



# Youth Enrichment Services, Inc.

Financial Statements

June 30, 2020



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Kevin P. Martin & Associates, P.C.

# YOUTH ENRICHMENT SERVICES, INC.

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June 30, 2020

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of Youth Enrichment Services, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 accounting 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 the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Organization has adopted *ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, subsequent to the issuance of the Organization's financial statements for the year ended June 30, 2019, management determined that there was a misclassification of the change in net assets within the net assets without donor restrictions categories. As a result, the Organization has restated the opening net assets balance. Our opinion is not modified with respect to this matter.

*Kevin P. Martini & Company, P.C.*

Braintree, Massachusetts  
October 4, 2021

**Youth Enrichment Services, Inc.**

Statement of Financial Position

As of June 30, 2020

**Current Assets**

Cash and cash equivalents	\$	511,465
Accounts receivable, net		10,380
Contribution receivable, net		291,817
Prepaid expenses		27,176
Inventory		<u>7,460</u>
Total current assets		<u>848,298</u>

**Fixed Assets**

Land		12,700
Building and building improvements		782,226
Vehicles		36,118
Office equipment		211,812
Software		26,224
Furnishings and equipment		<u>26,403</u>
Total fixed assets		1,095,483
Less: accumulated depreciation		<u>(886,212)</u>
Total net fixed assets		<u>209,271</u>

**Other Assets**

Investments, long term		<u>79,286</u>
Total other assets		<u>79,286</u>

**Total Assets**

\$ 1,136,855

**Youth Enrichment Services, Inc.**

Statement of Financial Position - continued

As of June 30, 2020

**Current Liabilities**

Accounts payable	\$	24,776
Accrued salaries and related costs		32,940
Accrued interest		6,733
Accrued expenses		3,200
Deferred revenue		1,175
Capital lease obligations, current		3,788
Loan payable - Paycheck Protection Program		<u>133,670</u>

Total current liabilities 206,282

**Long Term Liabilities**

Security deposit		2,600
Long term debt		<u>406,000</u>

Total long term liabilities 408,600

Total liabilities 614,882

**Net Assets**

Net assets without donor restrictions		
Operating		542,712
Board-designated fund		75,000
Property and equipment		<u>(207,250)</u>
Total net assets without donor restrictions		410,462
Net assets with donor restrictions		<u>111,511</u>

Total net assets 521,973

**Total Liabilities and Net Assets** \$ 1,136,855

**Youth Enrichment Services, Inc.**

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating and Board-Designated	Property and Equipment	Total		
<b>Revenue and Support</b>					
Contributions	\$ 1,022,163	\$ -	\$ 1,022,163	\$ 134,500	\$ 1,156,663
Special events revenue	45,040	-	45,040	-	45,040
Non-cash and in-kind donations	273,468	-	273,468	-	273,468
Participant fees	65,491	-	65,491	-	65,491
Short-term usage income	1,814	-	1,814	-	1,814
Rental income	34,800	-	34,800	-	34,800
Investment and interest income	7,559	-	7,559	-	7,559
Gain on capital lease disposition	7,427	-	7,427	-	7,427
Other income	7,924	-	7,924	-	7,924
Net assets released from restrictions	241,203	-	241,203	(241,203)	-
<b>Total revenue and support</b>	<b>1,706,889</b>	<b>-</b>	<b>1,706,889</b>	<b>(106,703)</b>	<b>1,600,186</b>
<b>Expenses</b>					
General and administration	206,991	3,937	210,928	-	210,928
Fundraising	349,652	7,086	356,738	-	356,738
Program services	1,200,460	33,067	1,233,527	-	1,233,527
<b>Total expenses</b>	<b>1,757,103</b>	<b>44,090</b>	<b>1,801,193</b>	<b>-</b>	<b>1,801,193</b>
<b>Change in net assets before transfers, discretionary scholarships, and relocation project feasibility expenses</b>	<b>(50,214)</b>	<b>(44,090)</b>	<b>(94,304)</b>	<b>(106,703)</b>	<b>(201,007)</b>
Transfers	(54,895)	54,895	-	-	-
Relocation project feasibility expenses	(46,519)	-	(46,519)	-	(46,519)
<b>Transfers, discretionary scholarships, and relocation project feasibility expenses</b>	<b>(101,414)</b>	<b>54,895</b>	<b>(46,519)</b>	<b>-</b>	<b>(46,519)</b>
<b>Total Change in Net Assets</b>	<b>(151,628)</b>	<b>10,805</b>	<b>(140,823)</b>	<b>(106,703)</b>	<b>(247,526)</b>
<b>Net Assets at Beginning of Year, as restated</b>	<b>769,340</b>	<b>(218,055)</b>	<b>551,285</b>	<b>218,214</b>	<b>769,499</b>
<b>Net Assets at End of Year</b>	<b>\$ 617,712</b>	<b>\$ (207,250)</b>	<b>\$ 410,462</b>	<b>\$ 111,511</b>	<b>\$ 521,973</b>

**Youth Enrichment Services, Inc.**

Statement of Cash Flows

For the Year Ended June 30, 2020

**Cash Flows from Operating Activities**

<b>Change in net assets</b>	\$	(247,526)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation		44,090
Net unrealized and realized gains on long term investments		(1,146)
Loss on inventory valuation adjustment		3,954
Gain on disposition of capital lease		(7,427)
Decrease (increase) in assets		
Accounts receivable		(10,380)
Contribution receivable, net		(3,091)
Prepaid expenses		4,179
(Decrease) increase in liabilities		
Accounts payable		(2,606)
Accrued salaries and related costs		29,505
Accrued expenses		(12,573)
Deferred revenue		(8,471)
Other current liabilities		<u>(1,050)</u>
<b>Net Cash Used in Operating Activities</b>		<u>(212,542)</u>

**Cash Flows from Investing Activities**

Purchase of property and equipment		(40,407)
Purchase of marketable securities		(80,883)
Proceeds from redemption of marketable securities		<u>501,797</u>
<b>Net Cash Provided by Investing Activities</b>		<u>380,507</u>

**Cash Flows from Financing Activities**

Principal payments made on capital lease obligations		(7,060)
Proceeds from Paycheck Protection Program loan		<u>133,670</u>
<b>Net Cash Provided by Financing Activities</b>		<u>126,610</u>

**Net Increase in Cash and Cash Equivalents**

294,575

**Cash and Cash Equivalents - Beginning**

216,890

**Cash and Cash Equivalents - Ending**

\$ 511,465

**Supplement Disclosure of Cash Flow Information**

Cash paid during the year for interest	\$	<u><u>12,438</u></u>
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**Supplement Data for Noncash Investing and Financing Activities**

Disposal of vehicle as part of capital lease disposition (at net book value)	\$	<u><u>26,405</u></u>
Disposition of capital lease obligation	\$	<u><u>33,832</u></u>



**Youth Enrichment Services, Inc.**

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Operations Snowsports	Outdoor Adventure	YES Academy	Total Program Expenses	General and Administration	Fundraising	Total
Salaries, employee benefits, and payroll taxes	\$ 236,757	\$ 129,563	\$ 262,645	\$ 628,965	\$ 110,586	\$ 196,760	\$ 936,311
Lift tickets and lodging in-kind	191,895	952	-	192,847	-	-	192,847
Professional fees	6,635	4,065	14,903	25,603	35,003	58,628	119,234
Insurance	27,991	17,148	35,603	80,742	9,612	17,302	107,656
Transportation and travel	47,634	12,537	5,592	65,763	1,408	2,534	69,705
Professional fees in-kind	13,546	13,545	13,545	40,636	13,545	13,545	67,726
Relocation project feasibility expenses	-	-	-	-	46,519	-	46,519
Occupancy	12,054	7,384	15,332	34,770	4,139	7,451	46,360
Depreciation and amortization	11,463	7,023	14,581	33,067	3,937	7,086	44,090
Materials and supplies	-	-	-	-	-	35,009	35,009
Lift tickets, admissions, and lodging	12,392	19,792	-	32,184	1,565	-	33,749
Miscellaneous	980	800	1,123	2,903	29,043	293	32,239
Other program related expenses	17,943	9,213	4,004	31,160	-	-	31,160
Telephone and internet	4,432	3,877	4,875	13,184	492	2,091	15,767
Volunteer support	13,381	263	262	13,906	-	-	13,906
Event management	-	-	-	-	-	13,165	13,165
Occupancy in-kind	9,520	-	-	9,520	-	-	9,520
Equipment maintenance	2,407	1,475	3,062	6,944	827	1,488	9,259
Discretionary scholarships	-	-	8,667	8,667	-	-	8,667
Office supplies and expenses	1,880	1,152	2,392	5,424	646	1,162	7,232
Equipment in-kind	3,375	-	-	3,375	-	-	3,375
Rental shop expenses	2,540	282	-	2,822	-	-	2,822
Advertising	272	167	347	786	94	169	1,049
Conferences and meetings	46	28	58	132	16	28	176
Staff training	44	27	56	127	15	27	169
	<u>617,187</u>	<u>229,293</u>	<u>124,346</u>	<u>1,233,527</u>	<u>257,447</u>	<u>356,738</u>	<u>1,847,712</u>
Reconciliation to statement of activities:							
Relocation project feasibility expenses	-	-	-	-	(46,519)	-	(46,519)
<b>Total Functional Expenses</b>	<u>\$ 617,187</u>	<u>\$ 229,293</u>	<u>\$ 124,346</u>	<u>\$ 1,233,527</u>	<u>\$ 210,928</u>	<u>\$ 356,738</u>	<u>\$ 1,801,193</u>

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### **(1) Summary of Significant Accounting Policies**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Youth Enrichment Services, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

#### ***(a) Nature of Activities***

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. Operation Snowsports accounted for 50% of total program expenditures for the year ended June 30, 2020.

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. Outdoor Adventure accounted for 19% of total program expenditures for the year ended June 30, 2020.

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. YES Academy accounted for 31% of total program expenditures for the year ended June 30, 2020.

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 statement 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.

#### ***(b) Basis of Presentation***

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies - continued

#### *(c) Standards of Accounting and Reporting*

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. As of June 30, 2020, net assets without donor restrictions consisted of 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, 2020

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions also includes the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

#### *(d) Cash and Cash Equivalents*

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies - continued

#### *(d) Cash and Cash Equivalents - continued*

The Organization maintains its cash balances at three financial institutions located in Massachusetts and also holds a PayPal account. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2020.

#### *(e) Revenue Recognition*

The Organization recognizes revenue as follows:

Grants – The Organization receives funding from private foundations for direct program costs associated with specific programs and projects. Various grants are subject to certain restrictions, which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies - continued

#### *(e) Revenue Recognition - continued*

During the year ended June 30, 2020, the Organization derived 46% of its total revenue from foundations, 16% from corporations, and 38% from individual donors. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Special event revenue primarily consists of amounts received from sponsorships and contributions for fundraising events. Costs of direct donor benefits include value of food, beverage and entertainment served at the special events.

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 is 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.

#### *(f) Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2020, management has determined any allowance would be immaterial.

The Organization does not have a policy to accrue interest on receivables.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies - continued

#### *(g) Contributions Receivable*

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Contributions receivable are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual balances. As of June 30, 2020, management has determined any allowance would be immaterial.

#### *(h) Inventory*

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.

#### *(i) 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 building improvements	10-32	years
Vehicles	5	years
Office equipment	5-7	years
Software	3	years
Furnishings and equipment	7	years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no impairment losses recognized as of June 30, 2020.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(j) Fundraising Expense***

Fundraising expense relates to the activities of raising general and specific contributions to the Organization. Fundraising expense as a percentage of total contributions amounted to 31%.

#### ***(k) Grant Expenses***

Unconditional grants are recorded when the disbursement is authorized by management or the Board of Directors depending on the nature of the grant award. Conditional awards whose terms and conditions contain both a barrier and either a right of return or release directly linked with the accomplishment of that barrier are not recognized as grant expense until those conditions are substantially met. The Organization did not make any conditional grants during the year ended June 30, 2020.

#### ***(l) Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon actual time spent performing functions. Overhead expenses are allocated to functions based on square footage of the building that the functions occupy.

#### ***(m) Use of Estimates***

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***(n) Income Taxes***

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies - continued

#### *(n) Income Taxes - continued*

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.

#### *(o) Recent Accounting Standard Adopted*

On July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The modifications under ASU 2018-08 were applied to all grants and contributions received by the Organization during the year ended June 30, 2020. Grants and contributions that the Organization received during the year have been reported as support on these financial statements in accordance with the recognition criteria for contributions received under the ASU, which include the absence of both a barrier and a right of return or release directly linked with the accomplishment of that barrier. Adoption of this standard did not have a significant impact on recognition of contribution revenue during the year ended June 30, 2020 or on the Organization's opening net asset balance as of July 1, 2019.

#### *(p) Recent Accounting Standards*

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1 - identify the contract(s) with the customer; Step 2 - Identify the performance obligations in the contract; Step 3 - determine the transaction price; Step 4 - Allocate the transaction price to the performance obligations in the contract and Step 5 - recognize revenue when (or as) the entity satisfies a performance obligation. Services within the scope of ASU 2014-09 primarily include program service fees. The ASU was set to be effective for fiscal years beginning after December 15, 2018 and has been extended to be effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In March 2016, FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. In December 2016, FASB Issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. These ASUs will be adopted concurrent with the Organization's adoption of ASU 2014-09.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Organization's adoption of ASU 2016-02.



# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies - continued

#### (q) *Paycheck Protection Program Loan*

As described at Note 3, the Organization received a Paycheck Protection Program (PPP) loan during the year ended June 30, 2020. The Organization has elected to follow the guidance regarding Debt found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP loan. As a result, during the year ended June 30, 2020, the Organization recognized \$133,670 of debt.

#### (r) *Fair Value Measurements*

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

**Level 1:** Quoted prices for identical instruments in active markets.

**Level 2:** Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant inputs to the valuation model are unobservable.

#### **Recurring Fair Value Measurements**

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Organization's assets that are adjusted to fair value on a recurring basis are described below. The Organization currently has no liabilities that are adjusted to fair value on a recurring basis.

The following section describe the valuation methodologies used to measure assets financial assets and liabilities at fair value on a recurring basis.

**Investments in Debt and Equity Securities:** Quoted market prices, a Level 1 input, are used to determine the fair value of investment securities. The fair values of investments in securities classified as Level 2 are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. Inputs into these valuation techniques include actual trade data, benchmark yields, broker/dealer quotes and other similar data. These inputs are obtained from quoted market prices, independent pricing vendors or other sources. See Note 6 for details of the Organization's investments in debt securities.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies - continued

#### (r) Fair Value Measurements – continued

**Contributions Receivable:** Contributions receivable are discounted using risk-adjusted interest rates, a Level 2 input, applicable to the years in which the promises to give, (see Note 2).

The following table summarize assets measured at fair value on a recurring basis as of June 30, 2020.

	Level 1	Level 2	Level 3	Total
Investments	\$ -	\$ 79,286	\$ -	\$ 79,286
Contributions receivable – due within 1 year	-	291,817	-	291,817
	<u>\$ -</u>	<u>\$ 371,103</u>	<u>\$ -</u>	<u>\$ 371,103</u>

The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer.

### (2) Contributions Receivable

Contributions receivable consist of \$291,817 of donations unconditionally promised during the year, due within one year, and received after year-end.

### (3) Paycheck Protection Program Loan

The Organization received a PPP loan from Bank of America, N.A. during the year ended June 30, 2020 in the original amount of \$133,670 with a maturity date of April 27, 2022. The loan bears interest at a rate of 1%, which is deferred for the first six months. Management expects that the loan will be substantially forgiven during the year ended June 30, 2021 and the loan has been presented as a current liability on the statement of financial position in keeping with current accounting practice in the industry. The Small Business Administration (SBA) has disclosed criteria for forgiveness which include but is not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the covered period. The Organization will recognize forgiveness of the loan in full or in part when the SBA determines the amount of forgiveness and notifies the Organization.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (4) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general use because of donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year end		
Cash and cash equivalents	\$	511,465
Accounts receivable		10,380
Contributions receivable		291,817
Marketable securities		<u>79,286</u>
Financial assets		<u>892,948</u>
Less: amounts not available to be used within one year for general expenditures:		
Donor restricted net assets with program restrictions		<u>(28,178)</u>
Financial assets available to meet general expenditures within one year	\$	<u>864,770</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.

### (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.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (6) Financial Assets Measured at Fair Value on a Recurring Basis

At June 30, 2020, the Organization's marketable securities consist of \$79,286 of U.S. treasury bills that are valued at Level 2 within the fair value hierarchy.

### (7) 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. During the year ended June 30, 2020, a leased vehicle with a net book value of \$26,405 and a capital lease liability of \$33,832 was returned and the Organization recognized a gain on lease disposition of \$7,427. At June 30, 2020, the remaining leased vehicles had capitalized costs of \$30,123 and accumulated depreciation of \$26,609. The leased vehicle is included in vehicles in the statement of financial position.

The following is a schedule by years of future minimum payments required under the remaining lease together with their present value as of June 30, 2020.

Year ending June 30, 2021	\$3,919
Less amount representing interest	<u>131</u>
Present value of minimum lease payments	\$3,788

### (8) Line of Credit

The Organization has a revolving line of credit agreement with East Boston Savings Bank permitting advances up to \$100,000. The line of credit bears interest at the prime rate plus one percent, 4.25% at June 30, 2020. The line of credit is secured and collateralized by all assets of the Organization and rental receipts. As of June 30, 2020, the Organization had no outstanding balance on its line of credit.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (9) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2020, net assets with donor restrictions are restricted for the following purposes:

Subject to time restriction:	
Restriction for 2021 fiscal year operating expenses	\$ 83,333
Subject to purpose restrictions:	
Track and field programs	6,708
Winter outdoor equipment for youth	1,014
Scholarship programs	17,435
Healthy eating initiatives	<u>3,021</u>
Total net assets with donor restrictions	\$ <u>111,511</u>

Net assets were released from restrictions for the following purposes during the year ended June 30, 2020:

Subject to time restriction:	
Releases for 2020 fiscal year operating expenses	\$ 84,833
Subject to purpose restrictions:	
Track and field programs	4,792
YETTI program	20,000
Tier 2/Tier 3 program	85,000
Scholarship programs	11,167
Healthy eating initiatives	1,411
Richard Martin Memorial One Mile event prizes	24,500
Outdoor adventure program	<u>9,500</u>
Total net assets released from donor restrictions	\$ <u>241,203</u>

### (10) Rental Income

The Organization has a lease agreement with a commercial tenant that was extended through April 30, 2021 with a monthly lease payment of \$2,900. Rental income recognized for the years ended June 30, 2020 was \$34,800. Rental receipt in the amount of \$29,000 is to be collected under this lease agreement during the year ending June 30, 2021.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (11) Non-Cash and In-Kind Contributions

During the year ended June 30, 2020, the Organization received the following non-cash contributions:

Lift tickets and ski lessons	\$ 167,309
Ski equipment and apparel	17,615
Donated fundraising materials	9,498
Donated professional services	
Facilities	67,726
	<u>11,320</u>
	<u>\$ 273,468</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.

### (12) Advertising

The Organization expenses the cost of advertising its programs as incurred. Advertising expenses for the year ended June 30, 2020 was \$787.

### (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 amount charged to expense for the year ended June 30, 2020 was \$31,867.

### (14) Concentration Risk

During the year ended June 30, 2020, the Organization received 17% of its revenue and support from one donor. At June 30, 2020, 54% of outstanding unconditional promises to give were due from three donors.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (15) 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, 2020. Costs associated with the feasibility study and the new development planning during the years ended June 30, 2020 are reported as period expenses in the statement of activities and are as follows:

Salaries, employee benefits, and payroll taxes	\$ 18,441
Professional fees	28,078
	<hr/>
	\$ 46,519

### (16) COVID-19 - Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. The Organization's liquidity as of June 30, 2020 is documented at Note 4. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

# YOUTH ENRICHMENT SERVICES, INC.

## Notes to the Financial Statements

June 30, 2020

### (17) Prior Period Adjustment

During the year ended June 30, 2020, the Organization discovered that the breakdown of net assets without donor restrictions was not reported correctly in the financial statements for the year ended June 30, 2019. The error was caused by a miscalculation of the property and equipment net asset category within net assets without donor restrictions.

The following summarizes the prior period adjustment referred to above:

	Operating	Board- designated	Property and Equipment	Total
Net asset without donor restrictions balance as of June 30, 2019	\$ 734,502	\$ 75,000	\$ (258,217)	\$ 551,285
Prior period adjustment for:				
Misclassification of change in net assets	<u>(40,162)</u>	<u>-</u>	<u>40,162</u>	<u>-</u>
Net asset without donor restrictions balance as of June 30, 2019, as restated	\$ <u>694,340</u>	\$ <u>75,000</u>	\$ <u>(218,055)</u>	\$ <u>551,285</u>

### (18) Subsequent Events

The Organization has performed an evaluation of subsequent events through October 4, 2021, which is the date the Organization's financial statements were available to be issued. No material subsequent events, other than the items disclosed below, have occurred since June 30, 2020 that required recognition or disclosure in these financial statements.

On January 20, 2021, the Organization signed a purchase and sale agreement as well as cost sharing agreements with a developer for a joint real estate development project in Jamaica Plain to develop 9 residential condominiums. If the agreement closes as expected, the Organization would own the space and utilize it for operations while renting out the condominiums.

In January 2021, the Organization received approval by the SBA for full forgiveness on its first PPP loan received in 2020 which amounted to \$133,670.

On January 25, 2021, the Organization received a second SBA PPP loan in the amount of \$104,658. The PPP loan bears interest at 1% and allows for forgiveness based on conditions as outlined by the SBA.

On April 30, 2021, the Organization extended its sublease agreement with its commercial tenant for an additional one year period through April 30, 2022. All lease agreement terms remained the same.

On June 16, 2021, the Organization's building in Boston, Massachusetts was listed for sale. It is not currently under agreement with any potential purchaser.