

YOUTH ENRICHMENT SERVICES, INC.

Financial Statements

June 30, 2019 and 2018

YOUTH ENRICHMENT SERVICES, INC.

June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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
December 16, 2019

YOUTH ENRICHMENT SERVICES, INC.

Statements of Financial Position June 30,

	2019	2018
Assets		
Cash	\$ 216,890	\$ 1,022,149
Unconditional promises to give, net	288,726	28,760
Inventories	11,414	8,468
Marketable securities	499,054	-
Prepaid expenses	31,355	43,507
Property and equipment, net	239,359	270,765
Total assets	\$ 1,286,798	\$ 1,373,649
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 26,882	\$ 10,536
Accrued interest	6,733	6,733
Other accrued expenses	20,758	23,314
Deferred revenue	9,646	5,225
Security deposit	2,600	2,600
Capital lease obligations	44,680	16,940
Mortgage payable	406,000	406,000
Total liabilities	517,299	471,348
Net assets:		
Without donor restrictions:		
Operating	734,502	920,654
Board-designated fund	75,000	75,000
Property and equipment	(258,217)	(158,908)
Total net assets without donor restrictions	551,285	836,746
Net assets with donor restrictions	218,214	65,555
Total net assets	769,499	902,301
Total liabilities and net assets	\$ 1,286,798	\$ 1,373,649

YOUTH ENRICHMENT SERVICES, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019**

	Without donor restrictions			With Donor Restrictions	Total
	Operating and Board- Designated	Property and Equipment	Total		
Revenue and support:					
Contributions	\$ 448,374	\$ -	\$ 448,374	\$ 467,549	\$ 915,923
Special events revenue	41,872	-	41,872	-	41,872
Special events contributions	566,694	-	566,694	-	566,694
Non-cash and in-kind donations	309,012	-	309,012	-	309,012
Participant fees	83,946	-	83,946	-	83,946
Short-term usage income	9,362	-	9,362	-	9,362
Rental income	34,800	-	34,800	-	34,800
Investment and interest income	6,792	-	6,792	-	6,792
Net assets released from donor restrictions	314,890	-	314,890	(314,890)	-
Total revenue and support	1,815,742	-	1,815,742	152,659	1,968,401
Expenses:					
Program expenses	1,129,217	52,630	1,181,847	-	1,181,847
General and administrative	331,541	19,639	351,180	-	351,180
Fundraising	390,161	14,140	404,301	-	404,301
Costs of direct donor benefits	53,809	-	53,809	-	53,809
Total expenses	1,904,728	86,409	1,991,137	-	1,991,137
Change in net assets before transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment	(88,986)	(86,409)	(175,395)	152,659	(22,736)
Transfers	12,900	(12,900)	-	-	-
Discretionary scholarships	(7,500)	-	(7,500)	-	(7,500)
Relocation project feasibility expenses	(100,238)	-	(100,238)	-	(100,238)
Loss on inventory valuation adjustment	(2,328)	-	(2,328)	-	(2,328)
Transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment	(97,166)	(12,900)	(110,066)	-	(110,066)
Total change in net assets	(186,152)	(99,309)	(285,461)	152,659	(132,802)
Net assets, beginning of year	995,654	(158,908)	836,746	65,555	902,301
Net assets, end of year	\$ 809,502	\$ (258,217)	\$ 551,285	\$ 218,214	\$ 769,499

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**

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating and Board- Designated	Property and Equipment	Total		
Revenue and support:					
Contributions	\$ 687,159	\$ -	\$ 687,159	\$ 420,781	\$ 1,107,940
Special events tickets	51,353	-	51,353	-	51,353
Special events contributions	533,949	-	533,949	-	533,949
Non-cash and in-kind donations	266,129	-	266,129	-	266,129
Participant fees	61,717	-	61,717	-	61,717
Short-term usage income	13,178	-	13,178	-	13,178
Rental income	34,785	-	34,785	-	34,785
Interest income	7,294	-	7,294	-	7,294
Net assets with donor restrictions released from restrictions	394,758	-	394,758	(394,758)	-
Total revenue and support	2,050,322	-	2,050,322	26,023	2,076,345
Expenses:					
Program expenses	1,176,029	59,710	1,235,739	-	1,235,739
General and administrative	231,990	4,860	236,850	-	236,850
Fundraising	300,945	4,860	305,805	-	305,805
Costs of direct donor benefits	64,607	-	64,607	-	64,607
Total expenses	1,773,571	69,430	1,843,001	-	1,843,001
Change in net assets before transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment	276,751	(69,430)	207,321	26,023	233,344
Transfers	(27,122)	27,122	-	-	-
Discretionary scholarships	(8,500)	-	(8,500)	-	(8,500)
Relocation feasibility expenses	(154,960)	-	(154,960)	-	(154,960)
Loss on inventory valuation adjustment	(2,356)	-	(2,356)	-	(2,356)
Transfers, discretionary scholarships, relocation project feasibility expenses and loss on inventory valuation adjustment	(192,938)	27,122	(165,816)	-	(165,816)
Total change in net assets	83,813	(42,308)	41,505	26,023	67,528
Net assets, beginning of year	911,841	(116,600)	795,241	39,532	834,773
Net assets, end of year	\$ 995,654	\$ (158,908)	\$ 836,746	\$ 65,555	\$ 902,301

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,

	2019	2018
Cash flows from operating activities:		
Changes in net assets with and without donor restrictions	\$ (132,802)	\$ 67,528
Adjustments to reconcile changes in net assets to cash (used in) provided by operating activities:		
Depreciation and amortization	86,409	69,430
Donated securities	-	(9,940)
Donated ski equipment and inventories	(6,707)	(6,645)
Net realized and unrealized gain on marketable securities	(917)	-
Loss on inventory valuation adjustment	2,328	2,356
Changes in operating assets and liabilities:		
Unconditional promises to give	(259,966)	27,139
Inventories	1,433	5,043
Prepaid expenses	12,152	(12,692)
Accounts payable and accrued expenses	13,790	(7,485)
Deferred revenue	4,421	2,490
Net cash (used in) provided by operating activities	<u>(279,859)</u>	<u>137,224</u>
Cash flows from investing activities:		
Purchase of property and equipment	(14,841)	(18,068)
Purchase of marketable securities	(548,137)	-
Proceeds from redemption of marketable securities	50,000	9,940
Net cash used in investing activities	<u>(512,978)</u>	<u>(8,128)</u>
Cash flows used in financing activities:		
Principal payments made on capital lease obligation	(12,422)	(5,853)
Net (decrease) increase in cash	(805,259)	123,243
Cash, beginning of year	<u>1,022,149</u>	<u>898,906</u>
Cash, end of year	<u>\$ 216,890</u>	<u>\$ 1,022,149</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 13,858</u>	<u>\$ 10,150</u>
Disclosure of non-cash transactions:		
Donated securities	<u>\$ -</u>	<u>\$ 9,940</u>
Donated ski equipment and inventories	<u>\$ 6,707</u>	<u>\$ 6,645</u>
Donated apparel for grants	<u>\$ 122,888</u>	<u>\$ -</u>
Non-cash financing of capital lease obligation	<u>\$ 40,162</u>	<u>\$ -</u>

YOUTH ENRICHMENT SERVICES, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2019**

	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	\$ 173,812	\$ 111,143	\$ 235,552	\$ 520,507	\$ 195,591	\$ 221,497	\$ -	\$ 937,595
Lift tickets and lodging in-kind	133,696	1,642	-	135,338	-	-	-	135,338
Grants	126,028	-	2,353	128,381	-	-	-	128,381
Insurance	25,453	12,998	34,119	72,570	27,078	19,496	-	119,144
Professional fees	1,671	853	2,240	4,764	50,379	37,590	-	92,733
Depreciation and amortization	18,460	9,426	24,744	52,630	19,639	14,140	-	86,409
Materials and supplies	4,201	-	-	4,201	-	75,329	-	79,530
Transportation and travel	15,233	7,778	20,418	43,429	16,204	11,668	-	71,301
Lift tickets, admissions and lodging	32,082	22,735	-	54,817	3,715	-	-	58,532
Equipment maintenance	11,844	6,048	15,875	33,767	12,600	9,072	-	55,439
Event food, beverage and entertainment	-	-	-	-	-	-	53,809	53,809
Occupancy	11,354	5,798	15,219	32,371	12,079	8,697	-	53,147
Other program related expenses	11,897	17,079	5,338	34,314	-	-	-	34,314
Volunteer support	22,484	407	407	23,298	-	-	-	23,298
Telephone and internet	4,533	2,315	6,076	12,924	4,822	3,472	-	21,218
Occupancy in-kind	13,740	-	-	13,740	-	-	-	13,740
Office supplies and expenses	2,361	1,206	3,165	6,732	2,512	1,809	-	11,053
Miscellaneous	639	405	854	1,898	5,112	488	-	7,498
Conferences and meetings	791	404	1,061	2,256	842	606	-	3,704
Rental shop expenses	1,827	457	-	2,284	-	-	-	2,284
Staff training	374	191	502	1,067	398	287	-	1,752
Advertising	196	100	263	559	209	150	-	918
Total expenses	\$ 612,676	\$ 200,985	\$ 368,186	\$ 1,181,847	\$ 351,180	\$ 404,301	\$ 53,809	\$ 1,991,137

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
Lift tickets and lodging in-kind	185,921	-	-	185,921	-	-	-	185,921
Professional fees	4,076	2,577	2,310	8,963	57,277	39,408	-	105,648
Transportation and travel	68,668	12,327	3,453	84,448	723	290	-	85,461
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
Depreciation and amortization	29,161	12,497	18,052	59,710	4,860	4,860	-	69,430
Materials and supplies	5,032	-	-	5,032	-	60,132	-	65,164
Event food, beverage and entertainment	-	-	-	-	-	-	64,607	64,607
Occupancy	21,184	9,079	13,114	43,377	2,522	3,531	-	49,430
Other program related expenses	15,673	23,056	5,102	43,831	-	-	-	43,831
Equipment maintenance	13,746	5,891	8,509	28,146	1,636	2,290	-	32,072
Volunteer support	27,746	451	451	28,648	-	-	-	28,648
Telephone and internet	6,018	2,580	3,726	12,324	717	1,003	-	14,044
Miscellaneous	721	1,761	721	3,203	7,973	1,097	-	12,273
Occupancy in-kind	8,550	-	-	8,550	-	-	-	8,550
Conferences and meetings	3,432	1,471	2,124	7,027	409	572	-	8,008
Staff training	2,764	1,106	1,658	5,528	-	-	-	5,528
Grants	1,562	438	1,502	3,502	-	-	-	3,502
Rental shop expenses	1,623	406	-	2,029	-	-	-	2,029
Advertising	673	288	417	1,378	80	112	-	1,570
Office supplies and expenses	450	193	278	921	54	75	-	1,050
Total expenses	\$ 672,388	\$ 275,625	\$ 287,726	\$ 1,235,739	\$ 236,850	\$ 305,805	\$ 64,607	\$ 1,843,001

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 two categories as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primarily objectives of the Organization. It includes the following:

- Net assets which are available for operations;
- Net assets that represent the Organization’s property and equipment, net of related liabilities;
- Net assets that have been set aside by the Board of Directors for unexpected emergencies, in the amount of \$75,000 at June 30, 2019 and 2018.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, for a specific period or purpose. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any net assets restricted by donors that are perpetual in nature as of June 30, 2019 and 2018, or for the years then ended.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

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

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

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

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

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

At June 30, 2019, marketable securities consist of various U.S. treasury bills that are valued using matrix pricing which considers yield or the price of fixed income securities with comparable terms, quality and characteristics.

Revenue and Support

Contributions received are recorded as contributions with donor restrictions and contributions without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are classified as net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018, 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 donor 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 non-financial 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, ski apparel and inventories, are recognized at fair value when received.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue and Support (continued)

Other unpaid volunteers have donated significant amount of time to the Organization and its programs and activities. The value of this contributed time is not reflected in these financial statements since it does not meet all the criteria described above.

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.

Changes in fair value of marketable securities and realized gains and losses have been reflected in the statements of activities and changes in net assets. Interest, dividends, realized and unrealized gains and losses on marketable securities are recorded as revenue and support.

Cash

Cash consists of deposits in various checking and savings in financial institutions and a PayPal account.

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.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. 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

Land held by the Organization is not being depreciated.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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. The software costs were fully amortized prior to the year ended June 30, 2018.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses that can be identified with a specific program, supporting services, concert and special events are reported directly according to their natural expenditure classification. However, personnel expense, depreciation and amortization, occupancy and certain office overhead costs are allocated during the fiscal year among the programs, supporting services, special events and the relocation feasibility project based on the time and effort by each of the employees who provided services to the Organization.

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 the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. 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 16, 2019, 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.

Recently Adopted Accounting Pronouncement

During the year ended June 30, 2019, the Organization implemented Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, other than the disclosure on the liquidity and availability of financial assets at June 30, 2018, which is not required.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

3. Availability and Liquidity

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of June 30, 2019, is comprised of the following:

Cash and cash equivalents	\$	216,890
Unconditional promises to give		288,726
Marketable securities		499,054
Total financial assets		<u>1,004,670</u>
Less amounts not available to be used within one year:		
Unconditional promises to give		<u>(83,333)</u>
Financial assets available to meet general expenditures within one year	\$	<u>921,337</u>

For purposes of analyzing resources available to meet general expenditures within one year, the Organization considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those programs to be general expenditures. As such, uncollectible promises to give to be collected within one year are included in the above analysis as available for general expenditure within one year.

The Organization has identified a financial goal of establishing and maintaining sufficient operating fund – an imperative for sustainability of program delivery and organizational fiscal health. Excess operating cash is invested in U.S. treasury bill securities, a relatively risk-averse securities, to generate better investment returns.

4. Unconditional Promises to Give

Unconditional promises to give are stated at the amount management expects to collect on outstanding balances from donors. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. Uncollected balances are written off if management has exhausted all reasonable collection efforts. During the years ended June 30, 2019 and 2018, no receivable balances were written off. No allowance for uncollectible receivables was deemed necessary at June 30, 2019 and 2018.

Unconditional promises to give are expected to be collected as follows as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Receivable in one year or less	\$ 205,393	\$ 28,760
Receivable between one to two years	83,333	-
	<u>\$ 288,726</u>	<u>\$ 28,760</u>

The present value discount of the unconditional promises to give at June 30, 2019 was deemed immaterial to be reported.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

5. Property and Equipment

Major classes of property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 12,700	\$ 12,700
Building and improvements	780,958	769,339
Furniture and equipment	98,697	96,550
Camping and ski equipment	100,379	405,080
Motor vehicles	76,280	36,118
	<u>1,069,014</u>	<u>1,319,787</u>
Less - accumulated depreciation	829,655	1,049,022
	<u>\$ 239,359</u>	<u>\$ 270,765</u>

During the year ended June 30, 2019, \$305,776 of fully depreciated ski and camping equipment that were no longer held by the Organization were written off the book with no gain or loss reported.

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 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.

7. Financial Assets Measured at Fair Value on a Recurring Basis

At June 30, 2019, the Organization's marketable securities consist of \$499,054 of U.S. treasury bills that are of Level 2 within the fair value hierarchy.

8. Capital Leases

The Organization leases two vehicles under capital lease agreements, one of which requires monthly lease payment of \$660 and through January 1, 2020 and then \$560 monthly through January 1, 2021, and another lease requires monthly lease payment of \$685 through March 1, 2023 and a balloon payment \$11,908 at end of the lease term. The economic substance of the lease is that the Organization is financing the acquisition of the vehicles through the leases, and, accordingly, it is recorded in the Organization's assets and liabilities. At June 30, 2019, the leased vehicles had capitalized costs of \$70,285 and \$30,123, respectively, and accumulated amortization of \$27,647 and \$14,559, respectively. The leased vehicles are included in property and equipment in the statements of financial position.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

8. Capital Leases (continued)

The following is a schedule by years of future minimum payments required under the leases together with their present value as of June 30, 2019:

Year ending June 30 -		
2020	\$	15,643
2021		12,140
2022		8,222
2023		18,075
Total minimum lease payments		<u>54,080</u>
Less amount representing interest		<u>9,402</u>
Present value of minimum lease payments	\$	<u><u>44,680</u></u>

9. Line of Credit

The Organization has a revolving line of credit agreement with a bank permitting advances up to \$100,000. The line of credit bears interest at the prime rate plus one percent, 6.50% and 6% at June 30, 2019 and 2018, respectively. The line of credit is secured and collateralized by all assets of the Organization and rental receipts. As of June 30, 2019 and 2018, the Organization had no outstanding balance on its line of credit.

10. Net Assets with Donor Restrictions

At June 30, 2019 and 2018, net assets with donor restrictions consisted of:

	<u>2019</u>	<u>2018</u>
Time restricted - pledges	\$ 166,666	\$ -
Internship - summer	26,102	21,350
Track and field programs	10,000	-
Ski and YETTI programs	10,000	-
Ski helmet purchase	1,014	-
Healthy eating & nutrient education	4,432	6,957
Capital campaign	-	15,000
Summer program	-	12,500
Relocation project consultant	-	9,648
Scholarship	-	100
	<u>\$ 218,214</u>	<u>\$ 65,555</u>

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

10. Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions were released from restrictions for the following purposes for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Ski and outdoor sports programs	\$ 252,833	\$ 239,380
Internship - summer	20,798	19,532
Capital campaign	15,000	-
Summer program -	12,500	-
Relocation project consultant	9,648	34,683
Healthy eating & nutrient education	2,525	3,663
Ski helmet purchase	1,486	-
Scholarship	100	-
Development initiatives	-	80,500
Event sponsorship	-	15,000
Equipment storage	-	2,000
	<u>\$ 314,890</u>	<u>\$ 394,758</u>

11. Rental Income

The Organization has a lease agreement with a commercial tenant that was extended through April 30, 2020 with a monthly lease payment of \$2,900. Rental income recognized for the years ended June 30, 2019 and 2018 was \$34,800 and \$34,785, respectively. Rental receipt in the amount of \$29,000 is to be collected under this lease agreement during the year ending June 30, 2020.

12. Non-Cash and In-Kind Contributions

During the years ended June 30, 2019 and 2018, the Organization received the following non-cash and in-kind contributions:

	<u>2019</u>	<u>2018</u>
Lift tickets and ski lessons	\$ 127,978	\$ 185,921
Ski equipment and apparel	129,595	6,645
Donated professional services	31,199	65,013
Facilities	20,240	8,550
	<u>\$ 309,012</u>	<u>\$ 266,129</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 with minimal or no charge.

YOUTH ENRICHMENT SERVICES, INC.

Notes to Financial Statements

13. Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the years ended June 30, 2019 and 2018 was \$918 and \$1,570, respectively.

14. 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, 2019. Costs associated with the feasibility study and the new development planning during the years ended June 30, 2019 and 2018 are reported as period expenses in the statement of activities and are as follow:

	2019	2018
Salaries, employee benefits, and payroll taxes	\$ 34,134	\$ 28,351
Professional fees	66,104	122,675
Allocated overhead expenses	-	3,934
	<u>\$ 100,238</u>	<u>\$ 154,960</u>

15. 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, 2019 and 2018 were \$24,928 and \$23,235, respectively.

16. Concentration Risk

During the years ended June 30, 2019 and 2018, the Organization received 13% and 17%, respectively, of its revenue and support from one donor. At June 30, 2019, 58% of outstanding unconditional promises to give were due from two donors. At June 30, 2018, 71% of outstanding unconditional promises to give were due from four donors.

The Organization has a concentration risk in that from time to time it may maintain deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured depository institution for each account ownership category.

17. 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.