
YOUTH ENRICHMENT SERVICES, INC.

Financial Statements

June 30, 2012 and 2011

YOUTH ENRICHMENT SERVICES, INC.

June 30, 2012 and 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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
September 12, 2012

YOUTH ENRICHMENT SERVICES, INC.

Statements of Financial Position June 30,

2012

2011

Assets

Current assets:

Cash and cash equivalents	\$ 191,010	\$ 168,859
Unconditional promises to give	22,857	34,302
Inventory	36,777	52,508
Prepaid expenses	8,473	4,736
Total current assets	<u>259,117</u>	<u>260,405</u>

Property and equipment, net

382,110 384,750

Deferred financing fees

8,639 12,094

Total assets

\$ 649,866 \$ 657,249

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$ 17,245	\$ 7,448
Accrued severance	49,500	33,000
Mortgage payable, current portion	10,353	9,797
Security deposit	2,600	2,600
Total current liabilities	<u>79,698</u>	<u>52,845</u>

Mortgage payable, less current portion

413,686 424,020

Net assets:

Unrestricted:

Undesignated operating	119,958	118,802
Property and equipment	(33,290)	(36,973)
Total unrestricted net assets	<u>86,668</u>	<u>81,829</u>
Temporarily restricted	69,814	98,555
Total net assets	<u>156,482</u>	<u>180,384</u>

Total liabilities and net assets

\$ 649,866 \$ 657,249

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 and support:					
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 and support	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 Activities and Changes in Net Assets
For the Year Ended June 30, 2011**

	Unrestricted			Temporarily Restricted	Total
	Undesignated Operating	Property and Equipment	Total		
Revenue:					
Contributions	\$ 325,051	\$ -	\$ 325,051	\$ 148,368	\$ 473,419
Special events	186,309	-	186,309	-	186,309
In-kind donations	273,730	-	273,730	-	273,730
Participant fees	157,083	-	157,083	-	157,083
Rental income	31,200	-	31,200	-	31,200
Interest and dividends	46	-	46	30	76
Refund of taxes	2,450	-	2,450	-	2,450
Net assets released from restrictions	148,368	-	148,368	(148,368)	-
Total revenue	<u>1,124,237</u>	<u>-</u>	<u>1,124,237</u>	<u>30</u>	<u>1,124,267</u>
Expenses:					
Program expenses	923,773	56,230	980,003	-	980,003
General and administrative	98,369	12,307	110,676	-	110,676
Fundraising	154,529	2,140	156,669	-	156,669
Total expenses	<u>1,176,671</u>	<u>70,677</u>	<u>1,247,348</u>	<u>-</u>	<u>1,247,348</u>
Change in net assets before transfers and discretionary scholarships	<u>(52,434)</u>	<u>(70,677)</u>	<u>(123,111)</u>	<u>30</u>	<u>(123,081)</u>
Transfers	(70,278)	70,278	-	-	-
Discretionary scholarships	(23,401)	-	(23,401)	-	(23,401)
Transfers and discretionary scholarships	<u>(93,679)</u>	<u>70,278</u>	<u>(23,401)</u>	<u>-</u>	<u>(23,401)</u>
Total change in net assets	<u>(146,113)</u>	<u>(399)</u>	<u>(146,512)</u>	<u>30</u>	<u>(146,482)</u>
Net assets, beginning of year	<u>264,915</u>	<u>(36,574)</u>	<u>228,341</u>	<u>98,525</u>	<u>326,866</u>
Net assets, end of year	<u>\$ 118,802</u>	<u>\$ (36,973)</u>	<u>\$ 81,829</u>	<u>\$ 98,555</u>	<u>\$ 180,384</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, 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, supplies, food and maintenance	8,284	3,313	3,313	14,910	828	1,669	17,407
Equipment in-kind	30,248	-	-	30,248	-	-	30,248
Fundraising	8,959	4,221	4,055	17,235	-	44,898	62,133
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
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
Grants	11,987	3,363	-	15,350	-	-	15,350
Professional fees	475	-	-	475	59,821	34,448	94,744
Rental shop expenses	1,956	490	-	2,446	-	-	2,446
Staff training	18,389	610	610	19,609	610	305	20,524
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
Volunteers	2,904	115	115	3,134	-	621	3,755
Total expenses	<u>\$ 714,820</u>	<u>\$ 128,697</u>	<u>\$ 170,275</u>	<u>\$ 1,013,792</u>	<u>\$ 131,794</u>	<u>\$ 195,922</u>	<u>\$ 1,341,508</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, 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
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>\$ 171,777</u>	<u>\$ 980,003</u>	<u>\$ 110,676</u>	<u>\$ 156,669</u>	<u>\$ 1,247,348</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,

2012

2011

Cash flows provided by (used in) operating activities:

Changes in net assets	\$ (23,902)	\$ (146,482)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	60,013	70,677
Loss from disposal of equipment	8,939	-
Changes in operating assets and liabilities:		
Unconditional promises to give	11,445	(29,302)
Inventory	15,731	(4,921)
Prepaid expenses	(3,737)	(812)
Accounts payable and accrued expenses	9,797	(1,964)
Accrued severance	16,500	16,500
Net cash provided by (used in) operating activities	<u>94,786</u>	<u>(96,304)</u>

Cash flows used in investing activities:

Purchase of property and equipment	<u>(62,857)</u>	<u>(61,049)</u>
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Cash flows used in financing activities:

Payments on mortgage payable	<u>(9,778)</u>	<u>(9,229)</u>
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Net increase (decrease) in cash 22,151 (166,582)

Cash, beginning of year 168,859 335,441

Cash, end of year \$ 191,010 \$ 168,859

Supplemental disclosure:

Cash paid for interest \$ 23,219 \$ 24,288

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 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, 2012 and 2011, respectively. Special event revenue is presented net of associated expenses in the statement of activities and changes in net assets.

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.

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, 2012 and 2011 was \$3,455. Estimated future annual amortization is \$3,455 – 2013, \$3,455 – 2014 and \$1,729 – 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 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, 2012. 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, 2009 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 years ended June 30, 2012 and 2011, the Organization received abatements of \$4,596 and \$2,450, respectively, 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 September 12, 2012, 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.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

3. Property and Equipment

Major classes of property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 12,700	\$ 12,700
Building and improvements	729,677	717,964
Furniture and equipment	45,188	119,735
Camping and ski equipment	294,727	259,744
Motor vehicles	<u>66,508</u>	<u>66,508</u>
	1,148,800	1,176,651
Less - accumulated depreciation	<u>766,690</u>	<u>791,901</u>
Total	<u>\$ 382,110</u>	<u>\$ 384,750</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

On August 27, 2009, the Organization refinanced its mortgage loan 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 loan 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>
2013	\$ 10,353
2014	10,939
2015	402,747

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for capital improvements for the years ended June 30, 2012 and 2011. Net assets were released from restrictions for the following purposes:

	<u>2012</u>	<u>2011</u>
Program related releases	\$ 228,970	\$ 141,560
Capital improvement releases	<u>28,748</u>	<u>6,808</u>
	<u>\$ 257,718</u>	<u>\$ 148,368</u>

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

6. Rental Income

On April 29, 2011, the Organization amended the lease with its commercial tenant to extend 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. Accordingly, future minimum lease base rental payments for the year ended June 30, 2013 are \$26,000.

7. In-Kind Contributions

During the years ended June 30, 2012 and 2011, the Organization received the following in-kind contributions:

	<u>2012</u>	<u>2011</u>
Lift tickets and ski lessons	\$ 235,000	\$ 198,000
Ski equipment and apparel	49,500	68,230
Special event	9,930	-
Facilities	<u>7,500</u>	<u>7,500</u>
	<u>\$ 301,930</u>	<u>\$ 273,730</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.

8. Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the years ended June 30, 2012 and 2011 were \$871 and \$20,229, respectively.

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 accruing \$16,500 annually. Accordingly, the accrued severance balance at June 30, 2012 and 2011 was \$ 49,500 and \$ 33,000, respectively.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

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, 2012 and 2011 was \$10,611 and \$9,938, respectively.

11. Concentration Risk

There was a concentration risk in revenue during the year ended June 30, 2012 in that the Organization received 18% of its total revenue from one donor/funder.