
YOUTH ENRICHMENT SERVICES, INC.

Financial Statements

June 30, 2011 and 2010

YOUTH ENRICHMENT SERVICES, INC.

June 30, 2011 and 2010

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Youth Enrichment Services, Inc. (a not-for-profit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
December 12, 2011

YOUTH ENRICHMENT SERVICES, INC.

Statements of Financial Position June 30,

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 168,859	\$ 335,441
Unconditional promises to give	34,302	5,000
Inventory	52,508	47,587
Prepaid expenses	4,736	3,924
Total current assets	<u>260,405</u>	<u>391,952</u>
Property and equipment, net	384,750	390,923
Deferred financing fees	<u>12,094</u>	<u>15,549</u>
Total assets	<u><u>\$ 657,249</u></u>	<u><u>\$ 798,424</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,448	\$ 9,412
Accrued severance	33,000	16,500
Mortgage payable, current portion	9,797	9,271
Security deposit	2,600	2,600
Total current liabilities	<u>52,845</u>	<u>37,783</u>
Mortgage payable, less current portion	<u>424,020</u>	<u>433,775</u>
Net assets:		
Unrestricted	81,829	228,341
Temporarily restricted	98,555	98,525
Total net assets	<u>180,384</u>	<u>326,866</u>
Total liabilities and net assets	<u><u>\$ 657,249</u></u>	<u><u>\$ 798,424</u></u>

YOUTH ENRICHMENT SERVICES, INC.

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions	\$ 325,051	\$ 148,368	\$ 473,419
Special events	186,309	-	186,309
In-kind donations	273,730	-	273,730
Participant fees	157,083	-	157,083
Rental income	31,200	-	31,200
Interest and dividends	46	30	76
Refund of taxes	2,450	-	2,450
Net assets released from restrictions	148,368	(148,368)	-
Total revenue and support	<u>1,124,237</u>	<u>30</u>	<u>1,124,267</u>
Expenses:			
Program expenses	1,003,404	-	1,003,404
General and administrative	110,676	-	110,676
Fundraising	156,669	-	156,669
Total expenses	<u>1,270,749</u>	<u>-</u>	<u>1,270,749</u>
Changes in net assets from operations	(146,512)	30	(146,482)
Net assets, beginning of year	<u>228,341</u>	<u>98,525</u>	<u>326,866</u>
Net assets, end of year	<u>\$ 81,829</u>	<u>\$ 98,555</u>	<u>\$ 180,384</u>

YOUTH ENRICHMENT SERVICES, INC.

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Contributions	\$ 537,308	\$ 34,927	\$ 572,235
Special events	37,090	-	37,090
In-kind donations	229,508	-	229,508
Participant fees	116,366	-	116,366
Rental income	33,000	-	33,000
Interest and dividends	554	-	554
Realized gain on investments	4,999	-	4,999
Net assets released from restrictions	86,938	(86,938)	-
Total revenue	<u>1,045,763</u>	<u>(52,011)</u>	<u>993,752</u>
Expenses:			
Program expenses	892,967	-	892,967
General and administrative	103,511	-	103,511
Fundraising	179,876	-	179,876
Total expenses	<u>1,176,354</u>	<u>-</u>	<u>1,176,354</u>
Changes in net assets	(130,591)	(52,011)	(182,602)
Net assets, beginning of year	<u>358,932</u>	<u>150,536</u>	<u>509,468</u>
Net assets, end of year	<u>\$ 228,341</u>	<u>\$ 98,525</u>	<u>\$ 326,866</u>

YOUTH ENRICHMENT SERVICES, INC.

Statement of Functional Expenses For the Year Ended June 30, 2011

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 199,294	\$ 62,133	\$ 133,790	\$ 395,217	\$ 21,780	\$ 69,285	\$ 486,282
Advertising	10,114	4,046	4,046	18,206	-	2,023	20,229
Conferences and meetings	-	-	-	-	2,679	-	2,679
Depreciation and amortization	41,496	6,752	7,982	56,230	12,307	2,140	70,677
Equipment, supplies, food and maintenance	12,534	4,869	4,624	22,027	1,156	1,634	24,817
Equipment in-kind	45,345	-	-	45,345	-	-	45,345
Fundraising	8,351	6,348	5,864	20,563	-	56,411	76,974
Insurance	12,923	3,231	3,231	19,385	1,077	1,077	21,539
Lift tickets and lodging	41,081	-	-	41,081	-	-	41,081
Lift tickets and lodging in-kind	198,000	-	-	198,000	-	-	198,000
Occupancy	17,313	4,328	6,492	28,133	12,985	2,164	43,282
Occupancy in-kind	3,750	3,750	-	7,500	-	-	7,500
Office supplies and expenses	1,051	263	394	1,708	2,030	131	3,869
Grants	12,259	3,439	-	15,698	-	-	15,698
Professional fees	2,233	-	-	2,233	44,841	21,549	68,623
Scholarship awards	-	-	23,401	23,401	-	-	23,401
Staff training	21,343	-	-	21,343	3,200	-	24,543
Telephone and internet	2,044	511	766	3,321	1,533	255	5,109
Transportation and travel	65,390	8,174	4,087	77,651	7,088	-	84,739
Volunteers	5,360	501	501	6,362	-	-	6,362
Total expenses	<u>\$ 699,881</u>	<u>\$ 108,345</u>	<u>\$ 195,178</u>	<u>\$ 1,003,404</u>	<u>\$ 110,676</u>	<u>\$ 156,669</u>	<u>\$ 1,270,749</u>

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, 2010**

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 194,301	\$ 62,271	\$ 137,977	\$ 394,549	\$ 28,913	\$ 106,681	\$ 530,143
Advertising	3,834	1,534	1,534	6,902	-	767	7,669
Conferences and meetings	-	-	-	-	3,892	-	3,892
Depreciation and amortization	67,007	6,678	7,610	81,295	17,258	1,950	100,503
Equipment, supplies, food and maintenance	10,770	4,308	4,308	19,386	1,077	1,077	21,540
Fundraising	9,825	1,973	4,042	15,840	-	29,117	44,957
Insurance	13,523	3,381	3,381	20,285	1,127	1,127	22,539
Lift tickets and lodging	23,011	-	-	23,011	-	-	23,011
Lift tickets and lodging in-kind	154,116	-	-	154,116	-	-	154,116
Occupancy	16,488	4,122	6,183	26,793	12,366	2,061	41,220
Occupancy in-kind	3,750	3,750	-	7,500	-	-	7,500
Office supplies and expenses	5,084	1,271	1,907	8,262	3,937	636	12,835
Grants	20,500	5,750	-	26,250	-	-	26,250
Professional fees	2,460	-	-	2,460	26,913	36,002	65,375
Scholarship awards	-	-	15,251	15,251	-	-	15,251
Staff training	18,593	454	454	19,501	454	227	20,182
Telephone and internet	1,850	463	694	3,007	1,388	231	4,626
Transportation and travel	57,734	7,217	3,608	68,559	6,186	-	74,745
Total expenses	\$ 602,846	\$ 103,172	\$ 186,949	\$ 892,967	\$ 103,511	\$ 179,876	\$ 1,176,354

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,

	2011	2010
Cash flows used in operating activities:		
Changes in net assets	\$ (146,482)	\$ (182,602)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	70,677	87,421
Realized gains	-	(4,999)
Changes in operating assets and liabilities:		
Unconditional promises to give	(29,302)	(5,000)
Inventory	(4,921)	(47,587)
Prepaid expenses	(812)	812
Accounts payable and accrued expenses	(1,964)	(180)
Accrued severance	16,500	16,500
Rental security deposit	-	200
Income taxes payable	-	(1,247)
Net cash used in operating activities	<u>(96,304)</u>	<u>(136,682)</u>
Cash flows (used in) provided by investing activities:		
Purchase of investments	-	(8,652)
Proceeds from sale of investments	-	43,258
Purchase of property and equipment	(61,049)	(20,881)
Net cash (used in) provided by investing activities	<u>(61,049)</u>	<u>13,725</u>
Cash flows (used in) provided by financing activities:		
Borrowings on mortgage payable	-	151,991
Payments on mortgage payable	(9,229)	(24,491)
Deferred financing costs	-	(17,277)
Net cash (used in) provided by financing activities	<u>(9,229)</u>	<u>110,223</u>
Net decrease in cash	(166,582)	(12,734)
Cash, beginning of year	<u>335,441</u>	<u>348,175</u>
Cash, end of year	<u>\$ 168,859</u>	<u>\$ 335,441</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 24,288</u>	<u>\$ 24,491</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 7,253</u>
Noncash financing activities:		
Refinance of mortgage payable	<u>\$ -</u>	<u>\$ 332,864</u>

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

1. Organization Purpose

Youth Enrichment Services, Inc. (the “Organization”) provides recreation, outdoor education, and service opportunities to urban youth. The Organization also runs a job training program and provides scholarships to worthy students. 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.

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 is 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 and a fundraising breakfast that were held during the years ended June 30, 2011 and 2010, respectively.

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.

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, 2011 and 2010 was \$3,455. The amortization expense will be \$3,455 for each of the four succeeding years.

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 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, 2011. 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, 2008 are open to examination.

The Organization had been paying unrelated business income tax on its rental income; management reevaluated its tax position in regard to this activity. 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. In 2011, the Organization received an abatement \$2,450 for income taxes paid with its past three years of tax 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 December 12, 2011, the date these financial statements became available to be issued. No events have occurred subsequent to the balance sheet date and through the date of evaluation that meet the criteria required for disclosure or accrual.

Reclassifications

Certain amounts from 2010 have been reclassified in these financial statements in order to conform with the current year presentation.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

3. Property and Equipment

Major classes of property and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 12,700	\$ 12,700
Building and improvements	717,964	686,509
Furniture and equipment	119,735	117,105
Camping and ski equipment	259,744	232,780
Motor vehicles	<u>66,508</u>	<u>66,508</u>
	1,176,651	1,115,602
Less - accumulated depreciation	<u>791,901</u>	<u>724,679</u>
Total	<u>\$ 384,750</u>	<u>\$ 390,923</u>

4. Mortgage

On August 27, 2009, the Organization refinanced its mortgage with Bank of America for the building at 410 Massachusetts Avenue, with a principle amount of \$450,000 and an annual interest rate of 5.53%. The mortgage requires monthly payments of principle and interest of \$2,793 through August 27, 2014, at which time a balloon payment of the outstanding principal balance is due.

Future annual principal payments are as follows:

<u>Years ending June 30.</u>	<u>Amount</u>
2012	\$ 9,797
2013	10,353
2014	10,939
2015	\$ 402,728

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for capital improvements for the years ended June 30, 2011 and 2010. Net assets released from restrictions of \$148,368 and \$86,938 were for program related expenses for the years ending June 30, 2011 and 2010, respectively.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

6. Rental Income

On April 29, 2011, the Organization amended the lease with its commercial tenant which extends the lease term through April 30, 2013. The lease provides for the Organization to receive monthly payments of \$2,600, including a deposit of the first month's rent.

Minimum future base rentals to be received as of June 30, 2011 are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2012	31,200
2013	26,000
	<u>\$ 57,200</u>

7. In-Kind Contributions

During the year ended June 30, 2011 and 2010, the Organization received the following in-kind contributions:

	<u>2011</u>	<u>2010</u>
Donated office equipment	\$ -	\$ 8,700
Lift tickets and ski lessons	198,000	154,116
Ski equipment and apparel	68,230	59,192
Facilities	<u>7,500</u>	<u>7,500</u>
	<u>\$ 273,730</u>	<u>\$ 229,508</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 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.

8. Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the years ended June 30, 2011 and 2010 were \$20,228 and \$7,668, respectively.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

9. Commitments – Severance

The Organization entered into a continuing employment and deferred compensation agreement with its former Executive Director. The agreement has a term of four years, commencing on April 1, 2009 and ending on April 1, 2013, and with an option to extend for additional one-year periods. The agreement provides for the former Executive Director to receive an annual salary of \$20,000 and health insurance benefits. In addition, at the end of each calendar year and through the termination of the continuing employment agreement, the Organization is required to deposit \$16,500 into the deferred compensation plan. Accordingly, the accrued severance balance at June 30, 2011 and 2010 was \$ 33,000 and \$ 16,500, respectively.

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, 2011 and 2010 was \$9,938 and \$9,830, respectively.