

1745 Broadway | 17th Floor
New York, NY 10019

4238 Washington Street | Suite 307
Boston, MA 02131

Phone (888) 490-8885
www.kellycpas.com

Fresh Youth Initiatives, Inc.

Financial Statements

Year Ended May 31, 2014

1745 Broadway | 17th Floor
New York, NY 10019

4238 Washington Street | Suite 307
Boston, MA 02131

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Independent Auditors' Report

To the Board of Directors
Fresh Youth Initiatives, Inc.
New York, NY

Report on the Financial Statements

We have audited the accompanying financial statements of Fresh Youth Initiatives, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2014, 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.

Auditor's 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 Fresh Youth Initiatives, Inc. as of May 31, 2014, 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.

Report on Summarized Comparative Information

The prior year's financial statements were issued by another auditor whose report dated February 24, 2014 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NE Kelly & Associates LLC

NE Kelly & Associates, LLC
New York, NY
August 29, 2014

Fresh Youth Initiatives, Inc.
Statement of Financial Position

As of May 31, 2014

(with comparative totals as of May 31, 2013)

	2014	2013
Assets		
Cash and cash equivalents	\$ 108,574	\$ 112,019
Investments	162,990	164,615
Accounts receivable	26,505	23,795
Prepaid expenses	5,797	7,840
Fixed assets, net	3,109,216	3,205,456
Total assets	\$ 3,413,082	\$ 3,513,725
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 25,481	\$ 19,461
Total liabilities	25,481	19,461
Net assets:		
Unrestricted	3,235,851	3,289,437
Temporarily restricted	-	53,077
Permanently restricted	151,750	151,750
Total net assets	3,387,601	3,494,264
Total liabilities and net assets	\$ 3,413,082	\$ 3,513,725

Fresh Youth Initiatives, Inc.

Statement of Activities

For the Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total 2014</i>	<i>Total 2013</i>
Revenue and support:					
Government grants	\$ 84,254	\$ -	\$ -	\$ 84,254	\$ 101,270
Foundation grants	398,817	-	-	398,817	480,691
Individual contributions	108,651	-	-	108,651	130,410
Corporate grants	45,746	-	-	45,746	44,950
Other grants	-	-	-	-	12,750
Special events income	46,426	-	-	46,426	9,275
Interest income	13,809	-	-	13,809	8,744
Realized gain/(loss) on investments	(3,288)	-	-	(3,288)	2,040
Unrealized gain/(loss) on investments	9,266	-	-	9,266	(4,686)
Other revenue	1,862	-	-	1,862	5,820
Net assets released from restrictions	53,077	(53,077)	-	-	-
Total revenue and support	758,620	(53,077)	-	705,543	791,264
Expenses:					
Program services	649,765	-	-	649,765	571,357
Fundraising	40,610	-	-	40,610	83,005
Management and general	121,831	-	-	121,831	181,074
Total expenses	812,206	-	-	812,206	835,436
<i>Change in net assets</i>	(53,586)	(53,077)	-	(106,663)	(44,172)
<i>Net assets, beginning</i>	3,289,437	53,077	151,750	3,494,264	3,538,436
<i>Net assets, end of year</i>	\$ 3,235,851	\$ -	\$ 151,750	\$ 3,387,601	\$ 3,494,264

Fresh Youth Initiatives, Inc.

Statement of Functional Expenses

For the Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

	<i>Program Expenses</i>	<i>Fundraising Expenses</i>	<i>General and Administration</i>	<i>2014 Total</i>	<i>2013 Total</i>
Salaries	\$ 285,593	\$ 17,850	\$ 53,549	\$ 356,992	\$ 384,808
Payroll taxes and benefits	72,623	4,539	13,617	90,779	84,187
Professional fees	48,585	3,037	9,110	60,732	84,025
Rent	29,472	1,842	5,526	36,840	30,519
Supplies	40,553	2,535	7,604	50,692	24,111
Travel	7,325	458	1,373	9,156	3,263
Program expense	31,304	1,957	5,870	39,131	42,638
Equipment rental and maintenance	15,091	943	2,829	18,863	37,765
Stipends	3,591	225	674	4,490	6,611
Printing and publications	2,503	157	470	3,130	4,272
Postage and shipping	912	57	171	1,140	1,185
Insurance	24,033	1,502	4,506	30,041	15,975
Depreciation	79,608	4,975	14,926	99,509	102,408
Miscellaneous	8,572	533	1,606	10,711	13,669
<i>Total expenses</i>	\$ 649,765	\$ 40,610	\$ 121,831	\$ 812,206	\$ 835,436

Fresh Youth Initiatives, Inc.

Statement of Cash Flows

For the Year Ended May 31, 2014

(with comparative totals for the year ended May 31, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (106,663)	\$ (44,172)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	99,509	102,408
Realized loss/(gain) on investment	3,288	(2,040)
Unrealized loss/(gain) on investment	(9,266)	4,686
Changes in assets and liabilities:		
Accounts receivable	(2,710)	(20,607)
Prepaid expenses	2,043	(4,084)
Accounts payable and accrued expenses	6,020	624
Net cash provided by (used in) operating activities	<u>(7,779)</u>	<u>36,815</u>
Cash flows from investing activities:		
Purchases of investments	(94,651)	(97,678)
Sale of investments	102,254	101,384
Purchases of equipment	(3,269)	(15,975)
Net cash used in investing activities	<u>4,334</u>	<u>(12,269)</u>
Net change in cash and cash equivalents	(3,445)	24,546
Cash and cash equivalents, beginning of year	<u>112,019</u>	<u>87,473</u>
Cash and cash equivalents, end of year	<u>\$ 108,574</u>	<u>\$ 112,019</u>

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 1 - Organization

Founded in 1993, Fresh Youth Initiatives, Inc. (“FYI”) (the “Organization”) is a not-for-profit organization incorporated in the State of New York providing young people ages 9 – 18 years with the support, encouragement, and skills they need to become productive, confident and caring young adults. The mission of the Organization is to engage youth in positive, community-building activities while guiding and supporting them through early adolescence and beyond. FYI is based in the Washington Heights-Inwood section of upper Manhattan, New York City.

The Organization’s community-based program offers a menu of community service projects as well as tutoring, school assistance, guidance, enrichment and recreation services. Specifically, FYI operates an Afterschool Program, a Community Service Learning Program, the Welcome Program for immigrant youth, a Summer Day Camp, a Summer Job Training/Summer Youth Employment Program, and Aspire a mentoring, higher education and career awareness program.

As a result of their participation in the FYI community, young people strengthen their leadership skills and character, build positive personal and academic habits, and learn first-hand about civic engagement by, for example, contributing their time and energy to FYI’s ‘Helping Hands Food Pantry’ –a youth-run food pantry, hand-sewing sleeping bags for the homeless, and distributing hot soup on cold winter days to people in need.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The financial statements presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements of Not-for-Profit Organizations. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - consists of assets, public support, program revenues and investment earnings which are available and used for charitable activities, operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee Organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests and investment income earned on restricted funds. Temporarily restricted net assets for the year ended May 31, 2014 and May 31, 2013 are none and \$53,077, respectively.

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 2 - Summary of Significant Accounting Policies (continued)

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. Permanently restricted net assets for the year ended May 31, 2014 and May 31, 2013 are \$151,750.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with maturity of three months or less when purchased, to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Increases or decreases in market value are recorded as unrealized gains or losses on investments.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services, which are summarized on a functional basis in the accompanying statement of activities. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification.

Plant, property and equipment

Plant, property, equipment, furniture and leasehold improvements are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the lease term or life of the leasehold whichever is shorter, on a straight-line basis. The estimated useful lives for purposes of computing depreciation are as follows:

Building and improvements	15 - 39 years
Furniture and equipment	3 - 7 years

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 2 - Summary of Significant Accounting Policies (Continued)

Plant, property and equipment (Continued)

Major additions and improvements over \$1,000 are capitalized, and ordinary repairs and maintenance are expensed as incurred.

Income Tax Status

The Organization is exempt from federal income tax under the Internal Revenue Code Section 501(c)(3). Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Organization is also exempt from Massachusetts state taxes. Therefore, there is no provision for federal and or state taxes.

The Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

Uncertain Tax Positions

ASC Topic 740, Income Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 3 - Accounts Receivable

Accounts receivable consist mainly of receivables from state and other government agencies for services which are expected to be collected in full within one year; therefore, no allowance for doubtful accounts has been recorded against those balances.

Note 4 - Fair Value Measurements

The Association has adopted FASB ASC 820, which defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Association considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

FASB ASC 820 also establishes a fair value hierarchy that requires the Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The categorization of each investment type within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. FASB ASC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that reflect the Association's own assumptions about market participants and investment prices.

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Equity securities*: Equity securities are recorded at quoted market price.
- *Fixed income securities*: Fixed income securities are recorded at amortized cost, which approximates fair value, and are considered to be held-to maturity securities.

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 5 – Investments

Investments included on the accompanying statement of position reflect funds invested in equity and fixed income securities. Those investments are reported at their fair values as of May 31, 2014 and 2013.

The fair values of financial instruments appearing on the accompanying statement of financial position have the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include equity securities. The fair values of these securities at May 31, 2014 and 2013 were \$162,990 and \$151,343, respectively. There are no liabilities utilizing Level 1 inputs.
- Assets utilizing Level 2 inputs include fixed income securities. The carrying values of these securities at May 31, 2014 and 2013, which equaled fair values, were \$10,536 and \$13,272, respectively. There are no liabilities utilizing Level 2 inputs.
- Assets utilizing Level 3 inputs include investment in subsidiary which is value at historical cost for financial reporting purposes. There are no liabilities utilizing Level 3 inputs.

Investments and related income as of and for the years ended May 31, 2014 and 2013 and are as followed:

	2014		
	<i>Fair Value</i>	<i>Cost</i>	<i>Unrealized Gain</i>
Equity securities and exchange traded funds	\$ 135,957	126,691	9,266
Corporate fixed income	3,137	3,137	-
Government securities	10,536	10,536	-
Cash and money market funds	13,357	13,357	-
Total	\$ 162,987	\$ 140,364	\$ 9,266
	2013		
	<i>Fair Value</i>	<i>Cost</i>	<i>Unrealized Gain (Loss)</i>
Equity securities and exchange traded funds	\$ 134,962	\$ 139,648	\$ (4,686)
Corporate fixed income	3,341	3,341	-
Government securities	13,272	13,272	-
Cash and money market funds	13,040	13,040	-
Total	\$ 164,615	\$ 169,301	\$ (4,686)

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 6 - Fixed Assets

Fixed assets consisted of the following as of May 31, 2014,

	<u>2014</u>	<u>2013</u>
Land	\$ 313,637	\$ 313,637
Buildings and improvements	3,494,557	3,494,557
Furniture and equipment	<u>143,528</u>	<u>140,259</u>
	3,951,722	3,948,453
Accumulated depreciation	<u>(842,506)</u>	<u>(742,997)</u>
	<u>\$ 3,109,216</u>	<u>\$ 3,205,456</u>

Depreciation expense for the years ended May 31, 2014 and 2013 was \$99,509 and \$102,408, respectively.

Note 7 - Concentration of Risk

The Organization maintains its cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets for the year ended May 31, 2013 are as follows:

Learning Center	\$ 28,445
Community Youth in Action	20,000
Welcome Pantry	4,317
Food Pantry and Sleeping Bag Program	<u>315</u>
	<u>\$ 53,077</u>

There were no temporarily restricted net assets at year end for May 31, 2014.

Note 9 - Permanently Restricted Net Assets- Endowment

Endowments

The Organization follows the provisions of ASC Topic 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. These provisions provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and also require disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 9 – Permanently Restricted Net Assets- Endowment (continued)

Endowments (continued)

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). The Organization has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulated so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Organization’s endowments consist of individual donor-restricted endowment funds established to support activities of the organization, as well as, accumulation of income from these funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the New York State UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

In accordance with UPMIFA, the Organization considers 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 the Organization 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 the Organization
7. The investment policies of the Organization

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended May 31, 2014

(with summarized comparative totals for the year ended May 31, 2013)

Note 9 – Permanently Restricted Net Assets- Endowment (continued)

Funds 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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at May 31, 2014 and 2013.

Return Objectives, Strategies Employed and Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, The primary objective of the endowment is to generate income which would be withdrawn and used to support current year programs.

Spending Policy

The current anticipated income stream is targeted to be between 5 to 7%. Only publicly traded securities are employed in this account, growth of capital is a secondary objective. Since principal cannot be invaded and income can be withdrawn it is anticipated that the fund would be nearly fully invested all of the time.

Note 10 - Summarized Comparative Financial Information

The financial statements include certain prior-year summarized comparative financial 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 the Organization's financial statements for the year ended May 31, 2013, from which the summarized information was derived.

Note 11 - Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the current year's presentation.

Note 12 - Subsequent events

Subsequent events have been evaluated through August 29, 2014 which is the date the financial statements were available to be issued