programs are recorded at fair value at the date of donation. Depreciation is computed over the estimated useful lives of the assets using the straight-line method.

Buildings and improvements	10 - 32	years
Furniture and equipment	5-7	years
Camping and ski equipment	7	years
Motor vehicles	5	years

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Deferred Financing Fees

Costs incurred in connection with the mortgage closing have been deferred and amortized over the term of the loan on a straight line basis. Amortization expense during each of the years ended June 30, 2013 and 2012 was \$3,455. Estimated future annual amortization is \$3,455 – 2014 and \$1,728 – 2015.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization operates as a publicly supported tax-exempt organization pursuant to Section 501(c) (3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes on related income. The Organization is also exempt from Massachusetts taxes under Massachusetts General Law Chapter 180.

The Organization has evaluated the tax positions taken on returns for open years and those expected to be taken on returns for the year ended June 30, 2013. It is management's belief that such tax positions are more likely than not to be sustained upon examination by tax authorities. Accordingly, no liability for uncertain tax positions has been reflected in these financial statements. Returns for tax years beginning with those filed for the year ended June 30, 2010 are open to examination.

The Organization received rental income for space leased at the Organization's office. Accordingly, management believes that since more than 85% of the use of its property is substantially related to its exempt purpose, the income derived from its rental activities does not generate unrelated business income. During the year ended June 30, 2012, the Organization received an abatement of \$4,596 for unrelated business income tax paid with previously filed returns.

Use of Estimates and Subsequent Events

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on November 6, 2013, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

3. Property and Equipment

Major classes of property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 12,700	\$ 12,700
Building and improvements	751,277	729,677
Furniture and equipment	65,085	45,188
Camping and ski equipment	304,743	294,727
Motor vehicles	66,508	66,508
	<u>1,200,313</u>	<u>1,148,800</u>
Less - accumulated depreciation	<u>822,663</u>	<u>766,690</u>
Total	<u>\$ 377,650</u>	<u>\$ 382,110</u>

During the year ended June 30, 2012, the Organization disposed of obsolete furniture and equipment and sustained a loss of \$8,939 as a result.

4. Mortgage Payable

The Organization has a mortgage loan for its building in Boston which bears interest at 5.53% annually. The loan requires monthly payments of principle and interest of \$2,793 through August 27, 2014, at which time a balloon payment of the outstanding principle balance is due.

Future annual principal payments are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2014	\$ 10,890
2015	\$ 402,844

5. Temporarily Restricted Net Assets

At June 30, 2013 and 2012, temporarily restricted net assets consisted of:

	<u>2013</u>	<u>2012</u>
Time restrictions	\$ 562,000	\$ -
Capital improvements	18,908	69,814
	<u>\$ 580,908</u>	<u>\$ 69,814</u>

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

5. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from restrictions for the following purposes for the year ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Program related	\$ 96,500	\$ 228,970
Time restrictions	273,520	-
Capital improvements	50,906	28,748
	<u>\$ 420,926</u>	<u>\$ 257,718</u>

6. Rental Income

On May 1, 2013 the Organization extended the lease term with its commercial tenant through April 30, 2015. Accordingly, future minimum annual lease payments are as follows:

For the year ending June 30,

2014	\$	32,700
2015	\$	27,500

7. In-Kind Contributions

During the years ended June 30, 2013 and 2012, the Organization received the following in-kind contributions:

	<u>2013</u>	<u>2012</u>
Lift tickets and ski lessons	\$ 150,270	\$ 235,000
Ski equipment and apparel	6,531	49,500
Special event	-	9,930
Facilities	7,500	7,500
	<u>\$ 164,301</u>	<u>\$ 301,930</u>

The Commonwealth of Massachusetts entered into a 25-year lease with the Organization which provides for the use of a chalet in western Massachusetts for a nominal rent of \$10 per year. In addition, the Organization uses a ski lodge in Killington, Vermont without charge, which is owned by one of the members of the Board of Directors. The Organization is able to offer its summer and winter programs at a substantially reduced fee as a result of having access to these lodging arrangements without charge.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

8. Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the years ended June 30, 2013 and 2012 was \$857 and \$865, respectively.

9. Commitments – Severance

The Organization had entered into a continuing employment and deferred compensation agreement with its former Executive Director. The agreement's term was for four years and commenced on April 1, 2009 and ended on April 1, 2013, and with an option to extend for additional one-year periods. The agreement provided for the former Executive Director to receive an annual salary of \$20,000 and health insurance benefits. During the year ended June 30, 2013, the agreement expired and the outstanding obligation due the former Executive Director was paid in full.

10. Retirement Plan

The Organization provides a retirement plan for all eligible employees. The Organization provides for an employer match of employee deferrals in order to satisfy the average deferral percentage test and the average contribution percentage test. The Organization may also contribute an additional amount as determined by the Board of Directors. The amount charged to expense for the years ended June 30, 2013 and 2012 was \$8,782 and \$10,611, respectively.

11. Concentration Risk

During the years ended June 30, 2013 and 2012 the Organization received 37% and 18% of its total revenue from one donor, respectively. At June 30, 2013, 87% of outstanding pledges receivable were due from one donor.