

**YOUTH ENRICHMENT SERVICES, INC.**

**Financial Statements**

**June 30, 2015 and 2014**

**YOUTH ENRICHMENT SERVICES, INC.**

**June 30, 2015 and 2014**

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## **Independent Auditor's 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, 2015 and 2014, 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.

### **Auditor's 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 audits 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 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, 2015 and 2014, 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 17, 2015

# YOUTH ENRICHMENT SERVICES, INC.

## Statements of Financial Position June 30,

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 450,611	\$ 499,046
Marketable securities	13,026	-
Unconditional promises to give	243,454	179,937
Inventories	30,704	28,021
Prepaid expenses	4,492	1,078
Property and equipment, net	336,033	357,641
Other assets	9,176	19,646
	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u><u>\$ 1,087,496</u></u>	<u><u>\$ 1,085,369</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 9,530	\$ 13,289
Accrued interest	6,552	-
Other accrued expenses	31,310	18,761
Deferred revenue	15,070	4,900
Security deposit	2,600	2,600
Mortgage payable	406,000	402,794
	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	<u>471,062</u>	<u>442,344</u>
<b>Net assets:</b>		
Unrestricted:		
Operating	488,240	411,450
Property and equipment	(69,967)	(43,425)
Board-designated fund	25,000	-
Total unrestricted net assets	<u>443,273</u>	<u>368,025</u>
Temporarily restricted	<u>173,161</u>	<u>275,000</u>
<b>Total net assets</b>	<u>616,434</u>	<u>643,025</u>
	<u>                    </u>	<u>                    </u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,087,496</u></u>	<u><u>\$ 1,085,369</u></u>

## YOUTH ENRICHMENT SERVICES, INC.

### Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2015

	Unrestricted				Total
	Operating and Board-Designated	Property and Equipment	Total	Temporarily Restricted	
<b>Revenue and support:</b>					
Contributions	\$ 297,822	\$ -	\$ 297,822	\$ 324,383	\$ 622,205
Special events, net	510,229	-	510,229	-	510,229
In-kind donations	258,581	-	258,581	-	258,581
Participant fees	110,930	-	110,930	-	110,930
Rental income	33,150	-	33,150	-	33,150
Interest income and investment returns	673	-	673	-	673
Net assets released from restrictions	426,222	-	426,222	(426,222)	-
<b>Total revenue and support</b>	<b>1,637,607</b>	<b>-</b>	<b>1,637,607</b>	<b>(101,839)</b>	<b>1,535,768</b>
<b>Expenses:</b>					
Program expenses	1,090,943	44,403	1,135,346	-	1,135,346
General and administrative	163,710	3,134	166,844	-	166,844
Fundraising	238,366	4,702	243,068	-	243,068
<b>Total expenses</b>	<b>1,493,019</b>	<b>52,239</b>	<b>1,545,258</b>	<b>-</b>	<b>1,545,258</b>
<b>Change in net assets before transfers and discretionary scholarships</b>	<b>144,588</b>	<b>(52,239)</b>	<b>92,349</b>	<b>(101,839)</b>	<b>(9,490)</b>
Transfers	(25,697)	25,697	-	-	-
Discretionary scholarships	(17,101)	-	(17,101)	-	(17,101)
<b>Transfers and discretionary scholarships</b>	<b>(42,798)</b>	<b>25,697</b>	<b>(17,101)</b>	<b>-</b>	<b>(17,101)</b>
<b>Total change in net assets</b>	<b>101,790</b>	<b>(26,542)</b>	<b>75,248</b>	<b>(101,839)</b>	<b>(26,591)</b>
<b>Net assets, beginning of year</b>	<b>411,450</b>	<b>(43,425)</b>	<b>368,025</b>	<b>275,000</b>	<b>643,025</b>
<b>Net assets, end of year</b>	<b>\$ 513,240</b>	<b>\$ (69,967)</b>	<b>\$ 443,273</b>	<b>\$ 173,161</b>	<b>\$ 616,434</b>

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, 2014**

	Unrestricted			Temporarily Restricted	Total
	Undesignated Operating	Property and Equipment	Total		
<b>Revenue and support:</b>					
Contributions	\$ 639,883	\$ -	\$ 639,883	\$ 40,000	\$ 679,883
Special events, net	285,958	-	285,958	-	285,958
In-kind donations	262,993	-	262,993	-	262,993
Participant fees	145,341	-	145,341	-	145,341
Rental income	32,700	-	32,700	-	32,700
Interest and dividends	4,530	-	4,530	-	4,530
Net assets released from restrictions	345,908	-	345,908	(345,908)	-
<b>Total revenue</b>	<u>1,717,313</u>	<u>-</u>	<u>1,717,313</u>	<u>(305,908)</u>	<u>1,411,405</u>
<b>Expenses:</b>					
Program expenses	996,505	43,047	1,039,552	-	1,039,552
General and administrative	143,714	3,039	146,753	-	146,753
Fundraising	235,908	4,558	240,466	-	240,466
<b>Total expenses</b>	<u>1,376,127</u>	<u>50,644</u>	<u>1,426,771</u>	<u>-</u>	<u>1,426,771</u>
<b>Change in net assets before transfers and discretionary scholarships</b>	<u>341,186</u>	<u>(50,644)</u>	<u>290,542</u>	<u>(305,908)</u>	<u>(15,366)</u>
Transfers	(38,120)	38,120	-	-	-
Discretionary scholarships	(14,978)	-	(14,978)	-	(14,978)
<b>Transfers and discretionary scholarships</b>	<u>(53,098)</u>	<u>38,120</u>	<u>(14,978)</u>	<u>-</u>	<u>(14,978)</u>
<b>Total change in net assets</b>	288,088	(12,524)	275,564	(305,908)	(30,344)
<b>Net assets, beginning of year</b>	<u>123,362</u>	<u>(30,901)</u>	<u>92,461</u>	<u>580,908</u>	<u>673,369</u>
<b>Net assets, end of year</b>	<u>\$ 411,450</u>	<u>\$ (43,425)</u>	<u>\$ 368,025</u>	<u>\$ 275,000</u>	<u>\$ 643,025</u>

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,

	2015	2014
<b>Cash flows used in operating activities:</b>		
Changes in net assets	\$ (26,591)	\$ (30,344)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	60,980	58,951
Donated securities	(13,026)	-
Changes in operating assets and liabilities:		
Unconditional promises to give	(63,517)	(64,680)
Inventories	(2,683)	4,413
Prepaid expenses	(3,414)	(739)
Accounts payable and accrued expenses	15,342	7,946
Deferred revenue	10,170	1,340
<b>Net cash used in operating activities</b>	<u>(22,739)</u>	<u>(23,113)</u>
<b>Cash flows used in investing activities:</b>		
Purchase of property and equipment	(28,902)	(27,180)
Purchase of software	-	(26,224)
<b>Net cash used in investing activities</b>	<u>(28,902)</u>	<u>(53,404)</u>
<b>Cash flows provided by (used in) financing activities:</b>		
Net proceed from refinancing of mortgage payable	3,206	-
Payments on mortgage payable	-	(10,940)
<b>Net cash provided by (used in) financing activities</b>	<u>3,206</u>	<u>(10,940)</u>
<b>Net decrease in cash</b>	(48,435)	(87,457)
<b>Cash, beginning of year</b>	<u>499,046</u>	<u>586,503</u>
<b>Cash, end of year</b>	<u>\$ 450,611</u>	<u>\$ 499,046</u>
<b>Supplemental disclosure:</b>		
Cash paid for interest	<u>\$ 5,695</u>	<u>\$ 22,577</u>
<b>Disclosure of non-cash transaction:</b>		
Refinancing of mortgage payable	<u>\$ 406,000</u>	<u>-</u>

## YOUTH ENRICHMENT SERVICES, INC.

### Statement of Functional Expenses For the Year Ended June 30, 2015

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 129,735	\$ 131,925	\$ 226,151	\$ 487,811	\$ 65,977	\$ 134,778	\$ 688,566
Advertising	225	128	62	415	31	43	489
Conferences and meetings	1,813	1,029	496	3,338	250	336	3,924
Depreciation and amortization	28,051	15,855	7,927	51,833	3,659	5,488	60,980
Equipment maintenance	10,904	6,191	2,982	20,077	1,504	2,013	23,594
Equipment in-kind	-	-	-	-	8,817	-	8,817
Grants	12,915	-	-	12,915	-	-	12,915
Materials and supplies	3,814	155	75	4,044	38	31,044	35,126
Insurance	13,928	3,482	3,482	20,892	1,161	1,161	23,214
Lift tickets, admissions and lodging	22,795	35,205	-	58,000	3,687	521	62,208
Lift tickets and lodging in-kind	236,569	3,622	-	240,191	-	-	240,191
Occupancy	19,620	11,139	5,365	36,124	2,706	3,622	42,452
Occupancy in-kind	3,466	1,968	948	6,382	478	640	7,500
Office supplies and expenses	559	317	153	1,029	77	104	1,210
Other program related expenses	1,552	23,619	14,064	39,235	-	-	39,235
Professional fees	9,929	5,861	3,688	19,478	72,692	61,829	153,999
Rental shop expenses	1,183	296	-	1,479	-	-	1,479
Staff training	482	274	132	888	66	90	1,044
Telephone and internet	5,596	3,177	1,530	10,303	772	1,034	12,109
Transportation and travel	69,723	10,357	3,104	83,184	753	-	83,937
Volunteer support	29,369	555	555	30,479	-	-	30,479
Miscellaneous	406	6,437	406	7,249	4,176	365	11,790
<b>Total expenses</b>	<b>\$ 602,634</b>	<b>\$ 261,592</b>	<b>\$ 271,120</b>	<b>\$ 1,135,346</b>	<b>\$ 166,844</b>	<b>\$ 243,068</b>	<b>\$ 1,545,258</b>

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, 2014

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 138,570	\$ 120,162	\$ 179,707	\$ 438,439	\$ 62,965	\$ 120,822	\$ 622,226
Advertising	1,485	843	406	2,734	205	274	3,213
Conferences and meetings	2,764	1,569	756	5,089	381	510	5,980
Depreciation and amortization	27,117	15,327	7,664	50,108	3,537	5,306	58,951
Equipment related	7,271	4,128	1,988	13,387	1,003	1,342	15,732
Equipment in-kind	-	-	-	-	5,788	-	5,788
Grants	13,294	3,728	-	17,022	-	-	17,022
Insurance	13,790	3,448	3,448	20,686	1,149	1,149	22,984
Lift tickets, admissions and lodging	19,116	20,631	-	39,747	4,080	790	44,617
Lift tickets and lodging in-kind	244,573	-	-	244,573	-	-	244,573
Materials and supplies	3,081	141	68	3,290	34	43,989	47,313
Miscellaneous	814	11,259	814	12,887	1,611	731	15,229
Occupancy	23,033	13,077	6,299	42,409	3,176	4,252	49,837
Occupancy in-kind	3,466	1,968	948	6,382	478	640	7,500
Office supplies and expenses	1,514	859	414	2,787	209	279	3,275
Other program related expenses	3,695	10,848	9,421	23,964	-	-	23,964
Professional fees	905	769	1,358	3,032	60,138	58,459	121,629
Rental shop expenses	758	189	-	947	-	-	947
Staff training	1,077	612	295	1,984	149	199	2,332
Telephone and internet	7,204	4,090	1,970	13,264	993	1,330	15,587
Transportation and travel	62,897	9,565	2,457	74,919	857	394	76,170
Volunteer support	21,303	300	299	21,902	-	-	21,902
<b>Total expenses</b>	<b>\$ 597,727</b>	<b>\$ 223,513</b>	<b>\$ 218,312</b>	<b>\$ 1,039,552</b>	<b>\$ 146,753</b>	<b>\$ 240,466</b>	<b>\$ 1,426,771</b>

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

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 1. Organization Purpose

Youth Enrichment Services, Inc. (the “Organization”) is a youth development organization that provides challenging recreation, outdoor education, a college and career development program, and service opportunities to urban youth. Its core programs consist of the following:

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

*Outdoor Adventure* - Week long “sessions” and “intensive” programs challenge youth with new outdoor recreational programs. One-day biking, hiking, rock-climbing, kayaking and paddle-boarding trips take urban youth to state parks, rivers and bays in and around Boston. Overnight camping trips take place at Swann Lodge in western Massachusetts, made available to the Organization by the Massachusetts Department of Conservation and Recreation.

*YES Academy* - The YES Academy provides year-round opportunities for youth to learn the critical and leadership skills needed to be successful in college, work, and life.

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. It includes the following –
  - Undesignated net assets which are available for operations;
  - Net assets that represent the Organization’s property and equipment, net of related liabilities;
  - Board designated net assets that have been set aside by the Board of Directors for unexpected emergencies, currently in the amount of \$25,000.
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

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### 2. Summary of Significant Accounting Policies (continued)

#### *Fair Value Measurements*

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

*Level 1* - Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to *Level 1* inputs.

*Level 2* - Observable inputs other than *Level 1* inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

*Level 3* - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to *Level 3* inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Marketable securities consisted of shares of common stocks and exchange traded funds having a fair value of \$13,026 at June 30, 2015 that are valued using readily available quoted prices on active markets (Level 1).

#### *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.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows, if the discounts on those amounts are determined to be material.

Special event revenue primarily consists of amounts received from sponsorships and contributions for a fundraising gala that was held during the years ended June 30, 2015 and 2014, 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 are recorded as deferred revenue.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Revenue and Support (continued)*

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

The Organization records interest and dividends on its marketable securities and money market accounts when earned. Investment returns consist of gains or losses on marketable securities when realized, and unrealized gains or losses that are based upon changes in the fair value of securities held.

#### *Cash*

Cash consists of deposits held in money market and checking accounts.

#### *Inventories*

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

#### *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. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. The depreciating lives of property and equipment held by the Organization are as follow:

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

#### *Other Assets*

Deferred financing fees incurred in connection with the mortgage closing with a financial institution had been deferred and amortized over the term of the loan on a straight line basis. Amortization expenses during the years ended June 30, 2015 and 2014 were \$1,729 and \$3,455, respectively. Deferred financing fees were fully amortized during the year ended June 30, 2015 due to the maturity of the Organization's previous mortgage note (see Note 6).

Software is carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life. The Organization amortizes software costs over an estimated useful life of three years. Amortization of software for the years ended June 30, 2015 and 2014 were \$8,741 and \$8,307, respectively. Estimated future annual amortization of software cost are as follow:

For the years ending June 30,

June 30, 2016	\$	8,741
June 30, 2017		434

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Functional Expenses*

The costs of providing the various programs and other activities have been detailed in the statements of functional expenses and 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. Returns for tax years beginning with those filed for the year ended June 30, 2012 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.

#### *Use of Estimates and Subsequent Events*

The presentation 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. Accordingly, 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 17, 2015, 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.

### 3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2015 and 2014 are receivable in one year or less. Management annually estimates the probability that individual unconditional promises to give are uncollectible. Accordingly, no allowance for doubtful accounts was considered necessary at June 30, 2015 and 2014.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 4. Property and Equipment

Major classes of property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 12,700	\$ 12,700
Building and improvements	767,657	767,657
Furniture and equipment	81,583	66,340
Camping and ski equipment	327,947	314,288
Motor vehicles	66,508	66,508
	<u>1,256,395</u>	<u>1,227,493</u>
Less - accumulated depreciation	<u>920,362</u>	<u>869,852</u>
	<u><u>\$ 336,033</u></u>	<u><u>\$ 357,641</u></u>

### 5. Other Assets

Other assets consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Deferred financing fees	\$ -	\$ 17,277
Software costs	26,224	26,224
Less: accumulated amortization	(17,048)	(23,855)
	<u><u>\$ 9,176</u></u>	<u><u>\$ 19,646</u></u>

### 6. Mortgage Payable

The Organization had a mortgage loan with a bank for its building in Boston bearing interest at 5.53% annually. The loan required monthly payments of principle and interest of \$2,793 through August 27, 2014, at which time a balloon payment of the outstanding principle balance became due.

On August 27, 2014, the Organization entered into a mortgage loan agreement with a charitable foundation, the proceeds from which paid off the outstanding loan principal due to the bank. A trustee of the charitable foundation serves in a similar capacity with the Organization. The loan has an outstanding principal of \$406,000 and bears interest at 1.99% annually, and is collateralized by the Organization's building in Boston. The loan requires annual interest payments of \$8,079 starting September 1, 2015 through September 1, 2023, at which time a balloon payment of the outstanding principal balance is due. Future annual principal payments consist of \$406,000 which is due September 1, 2023.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 7. Line of Credit

The Organization entered into a revolving line of credit agreement on February 3, 2015 with its bank permitting advances up to \$100,000. The line of credit bears interest at the prime rate plus one percent, 4.25% at June 30, 2015. The line of credit is secured and collateralized by all assets of the Organization and the rental receipts as described in Note 9. As of June 30, 2015, the Organization had no outstanding balance on its line of credit.

### 8. Temporarily Restricted Net Assets

At June 30, 2015 and 2014, temporarily restricted net assets consisted of:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 100,000	\$ 275,000
Fundraising effort	29,150	-
Information technology upgrade	19,711	-
Internship - summer	12,800	-
Program - track and field	7,500	-
Program - summer	4,000	-
	<u>\$ 173,161</u>	<u>\$ 275,000</u>

Temporarily restricted net assets were released from restrictions for the following purposes for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 275,000	\$ 287,000
Program related	107,833	40,000
Information technology upgrade	26,289	-
Event sponsorship	10,000	-
Strategic planning	5,000	-
Fundraising effort	2,100	-
Capital improvements	-	18,908
	<u>\$ 426,222</u>	<u>\$ 345,908</u>

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 9. Rental Income

On April 24, 2015, the Organization extended the lease term with its commercial tenant. The lease calls for a monthly lease payment of \$2,900 for the term May 1, 2015 through April 30, 2017. Rent income recognized for years ended June 30, 2015 and 2014 were \$33,150 and \$32,700, respectively.

Future annual rental receipts from the tenant are as follow:

For the years ending June 30,

2016	\$ 34,800
2017	29,000

### 10. In-Kind Contribution

During the years ended June 30, 2015 and 2014, the Organization received the following in-kind contributions:

	<u>2015</u>	<u>2014</u>
Lift tickets and ski lessons	\$ 236,569	\$ 244,573
Ski equipment and apparel	14,512	10,920
Facilities	7,500	7,500
	<u>\$ 258,581</u>	<u>\$ 262,993</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.

### 11. Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the years ended June 30, 2015 and 2014 was \$489 and \$3,213, respectively.

### 12. 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 amounts charged to expense for the years ended June 30, 2015 and 2014 were \$16,275 and \$11,193, respectively.



# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 13. Concentration Risk

During the years ended June 30, 2014, the Organization received 48% of its contribution income from one donor. At June 30, 2015 and 2014, 62% and 86%, respectively, of outstanding unconditional promises to give were due from two donors.