

YOUTH ENRICHMENT SERVICES, INC.

Financial Statements

June 30, 2017 and 2016

YOUTH ENRICHMENT SERVICES, INC.

June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
October 20, 2017

YOUTH ENRICHMENT SERVICES, INC.

Statements of Financial Position June 30,

	2017	2016
Assets		
Cash and cash equivalents	\$ 898,906	\$ 768,075
Unconditional promises to give	55,899	74,702
Inventories	28,369	25,875
Prepaid expenses	30,815	8,533
Property and equipment, net	319,107	364,984
Other assets	-	434
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 1,333,096</u></u>	<u><u>\$ 1,242,603</u></u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 7,568	\$ 9,162
Accrued interest	6,914	6,733
Other accrued expenses	33,586	20,648
Deferred revenue	2,735	6,631
Security deposit	2,600	2,600
Capital lease obligation	22,793	28,076
Mortgage payable	406,000	406,000
	<u> </u>	<u> </u>
Total liabilities	<u>482,196</u>	<u>479,850</u>
Net assets:		
Unrestricted:		
Operating	852,968	716,791
Property and equipment	(116,600)	(75,826)
Board-designated fund	75,000	50,000
Total unrestricted net assets	<u>811,368</u>	<u>690,965</u>
Temporarily restricted	<u>39,532</u>	<u>71,788</u>
Total net assets	<u>850,900</u>	<u>762,753</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$ 1,333,096</u></u>	<u><u>\$ 1,242,603</u></u>

YOUTH ENRICHMENT SERVICES, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017**

	Unrestricted				
	Operating and Board- Designated	Property and Equipment	Total	Temporarily Restricted	Total
Revenue and support:					
Contributions	\$ 598,849	\$ -	\$ 598,849	\$ 339,744	\$ 938,593
Special events, net	584,138	-	584,138	-	584,138
In-kind donations	215,211	-	215,211	-	215,211
Participant fees	93,513	-	93,513	-	93,513
Rental income	34,800	-	34,800	-	34,800
Interest income	6,731	-	6,731	-	6,731
Net assets released from restrictions	372,000	-	372,000	(372,000)	-
Total revenue and support	<u>1,905,242</u>	<u>-</u>	<u>1,905,242</u>	<u>(32,256)</u>	<u>1,872,986</u>
Expenses:					
Program expenses	1,214,376	55,511	1,269,887	-	1,269,887
General and administrative	150,013	4,528	154,541	-	154,541
Fundraising	282,593	4,539	287,132	-	287,132
Total expenses	<u>1,646,982</u>	<u>64,578</u>	<u>1,711,560</u>	<u>-</u>	<u>1,711,560</u>
Change in net assets before transfers, discretionary scholarships and relocation project feasibility work	<u>258,260</u>	<u>(64,578)</u>	<u>193,682</u>	<u>(32,256)</u>	<u>161,426</u>
Transfers	(23,804)	23,804	-	-	-
Discretionary scholarships	(10,000)	-	(10,000)	-	(10,000)
Relocation feasibility work	(63,279)	-	(63,279)	-	(63,279)
Transfers, discretionary scholarships and relocation feasibility work	<u>(97,083)</u>	<u>23,804</u>	<u>(73,279)</u>	<u>-</u>	<u>(73,279)</u>
Total change in net assets	161,177	(40,774)	120,403	(32,256)	88,147
Net assets, beginning of year	<u>766,791</u>	<u>(75,826)</u>	<u>690,965</u>	<u>71,788</u>	<u>762,753</u>
Net assets, end of year	<u>\$ 927,968</u>	<u>\$ (116,600)</u>	<u>\$ 811,368</u>	<u>\$ 39,532</u>	<u>\$ 850,900</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, 2016**

	Unrestricted			Temporarily Restricted	Total
	Undesignated Operating	Property and Equipment	Total		
Revenue and support:					
Contributions	\$ 553,685	\$ -	\$ 553,685	\$ 313,581	\$ 867,266
Special events, net	577,851	-	577,851	-	577,851
In-kind donations	269,559	-	269,559	-	269,559
Participant fees	99,273	-	99,273	-	99,273
Rental income	34,800	-	34,800	-	34,800
Interest and dividends	2,553	-	2,553	-	2,553
Net assets released from restrictions	414,954	-	414,954	(414,954)	-
Total revenue and support	<u>1,952,675</u>	<u>-</u>	<u>1,952,675</u>	<u>(101,373)</u>	<u>1,851,302</u>
Expenses:					
Program expenses	1,217,602	51,986	1,269,588	-	1,269,588
General and administrative	142,432	3,670	146,102	-	146,102
Fundraising	279,314	5,504	284,818	-	284,818
Total expenses	<u>1,639,348</u>	<u>61,160</u>	<u>1,700,508</u>	<u>-</u>	<u>1,700,508</u>
Change in net assets before transfers and discretionary scholarships and gain on sale of vehicle	<u>313,327</u>	<u>(61,160)</u>	<u>252,167</u>	<u>(101,373)</u>	<u>150,794</u>
Transfers	(55,301)	55,301	-	-	-
Discretionary scholarships	(10,000)	-	(10,000)	-	(10,000)
Gain on sale of vehicle	5,525	-	5,525	-	5,525
Transfers, discretionary scholarships, and gain on sale of vehicle	<u>(59,776)</u>	<u>55,301</u>	<u>(4,475)</u>	<u>-</u>	<u>(4,475)</u>
Total change in net assets	253,551	(5,859)	247,692	(101,373)	146,319
Net assets, beginning of year	<u>513,240</u>	<u>(69,967)</u>	<u>443,273</u>	<u>173,161</u>	<u>616,434</u>
Net assets, end of year	<u>\$ 766,791</u>	<u>\$ (75,826)</u>	<u>\$ 690,965</u>	<u>\$ 71,788</u>	<u>\$ 762,753</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,

	2017	2016
Cash flows provided by operating activities:		
Changes in net assets	\$ 88,147	\$ 146,319
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	65,013	69,901
Gain on sale of vehicle	-	(5,525)
Realized loss (gain) on sale of marketable securities	-	(273)
Donated ski equipment	(10,005)	-
Changes in operating assets and liabilities:		
Unconditional promises to give	18,803	168,752
Inventories	(2,494)	4,829
Prepaid expenses	(22,282)	(4,041)
Accounts payable and accrued expenses	11,525	(10,849)
Deferred revenue	(3,896)	(8,439)
Net cash provided by operating activities	<u>144,811</u>	<u>360,674</u>
Cash flows used in investing activities:		
Purchase of property and equipment	(8,697)	(59,987)
Proceeds from sale of vehicle	-	5,525
Proceeds from sale of marketable securities	-	13,299
Net cash used in investing activities	<u>(8,697)</u>	<u>(41,163)</u>
Cash flows used in financing activities:		
Principal payments made on capital lease obligation	(5,283)	(2,047)
Net increase in cash	130,831	317,464
Cash, beginning of year	<u>768,075</u>	<u>450,611</u>
Cash, end of year	<u>\$ 898,906</u>	<u>\$ 768,075</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 10,719</u>	<u>\$ 9,334</u>
Disclosure of non-cash transaction:		
Vehicle acquired in capital lease obligation	<u>\$ -</u>	<u>\$ 30,123</u>

YOUTH ENRICHMENT SERVICES, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2017**

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 204,388	\$ 187,640	\$ 266,466	\$ 658,494	\$ 65,936	\$ 146,858	\$ 871,288
Advertising	252	108	156	516	29	42	587
Conferences and meetings	2,552	1,103	1,558	5,213	305	427	5,945
Depreciation and amortization	27,305	11,702	16,903	55,910	4,552	4,551	65,013
Equipment maintenance	9,791	4,196	6,061	20,048	1,166	1,632	22,846
Equipment in-kind	-	-	-	-	3,006	-	3,006
Grants	4,225	3,884	1,111	9,220	-	-	9,220
Materials and supplies	3,089	-	-	3,089	-	46,412	49,501
Insurance	19,301	4,825	4,825	28,951	1,287	1,287	31,525
Lift tickets, admissions and lodging	27,825	32,390	-	60,215	4,102	-	64,317
Lift tickets and lodging in-kind	195,456	-	-	195,456	-	-	195,456
Occupancy	18,742	8,032	11,602	38,376	2,231	3,124	43,731
Occupancy in-kind	4,250	-	-	4,250	-	-	4,250
Office supplies and expenses	1,951	836	1,208	3,995	232	325	4,552
Other program related expenses	16,476	29,640	7,097	53,213	-	-	53,213
Professional fees	4,741	3,069	2,994	10,804	66,496	81,599	158,899
Rental shop expenses	1,998	500	-	2,498	-	-	2,498
Staff training	2,443	977	1,466	4,886	-	-	4,886
Telephone and internet	4,190	1,796	2,594	8,580	499	698	9,777
Transportation and travel	65,831	12,060	2,598	80,489	494	-	80,983
Volunteer support	24,884	133	133	25,150	-	-	25,150
Miscellaneous	197	140	197	534	4,206	177	4,917
Total expenses	\$ 639,887	\$ 303,031	\$ 326,969	\$ 1,269,887	\$ 154,541	\$ 287,132	\$ 1,711,560

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, 2016

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 159,843	\$ 150,170	\$ 257,001	\$ 567,014	\$ 68,059	\$ 159,900	\$ 794,973
Advertising	189	108	52	349	26	35	410
Conferences and meetings	2,428	1,378	664	4,470	335	448	5,253
Depreciation and amortization	32,155	18,174	9,087	59,416	4,194	6,291	69,901
Equipment maintenance	9,730	5,524	2,661	17,915	1,342	1,797	21,054
Equipment in-kind	-	-	-	-	4,829	-	4,829
Grants	17,139	7,266	1,255	25,660	-	-	25,660
Materials and supplies	473	-	-	473	-	42,198	42,671
Insurance	18,511	4,628	4,628	27,767	1,543	1,542	30,852
Lift tickets, admissions and lodging	24,993	41,621	-	66,614	3,706	-	70,320
Lift tickets and lodging in-kind	256,759	-	-	256,759	-	-	256,759
Occupancy	20,127	11,427	5,504	37,058	2,775	3,716	43,549
Occupancy in-kind	10,200	-	-	10,200	-	-	10,200
Office supplies and expenses	777	441	213	1,431	107	144	1,682
Other program related expenses	8,036	34,375	6,172	48,583	-	-	48,583
Professional fees	3,658	2,183	1,515	7,356	55,262	65,661	128,279
Rental shop expenses	866	217	-	1,083	-	-	1,083
Staff training	1,577	896	431	2,904	218	291	3,413
Telephone and internet	6,956	3,950	1,902	12,808	960	1,284	15,052
Transportation and travel	65,997	14,661	2,563	83,221	505	25	83,751
Volunteer support	25,599	458	458	26,515	-	-	26,515
Miscellaneous	9,157	1,179	1,656	11,992	2,241	1,486	15,719
Total expenses	\$ 675,170	\$ 298,656	\$ 295,762	\$ 1,269,588	\$ 146,102	\$ 284,818	\$ 1,700,508

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

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

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, in the amount of \$75,000 and \$50,000 at June 30, 2017 and 2016, respectively.
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.

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, 2017 and 2016, 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.

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

The Organization records interest on savings and money market accounts when earned.

Cash and Cash Equivalents

Cash consists of deposits in checking and savings accounts. Cash equivalents consist of interest-bearing money market accounts.

Inventories

The Organization's inventories consist of ski apparel and equipment donated by manufacturers or retailers of ski equipment, and is reported at its estimated net realizable value. The inventories are occasionally 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 statements of functional expenses.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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 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

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 each of the years ended June 30, 2017 and 2016 were \$434 and \$8,742, respectively. The software costs were fully amortized at June 30, 2017.

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, 2014 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 October 20, 2017, 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. Unconditional Promises to Give

Unconditional promises to give at June 30, 2017 and 2016 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, 2017 and 2016.

4. Property and Equipment

Major classes of property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 12,700	\$ 12,700
Building and improvements	769,339	767,657
Furniture and equipment	89,251	82,236
Camping and ski equipment	397,286	387,281
Motor vehicles	30,123	30,123
	<u>1,298,699</u>	<u>1,279,997</u>
Less - accumulated depreciation	<u>979,592</u>	<u>915,013</u>
	<u>\$ 319,107</u>	<u>\$ 364,984</u>

During the year ended June 30, 2016, a vehicle was sold for gain of \$5,525 which is reported in the statements of activities and changes in net assets.

5. Other Assets

Other assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Software costs	\$ 26,224	\$ 26,224
Less: accumulated amortization	26,224	25,790
	<u>\$ -</u>	<u>\$ 434</u>

6. Mortgage Payable

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 and continuing 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

7. Capital Lease

The Organization leases a vehicle under a capital lease agreement entered on January 29, 2016 that requires monthly lease payment of \$660 through January 1, 2020, and then \$560 monthly through January 1, 2021. The economic substance of the lease is that the Organization is financing the acquisition of the vehicle through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities. The leased vehicle which has a capitalized cost of \$30,123 and accumulated depreciation of \$8,535 and \$2,510 at June 30, 2017 and June 30, 2016, respectively, is included as property and equipment in the statement of financial position.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2017:

Year ending June 30 -		
2018	\$	7,920
2019		7,920
2020		7,420
2021		<u>3,920</u>
Total minimum lease payments		27,180
Less amount representing interest		<u>4,387</u>
Present value of minimum lease payments	\$	<u><u>22,793</u></u>

8. 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, 5.25% and 4.50% at June 30, 2017 and 2016, respectively. The line of credit is secured and collateralized by all assets of the Organization and the rental receipts as described in Note 10. As of June 30, 2017 and 2016, the Organization had no outstanding balance on its line of credit.

9. Temporarily Restricted Net Assets

At June 30, 2017 and 2016, temporarily restricted net assets consisted of:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ -	\$ 33,333
Internship - summer	19,532	14,899
Program - track and field	20,000	10,000
Scholarship	-	5,000
Information technology upgrade	-	4,822
Program - winter	-	3,028
Purchase of skiing accessories	-	706
	<u>\$ 39,532</u>	<u>\$ 71,788</u>

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

9. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from restrictions for the following purposes for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program related	\$ 169,212	\$ 170,454
Time restrictions	33,333	66,667
Development initiatives	125,000	91,650
Purchase of skiing accessories	706	49,294
Event sponsorship	15,000	20,000
Information technology upgrade	4,822	14,889
Relocation project consultant	18,927	-
Scholarship	5,000	-
Equipment storage	-	2,000
	<u>\$ 372,000</u>	<u>\$ 414,954</u>

10. 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 started May 1, 2015 and ended April 30, 2017. This monthly lease payment continues on a month-to-month basis beyond the lease termination date. Rent income recognized for each of the years ended June 30, 2017 and 2016 were \$34,800.

11. In-Kind Contributions

During the years ended June 30, 2017 and 2016, the Organization received the following in-kind contributions:

	<u>2017</u>	<u>2016</u>
Lift tickets and ski lessons	\$ 195,456	\$ 256,759
Ski equipment and apparel	15,505	2,600
Facilities	4,250	10,200
	<u>\$ 215,211</u>	<u>\$ 269,559</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

12. Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the years ended June 30, 2017 and 2016 was \$588 and \$410, respectively.

13. Relocation Feasibility Work

During the year ended June 30, 2017, management and the Board took steps to explore the feasibility of moving their headquarters and operations to a new site in Boston, which would include plans for the disposition of its current space. Management and the Board have not committed to a plan to sell their property as of June 30, 2017. Costs associated with the feasibility study during the year ended June 30, 2017 are reported as period expenses in the statement of activities and are as follow:

Salaries, employee benefits, and payroll taxes	\$	27,467
Professional fees		32,619
Allocated overhead expenses		3,193
	\$	<u>63,279</u>

14. 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, 2017 and 2016 were \$24,135 and \$20,981, respectively.

15. Concentration Risk

During the years ended June 30, 2017 and 2016, the Organization received 22% and 17%, respectively, of its revenue and support from one donor. At June 30, 2017 and 2016, 81% and 71% of outstanding unconditional promises to give were due from three donors, respectively.

16. Contingencies

From time to time, the Organization is involved in routine incidents in the ordinary course of operation that may arise to litigation or insurance claims. There are no pending significant legal proceedings to which the Organization is a party for which management believes the ultimate outcome would have a material adverse effect on the Company's financial position.