

FRESH YOUTH INITIATIVES, INC.

Audited Financial Statements

May 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Fresh Youth Initiatives

Report on the Financial Statements

We have audited the accompanying financial statements of Fresh Youth Initiatives ("FYI"), which comprise the statement of financial position as of May 31, 2013, and the related statements of activities, functional expenses and cash flows 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.

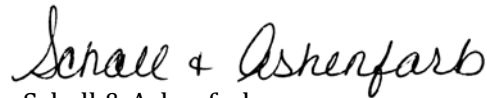
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FYI as of May 31, 2013, and the changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited FYI's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

February 24, 2014

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2013
(With comparative totals for May 31, 2012)

	<u>5/31/13</u>	<u>5/31/12</u>
Assets		
Cash and cash equivalents (Notes 2d and 2e)	\$112,019	\$87,473
Investments (Notes 2f and 3)	164,615	171,166
Contributions receivable (Note 2g)	20,000	0
Government grants receivables (Note 2c)	3,795	3,188
Prepaid expenses	7,840	3,756
Fixed assets, net of accumulated depreciation (Notes 2h and 4)	<u>3,205,456</u>	<u>3,291,683</u>
 Total assets	 <u><u>\$3,513,725</u></u>	 <u><u>\$3,557,266</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	<u>\$19,461</u>	<u>\$18,830</u>
Total liabilities	<u>19,461</u>	<u>18,830</u>
Net assets (Note 2b):		
Unrestricted	3,289,437	3,383,223
Temporarily restricted (Note 5)	53,077	3,463
Permanently restricted (Note 6)	<u>151,750</u>	<u>151,750</u>
Total net assets	<u>3,494,264</u>	<u>3,538,436</u>
 Total liabilities and net assets	 <u><u>\$3,513,725</u></u>	 <u><u>\$3,557,266</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2013
(With comparative totals for the year ended May 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 5/31/13	Total 5/31/12
Public support and revenue:					
Government grants	\$101,270			\$101,270	\$80,047
Foundation grants	395,691	\$85,000		480,691	467,761
Individual contributions	130,410			130,410	115,266
Corporate grants	44,950			44,950	77,542
Other grants	12,750			12,750	1,250
Special events income	9,275			9,275	4,505
Interest income	8,744			8,744	8,195
Realized gain on investments	1,649	391		2,040	(242)
Unrealized loss on investments	(832)	(3,854)		(4,686)	(10,017)
In-kind contributions				0	22,298
Other revenue	5,820			5,820	4,426
Net assets released from restrictions	31,923	(31,923)		0	0
Total public support and revenue	741,650	49,614	0	791,264	771,031
Expenses:					
Program services	571,357			571,357	694,532
Supporting services:					
Management and general	181,074			181,074	74,767
Fundraising	83,005			83,005	116,944
Total supporting services	264,079	0	0	264,079	191,711
Total expenses	835,436	0	0	835,436	886,243
Change in net assets	(93,786)	49,614	0	(44,172)	(115,212)
Net assets - beginning	3,383,223	3,463	151,750	3,538,436	3,653,648
Net assets - ending	<u>\$3,289,437</u>	<u>\$53,077</u>	<u>\$151,750</u>	<u>\$3,494,264</u>	<u>\$3,538,436</u>

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2013
(With comparative totals for the year ended May 31, 2012)

	Program Services	Supporting Services			Total Expenses 5/31/13	Total Expenses 5/31/12
		Management and General	Fundraising	Total		
Personnel services	\$255,436	\$97,356	\$32,016	\$129,372	\$384,808	\$382,304
Payroll taxes and benefits	55,989	21,220	6,978	28,198	84,187	71,184
Consulting and professional	49,925	9,435	24,665	34,100	84,025	91,291
Occupancy	20,262	7,718	2,539	10,257	30,519	30,820
Donated food for pantry				0	0	22,298
Supplies	12,892	147	531	678	13,570	13,874
Communications	7,500	2,288	753	3,041	10,541	9,102
Travel	3,250		13	13	3,263	3,982
Program expense	41,950	46	642	688	42,638	61,416
Equipment rental and maintenance	25,171	9,476	3,118	12,594	37,765	46,177
Stipends	6,611			0	6,611	6,395
Printing and publications	2,939	922	411	1,333	4,272	5,226
Postage and shipping	351	117	717	834	1,185	1,405
Insurance	10,606	4,040	1,329	5,369	15,975	22,575
Miscellaneous	10,487	2,410	772	3,182	13,669	17,558
Total expenses before depreciation	503,369	155,175	74,484	229,659	733,028	785,607
Depreciation	67,988	25,899	8,521	34,420	102,408	100,636
Total expenses	\$571,357	\$181,074	\$83,005	\$264,079	\$835,436	\$886,243

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2013
(With comparative totals for the year ended May 31, 2012)

	<u>5/31/13</u>	<u>5/31/12</u>
Cash flows from operating activities:		
Change in net assets	(\$44,172)	(\$115,212)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	102,408	100,636
Realized (gain)/loss	(2,040)	242
Unrealized loss	4,686	10,017
(Increase)/decrease in assets:		
Contributions receivable	(20,000)	14,406
Government grants receivables	(607)	18,457
Prepaid expenses	(4,084)	2,529
(Decrease)/increase in liabilities:		
Accounts payable and accrued expenses	624	(6,403)
Total adjustments	<u>80,987</u>	<u>139,884</u>
Net cash provided by operating activities	<u>36,815</u>	<u>24,672</u>
Cash flows from investing activities:		
Purchase of investments	(97,678)	(72,803)
Sale of investments	101,384	73,899
Purchase of equipment	<u>(15,975)</u>	<u>0</u>
Net cash (used for)/provided by investing activities	<u>(12,269)</u>	<u>1,096</u>
Net increase in cash and cash equivalents	24,546	25,768
Cash and cash equivalents - beginning	<u>87,473</u>	<u>61,705</u>
Cash and cash equivalents - ending	<u><u>\$112,019</u></u>	<u><u>\$87,473</u></u>
Supplemental disclosures:		
Interest paid - \$0		
Taxes paid - \$0		

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013

Note 1 - Organization

Fresh Youth Initiatives, Inc. ("FYI") is a not-for-profit organization incorporated in the State of New York. Founded in 1993, FYI is based in the Washington Heights-Inwood section of Upper Manhattan, New York City.

FYI's community-based youth development program provides local youth with a menu of community service and other positive activities. The results of these efforts build leadership skills, character and positive habits in hundreds of local youth, while at the same time strengthening the community fabric of Washington Heights-Inwood in tangible ways. FYI is known in particular for operating the only youth-run food pantry in New York City, the Helping Hands Food Pantry and its sleeping bags project where participants hand-sew sleeping bags for distribution to the homeless, and for the high degree of youth involvement and leadership in service projects.

FYI also operates a 1-to-1 Mentoring Program, a Career Awareness Program and a special set of summer activities which includes the "Summer of Service" camp for younger participants.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The financial statements of FYI have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid. All significant receivables, payables and other liabilities have been presented.

b. Basis of Presentation

FYI, as a not-for-profit organization, is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

c. Revenue Recognition

FYI reports contributions at the earlier of the receipt of cash or at a time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net

assets are reclassified to unrestricted net assets. However, when a restriction is met in the period the contribution is received, it is recorded as unrestricted.

Government grants are reviewed to determine if they have traits more commonly associated with contributions or exchange transactions. Management has determined that all government grants more closely resemble exchange transactions, and are therefore recognized as revenue when earned.

d. Cash and Cash Equivalents

FYI considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, with the exception of cash held within the endowment account, which has been classified as investments.

e. Concentration of Credit Risk

Financial instruments which potentially subject FYI to concentration of credit risk consist of cash, money market accounts and investment securities, which have been placed with financial institutions management deems to be creditworthy. At times, deposits may exceed federally insured limits. FYI has not experienced any losses from these accounts due to bank failures.

The market value of investments is subject to fluctuation, however management believes the investment policy is prudent for the long-term welfare of FYI.

f. Investments

Investments are recorded at fair value, which refers to the price that would be received by selling an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in income on the statement of activities.

g. Contribution Receivables

Pledges receivable are recorded when contributions are considered unconditional. Government grants receivable arise when cash received is less than revenue earned. Receivables expected to be collected within one year are recorded at their net realizable value. Conditional contributions are recognized as income when the conditions have been substantially met.

All contributions and grants receivable outstanding at May 31, 2013 are due within 12 months. Based on a specific review of outstanding receivables and factoring historical experience, management deems all receivables to be fully collectable and has not established any reserves. At the time collection efforts are fully exhausted, bad debt expense will be recorded.

h. Fixed Assets

Purchases of property and equipment that exceed predetermined amounts where FYI retains title and that benefit future periods are capitalized at cost, or if donated, at the estimated fair market value at the time of donation. Fixed assets are depreciated using the straight-line method over the estimated useful life of the assets.

- i. Management Estimates
The preparation of financial statements in accordance 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. Actual results could differ from those estimates.
- j. Expense Allocation
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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of FYI.
- k. Tax Exempt Status
FYI is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.
- l. Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with FYI's financial statements for the period ended May 31, 2012, from which the summarized information was derived.
- m. Accounting for Uncertainty of Income Taxes
FYI does not believe its financial statements include any material uncertain tax positions. Tax filings for periods ending June 30, 2010 and later are subject to examination by applicable taxing authorities.
- n. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through February 24, 2014 the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that FYI has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all

significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At May 31, 2013, investments consisted of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Equity (corporate stocks)	\$73,855	\$73,855	\$0
Corporate Bonds	3,341	3,341	0
Exchange traded funds	61,107	61,107	0
Mortgage - backed securities	13,272	0	13,272
Cash and money funds	<u>13,040</u>	<u>13,040</u>	<u>0</u>
	<u>\$164,615</u>	<u>\$151,343</u>	<u>\$13,272</u>

At May 31, 2012, investments consisted of the following:

	<u>Total</u>		
Endowment	\$163,825		
Other	<u>7,341</u>		
	<u>\$171,166</u>		

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Equity (corporate stocks)	\$88,997	\$62,560	\$26,437
Mutual funds	1,224	1,224	0
Exchange traded funds	44,036	44,036	0
Mortgage - backed securities	20,676	0	20,676
Cash and money funds	<u>16,233</u>	<u>16,233</u>	<u>0</u>
	<u>\$171,166</u>	<u>\$124,053</u>	<u>\$47,113</u>

Note 4 - Fixed Assets

Fixed assets consisted of the following:

	<u>Life</u>	<u>5/31/13</u>	<u>5/31/12</u>
Building and building improvements	39 years	\$3,494,557	\$3,494,557
Equipment	3 to 7 years	140,259	124,464
Land		313,637	313,637
Less: accumulated depreciation		<u>(742,997)</u>	<u>(640,975)</u>
Net: property and equipment		<u>\$3,205,456</u>	<u>\$3,291,683</u>

Note 5 - Temporarily Restricted Net Assets

Net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	<u>5/31/13</u>	<u>5/31/12</u>
Food Pantry & Sleeping Bag	\$9,685	\$0
Facility Renovation	0	12,000
Welcome Program	10,683	0
Learning Center	<u>11,555</u>	<u>0</u>
Total program restrictions	31,923	12,000
Time	<u>0</u>	<u>12,500</u>
Total	<u>\$31,923</u>	<u>\$24,500</u>

At year-end, net assets are temporarily restricted by donors for the following purposes:

	<u>5/31/13</u>	<u>5/31/12</u>
Learning Center	\$28,445	\$0
Community Youth in Action	20,000	0
Welcome Program	4,317	0
Food Pantry & Sleeping Bag	315	0
Unappropriated earnings on endowment	<u>0</u>	<u>3,463</u>
Total program restrictions	<u>\$53,077</u>	<u>\$3,463</u>

Note 6 - Permanently Restricted Net Assets/Endowment Funds

The endowment includes donations to be held in perpetuity in an investment account.

Interpretation of Relevant Law

FYI follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the Board of Directors of FYI has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, FYI will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, FYI has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, FYI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the organization's governing board.

Spending Policies

In accordance with NYPMIFA, FYI may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of FYI and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of FYI;
- (7) The investment policies of FYI;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on FYI.

FYI does not have a spending policy and it is currently accumulating market value gains for future appropriation, if deemed prudent and necessary and uses interest and dividends to support operations consistent with the endowment agreement.

Changes in endowment net assets for the year ended May 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$8,612	\$3,463	\$151,750	\$163,825
Interest and dividend income	2,738	0	0	2,738
Net loss on investments	<u>1,515</u>	<u>(3,463)</u>	<u>0</u>	<u>(1,948)</u>
Endowment net assets, end of year	<u>\$12,865</u>	<u>\$0</u>	<u>\$151,750</u>	<u>\$164,615</u>

Changes in endowment net assets for the year ended May 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$7,138	\$11,872	\$151,750	\$170,760
Interest and dividend income	1,474	0	0	1,474
Net loss on investments	<u>0</u>	<u>(8,409)</u>	<u>0</u>	<u>(8,409)</u>
Endowment net assets, end of year	<u>\$8,612</u>	<u>\$3,463</u>	<u>\$151,750</u>	<u>\$163,825</u>

Endowment Investment Policies

FYI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FYI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires FYI to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2013.