

**YOUTH ENRICHMENT SERVICES, INC.**

**Financial Statements**

**June 30, 2018 and 2017**

**YOUTH ENRICHMENT SERVICES, INC.**

**June 30, 2018 and 2017**

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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, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and 2017, 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.

### **Emphasis of Matter**

As discussed in Note 18 to the financial statements, the financial statements as of June 30, 2017 and for the year then ended have been restated to record ski inventories at their net realizable value. Our opinion is not modified with respect to this matter.

*Edelstein & Company LLP*

Boston, Massachusetts  
December 21, 2018

# YOUTH ENRICHMENT SERVICES, INC.

## Statements of Financial Position June 30,

	2018	2017 (As Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 1,022,149	\$ 898,906
Unconditional promises to give	28,760	55,899
Inventories	8,468	12,242
Prepaid expenses	43,507	30,815
Property and equipment, net	<u>270,765</u>	<u>319,107</u>
<b>Total assets</b>	<u><u>\$ 1,373,649</u></u>	<u><u>\$ 1,316,969</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 10,536	\$ 7,568
Accrued interest	6,733	6,914
Other accrued expenses	23,314	33,586
Deferred revenue	5,225	2,735
Security deposit	2,600	2,600
Capital lease obligation	16,940	22,793
Mortgage payable	<u>406,000</u>	<u>406,000</u>
<b>Total liabilities</b>	<u>471,348</u>	<u>482,196</u>
<b>Net assets:</b>		
Unrestricted:		
Operating	920,654	836,841
Property and equipment	(158,908)	(116,600)
Board-designated fund	75,000	75,000
Total unrestricted net assets	<u>836,746</u>	<u>795,241</u>
Temporarily restricted	<u>65,555</u>	<u>39,532</u>
<b>Total net assets</b>	<u>902,301</u>	<u>834,773</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,373,649</u></u>	<u><u>\$ 1,316,969</u></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, 2018**

	Unrestricted			
	Operating and Board-Designated	Property and Equipment	Total	Temporarily Restricted
<b>Revenue and support:</b>				
Contributions	\$ 687,159	\$ -	\$ 687,159	\$ 420,781
Special events revenue	51,353	-	51,353	-
Special events contributions	533,949	-	533,949	-
In-kind donations	266,129	-	266,129	-
Participant fees	61,717	-	61,717	-
Short-term usage income	13,178	-	13,178	-
Rental income	34,785	-	34,785	-
Interest income	7,294	-	7,294	-
Net assets released from donor restrictions	394,758	-	394,758	(394,758)
<b>Total revenue and support</b>	<b>2,050,322</b>	<b>-</b>	<b>2,050,322</b>	<b>26,023</b>
<b>Expenses:</b>				
Program expenses	1,176,029	59,710	1,235,739	-
General and administrative	231,990	4,860	236,850	-
Fundraising	300,945	4,860	305,805	-
Costs of direct donor benefits	64,607	-	64,607	-
<b>Total expenses</b>	<b>1,773,571</b>	<b>69,430</b>	<b>1,843,001</b>	<b>-</b>
<b>Change in net assets before transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment</b>	<b>276,751</b>	<b>(69,430)</b>	<b>207,321</b>	<b>26,023</b>
Transfers	(27,122)	27,122	-	-
Discretionary scholarships	(8,500)	-	(8,500)	-
Relocation project feasibility expenses	(154,960)	-	(154,960)	-
Loss on inventory valuation adjustment	(2,356)	-	(2,356)	-
<b>Transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment</b>	<b>(192,938)</b>	<b>27,122</b>	<b>(165,816)</b>	<b>-</b>
<b>Total change in net assets</b>	<b>83,813</b>	<b>(42,308)</b>	<b>41,505</b>	<b>26,023</b>
<b>Net assets, beginning of year (as restated)</b>	<b>911,841</b>	<b>(116,600)</b>	<b>795,241</b>	<b>39,532</b>
<b>Net assets, end of year</b>	<b>\$ 995,654</b>	<b>\$ (158,908)</b>	<b>\$ 836,746</b>	<b>\$ 65,555</b>
				<b>\$ 902,301</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, 2017**

	Unrestricted			
	Operating and Board-Designated (As Restated)	Property and Equipment	Total	Temporarily Restricted
<b>Revenue and support:</b>				
Contributions	\$ 589,044	\$ -	\$ 589,044	\$ 339,744
Special events tickets	57,794	-	57,794	-
Special events contributions	600,924	-	600,924	-
In-kind donations	215,211	-	215,211	-
Participant fees	75,266	-	75,266	-
Short-term usage income	26,045	-	26,045	-
Rental income	34,800	-	34,800	-
Interest income	6,731	-	6,731	-
Net assets released from restrictions	372,000	-	372,000	(372,000)
<b>Total revenue and support</b>	<b>1,977,815</b>	<b>-</b>	<b>1,977,815</b>	<b>(32,256)</b>
<b>Expenses:</b>				
Program expenses	1,214,376	55,511	1,269,887	-
General and administrative	150,013	4,528	154,541	-
Fundraising	280,719	4,539	285,258	-
Costs of direct donor benefits	74,447	-	74,447	-
<b>Total expenses</b>	<b>1,719,555</b>	<b>64,578</b>	<b>1,784,133</b>	<b>-</b>
<b>Change in net assets before transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment</b>	<b>258,260</b>	<b>(64,578)</b>	<b>193,682</b>	<b>(32,256)</b>
Transfers	(23,804)	23,804	-	-
Discretionary scholarships	(10,000)	-	(10,000)	(10,000)
Relocation feasibility expenses	(63,279)	-	(63,279)	(63,279)
Loss on inventory valuation adjustment	(3,575)	-	(3,575)	(3,575)
<b>Transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment</b>	<b>(100,658)</b>	<b>23,804</b>	<b>(76,854)</b>	<b>-</b>
<b>Total change in net assets</b>	<b>157,602</b>	<b>(40,774)</b>	<b>116,828</b>	<b>(32,256)</b>
<b>Net assets, beginning of year (as restated)</b>	<b>754,239</b>	<b>(75,826)</b>	<b>678,413</b>	<b>71,788</b>
<b>Net assets, end of year (as restated)</b>	<b>\$ 911,841</b>	<b>\$ (116,600)</b>	<b>\$ 795,241</b>	<b>\$ 39,532</b>
				<b>\$ 834,773</b>

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,

	2018	2017 (As Restated)
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 67,528	\$ 84,572
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	69,430	65,013
Donated securities	(9,940)	-
Donated ski equipment and inventories	(6,645)	(15,505)
Loss on inventory valuation adjustment	2,356	3,575
Changes in operating assets and liabilities:		
Unconditional promises to give	27,139	18,803
Inventories	5,043	3,006
Prepaid expenses	(12,692)	(22,282)
Accounts payable and accrued expenses	(7,485)	11,525
Deferred revenue	2,490	(3,896)
<b>Net cash provided by operating activities</b>	<u>137,224</u>	<u>144,811</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(18,068)	(8,697)
Proceeds from liquidation of donated securities	9,940	-
<b>Net cash used in investing activities</b>	<u>(8,128)</u>	<u>(8,697)</u>
<b>Cash flows used in financing activities:</b>		
Principal payments made on capital lease obligation	(5,853)	(5,283)
<b>Net increase in cash</b>	123,243	130,831
<b>Cash, beginning of year</b>	<u>898,906</u>	<u>768,075</u>
<b>Cash, end of year</b>	<u>\$ 1,022,149</u>	<u>\$ 898,906</u>
<b>Supplemental disclosure:</b>		
Cash paid for interest	<u>\$ 10,150</u>	<u>\$ 10,719</u>
<b>Disclosure of non-cash transactions:</b>		
Donated securities	<u>\$ 9,940</u>	<u>\$ -</u>
Donated ski equipment and inventories	<u>\$ 6,645</u>	<u>\$ 15,505</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, 2018**

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Costs of Direct Donor Benefits	Total
Salaries, employee benefits, and payroll taxes	\$ 198,847	\$ 149,341	\$ 214,041	\$ 562,229	\$ 152,643	\$ 189,163	\$ -	\$ 904,035
Advertising	673	288	417	1,378	80	112	-	1,570
Conferences and meetings	3,432	1,471	2,124	7,027	409	572	-	8,008
Depreciation and amortization	29,161	12,497	18,052	59,710	4,860	4,860	-	69,430
Equipment maintenance	13,746	5,891	8,509	28,146	1,636	2,290	-	32,072
Grants	1,562	438	1,502	3,502	-	-	-	3,502
Materials and supplies	5,032	-	-	5,032	-	60,132	-	65,164
Event food, beverage and entertainment	-	-	-	-	-	-	64,607	64,607
Insurance	49,073	12,268	12,268	73,609	3,272	3,272	-	80,153
Lift tickets, admissions and lodging	27,468	39,895	-	67,363	4,684	-	-	72,047
Lift tickets and lodging in-kind	185,921	-	-	185,921	-	-	-	185,921
Occupancy	21,184	9,079	13,114	43,377	2,522	3,531	-	49,430
Occupancy in-kind	8,550	-	-	8,550	-	-	-	8,550
Office supplies and expenses	450	193	278	921	54	75	-	1,050
Other program related expenses	15,673	23,056	5,102	43,831	-	-	-	43,831
Professional fees	4,076	2,577	2,310	8,963	57,277	39,408	-	105,648
Rental shop expenses	1,623	406	-	2,029	-	-	-	2,029
Staff training	2,764	1,106	1,658	5,528	-	-	-	5,528
Telephone and internet	6,018	2,580	3,726	12,324	717	1,003	-	14,044
Transportation and travel	68,668	12,327	3,453	84,448	723	290	-	85,461
Volunteer support	27,746	451	451	28,648	-	-	-	28,648
Miscellaneous	721	1,761	721	3,203	7,973	1,097	-	12,273
<b>Total expenses</b>	<b>\$ 672,388</b>	<b>\$ 275,625</b>	<b>\$ 287,726</b>	<b>\$ 1,235,739</b>	<b>\$ 236,850</b>	<b>\$ 305,805</b>	<b>\$ 64,607</b>	<b>\$ 1,843,001</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, 2017**

	Snow Sports Program	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administrative	Fundraising	Costs of Direct Donor Benefits	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	4,172	1,632	-	25,852
Grants	4,225	3,884	1,111	9,220	-	-	-	9,220
Materials and supplies	3,089	-	-	3,089	-	44,538	-	47,627
Event food, beverage and entertainment	-	-	-	-	-	-	74,447	74,447
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
<b>Total expenses</b>	<b>\$ 639,887</b>	<b>\$ 303,031</b>	<b>\$ 326,969</b>	<b>\$ 1,269,887</b>	<b>\$ 154,541</b>	<b>\$ 285,258</b>	<b>\$ 74,447</b>	<b>\$ 1,784,133</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, in the amount of \$75,000 at June 30, 2018 and 2017.
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)

#### *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 contributions primarily consists of amounts received from sponsorships and contributions for fundraising galas that were held during the years ended June 30, 2018 and 2017, respectively, that are in excess of the exchange value of benefits the sponsors and contributors received. Special events revenue represents the estimated exchange value of benefits received by the donors at the events. Costs of direct benefits include value of food, beverage and entertainment served at the special events.

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 contributed services, other assets and 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.

Short-term usage income represents day-to-day rental of the Organization's facilities to various individuals and are recognized upon occurrence of the usage.

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 various checking and savings in financial institutions and a PayPal account. Cash equivalents consist of a daily sweep account into market money funds.

#### *Inventories*

The Organization's inventories consist of ski apparel and equipment donated by individuals, retailers of ski equipment and ski resorts and are not expected to be used by the Organization's programs. When received, these donated inventories are initially reported at their estimated fair values and then, subsequently, adjusted to their net realizable values which approximate the prices at which the inventories will be sold to the program participants and their families, based on their ability to pay.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 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 estimated 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 estimated useful lives of property and equipment held by the Organization are as follow:

Buildings and improvements	10-32	years
Furniture and equipment	5-7	years
Ski and camping equipment	7	years
Motor vehicles	5	years

#### *Intangible 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 the year ended June 30, 2017 was \$434. 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.

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 December 21, 2018, the date these financial statements became available to be issued.

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

Certain amounts from 2017 have been reclassified on these financial statements in order to conform to 2018 presentation.

## YOUTH ENRICHMENT SERVICES, INC.

### Notes to Financial Statements

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#### 3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2018 and 2017 are receivable in one year or less. Management annually estimates the probability that individual unconditional promises to give are uncollectible. No allowance for doubtful accounts was considered necessary at June 30, 2018 and 2017.

#### 4. Property and Equipment

Major classes of property and equipment consist of the following:

	2018	2017
Land	\$ 12,700	\$ 12,700
Building and improvements	769,339	769,339
Furniture and equipment	96,550	89,251
Camping and ski equipment	405,080	397,286
Motor vehicles	36,118	30,123
	<u>1,319,787</u>	<u>1,298,699</u>
Less - accumulated depreciation	1,049,022	979,592
	<u>\$ 270,765</u>	<u>\$ 319,107</u>

#### 5. 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 a 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 it 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.

#### 6. Capital Lease

The Organization leases a vehicle under a capital lease agreement 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 has a capitalized cost of \$30,123 and accumulated depreciation of \$14,559 and \$8,535 at June 30, 2018 and 2017, respectively. The leased vehicle is included in property and equipment in the statement of financial position.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 6. Capital Lease (continued)

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2018:

Year ending June 30 -		
	2019	\$ 7,920
	2020	7,420
	2021	<u>3,920</u>
	Total minimum lease payments	19,260
	Less amount representing interest	<u>2,320</u>
	Present value of minimum lease payments	<u>\$ 16,940</u>

### 7. Line of Credit

The Organization entered into a revolving line of credit agreement on February 3, 2015 with a bank permitting advances up to \$100,000. The line of credit bears interest at the prime rate plus one percent, 6% and 5.25% at June 30, 2018 and 2017, 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, 2018 and 2017, the Organization had no outstanding balance on its line of credit.

### 8. Temporarily Restricted Net Assets

At June 30, 2018 and 2017, temporarily restricted net assets consisted of:

	<u>2018</u>	<u>2017</u>
Internship - summer	\$ 21,350	\$ 19,532
Capital campaign	15,000	-
Summer program	12,500	-
Relocation project consultant	9,648	-
Healthy eating & nutrient education	6,957	-
Scholarship	100	-
Program - track and field	<u>-</u>	<u>20,000</u>
	<u>\$ 65,555</u>	<u>\$ 39,532</u>

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 8. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from restrictions for the following purposes for the years ended June 30, 2018 and 2017:

	2018	2017
Program related	\$ 239,380	\$ 155,595
Development initiatives	80,500	125,000
Relocation project consultant	34,683	18,927
Internship - summer	19,532	13,617
Event sponsorship	15,000	15,000
Healthy eating & nutrient education	3,663	-
Equipment storage	2,000	-
Time restrictions	-	33,333
Scholarship	-	5,000
Information technology upgrades	-	4,822
Purchase of skiing accessories	-	706
	<u>\$ 394,758</u>	<u>\$ 372,000</u>

### 9. Rental Income

The Organization has a lease agreement with a commercial tenant that was extended through April 30, 2019 with a monthly lease payment of \$2,900. Rental income recognized for the years ended June 30, 2018 and 2017 was \$34,785 and \$34,800, respectively.

### 10. In-Kind Contributions

During the years ended June 30, 2018 and 2017, the Organization received the following in-kind contributions:

	2018	2017
Lift tickets and ski lessons	\$ 185,921	\$ 195,456
Ski equipment and apparel	6,645	15,505
Donated professional services	65,013	-
Facilities	8,550	4,250
	<u>\$ 266,129</u>	<u>\$ 215,211</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

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### 11. Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the years ended June 30, 2018 and 2017 was \$1,570 and \$587, respectively.

### 12. Relocation Feasibility Work

Management and the Board have taken 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. The Organization also hired consultants to locate a potential development partner and drafted a plan for a new development site. Management and the Board have not committed to a plan to sell their property as of June 30, 2018. Costs associated with the feasibility study and the new development planning during the years ended June 30, 2018 and 2017 are reported as period expenses in the statement of activities and are as follow:

	<u>2018</u>	<u>2017</u>
Salaries, employee benefits, and payroll taxes	\$ 28,351	\$ 27,467
Professional fees	122,675	32,619
Allocated overhead expenses	3,934	3,193
	<u>\$ 154,960</u>	<u>\$ 63,279</u>

### 13. 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, 2018 and 2017 were \$23,235 and \$24,135, respectively.

### 14. Concentration Risk

During the years ended June 30, 2018 and 2017, the Organization received 17% and 21%, respectively, of its revenue and support from one donor. At June 30, 2018, 71% of outstanding unconditional promises to give were due from four donors. At June 30, 2017, 81% of outstanding unconditional promises to give were due from three donors.

### 15. Contingencies

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



# YOUTH ENRICHMENT SERVICES, INC.

## Notes to Financial Statements

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### 16. Subsequent Event

On July 13, 2018, the Organization entered into a memorandum of understanding with an unrelated corporation to jointly develop a new site facility in Boston, with the Organization planning to lease a portion of this facility. However, the memorandum of understanding is non-binding and does not create or constitute a legally binding obligation between the parties. Therefore, no accruals or disclosures on this memorandum of understanding are included in these financial statements.

### 17. Prior Period Adjustment

As described in Note 2, the Organization has received certain ski apparel and equipment donated by individuals, retailers and ski resorts that are not used by the Organization's programs and were reported as inventories in the statement of financial position at their estimated fair value at the time of the donation. The Organization did not subsequently adjust the carrying value of the ski apparel and equipment to net realizable value to reflect the amounts at which the inventories would be sold to program participants and their families, based on their ability to pay. Accordingly, a prior period adjustment has been made to adjust inventories to their net realizable values. Corresponding entries were made to adjust the previously reported net assets at June 30, 2017 and 2016 as follows:

	Unrestricted	Temporarily Restricted	Total
Net Assets - June 30, 2016 as previously reported	\$ 690,965	\$ 71,788	\$ 762,753
Adjustment to inventory valuation	(12,552)	-	(12,552)
Net Assets - June 30, 2016 as restated	<u>\$ 678,413</u>	<u>\$ 71,788</u>	<u>\$ 750,201</u>

  

	Unrestricted	Temporarily Restricted	Total
Net Assets - June 30, 2017 as previously reported	\$ 811,368	\$ 39,532	\$ 850,900
Adjustment to inventory valuation	(16,127)	-	(16,127)
Net Assets - June 30, 2017 as restated	<u>\$ 795,241</u>	<u>\$ 39,532</u>	<u>\$ 834,773</u>

