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Fresh Youth Initiatives, Inc.

Financial Statements

Year Ended June 30, 2015

1745 Broadway | 17th Floor
New York, NY 10019

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Table of Contents

Independent Auditors' Report	1-2
<i>Financial Statements:</i>	
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Statement of functional expenses	6
Notes to financial statements	7-14

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 June 30, 2015, 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 June 30, 2015, 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.

NE Kelly & Associates LLC

NE Kelly & Associates, LLC
New York, NY
March 18, 2016

Fresh Youth Initiatives, Inc.

Statement of Financial Position

As of June 30, 2015

Assets:

Cash and cash equivalents	\$	164,262
Investments		145,748
Accounts receivable		41,734
Fixed assets, net		<u>2,996,141</u>
<i>Total assets</i>	\$	<u><u>3,347,885</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	<u>6,647</u>
<i>Total liabilities</i>		<u>6,647</u>

Net Assets:

Unrestricted		3,188,695
Temporarily restricted		16,199
Permanently restricted		<u>136,344</u>
<i>Total net assets</i>		<u>3,341,238</u>
<i>Total liabilities and net assets</i>	\$	<u><u>3,347,885</u></u>

Fresh Youth Initiatives, Inc.

Statement of Activities

For the Year Ended June 30, 2015

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<i>Revenue and support:</i>				
Government grants	\$ 243,296	\$ -	\$ -	\$ 243,296
Foundation grants	549,350	-	-	549,350
Individual contributions	16,617	10,000	-	26,617
Corporate grants	10,084	-	-	10,084
Scholarship revenue	-	25,000	-	25,000
Other income	11,681	-	-	11,681
Special events income	72,156	-	-	72,156
Realized loss	-	-	(2,449)	(2,449)
Unrealized loss on investments, net	-	-	(19,405)	(19,405)
Interest and dividends	-	-	11,446	11,446
Other revenue	7,441	-	-	7,441
Net assets released from restrictions	30,130	(18,801)	(11,329)	-
<i>Total revenue and support</i>	\$ 940,755	\$ 16,199	\$ (21,737)	\$ 935,217
<i>Expenses:</i>				
Program services	736,200	-	-	736,200
General and administration	191,256	-	-	191,256
Depreciation	106,233			106,233
<i>Total expenses</i>	\$ 1,033,689	\$ -	\$ -	\$ 1,033,689
<i>Change in net assets</i>	(92,934)	16,199	(21,737)	(98,472)
<i>Net assets, beginning</i>	3,281,629	-	158,081	3,439,710
<i>Net assets, ending</i>	\$ 3,188,695	\$ 16,199	\$ 136,344	\$ 3,341,238

Fresh Youth Initiatives, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flows from operating activities:

Change in net assets	\$	(98,472)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		106,233
Realized loss/(gain) on investment		2,449
Unrealized loss/(gain) on investment		19,405
Changes in:		
Accounts receivable		(41,734)
Prepaid expenses		2,755
Accounts payable and accrued expenses		(6,475)
		(15,839)
<i>Net cash provided by (used in) operating activities</i>		(15,839)

Cash flows from investing activities:

Purchases of investments		(14,309)
Sale of investments		11,119
Purchases of equipment		(1,450)
		(4,640)
<i>Net cash used in investing activities</i>		(4,640)

Net change in cash and cash equivalents (20,479)

Cash and cash equivalents, beginning 184,741

Cash and cash equivalents, ending \$ 164,262

Fresh Youth Initiatives, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2015

	<u><i>Program Expenses</i></u>	<u><i>General and Administration</i></u>	<u><i>Total</i></u>
Salaries	\$ 447,399	\$ 78,953	\$ 526,352
Payroll taxes and benefits	90,141	15,907	106,048
Professional fees	12,963	86,214	99,177
Program supplies	21,972	969	22,941
Stipends/interns	1,826	-	1,826
Web design and maintenance	-	36	36
Staff training	1,565	-	1,565
Activity fees	7,085	-	7,085
Travel	7,953	-	7,953
Program expense	8,238	-	8,238
Food expense	32,681	-	32,681
Equipment rental and maintenance	19,455	3,433	22,888
Stipends	1,826	-	1,826
Insurance	24,030	-	24,030
Telephone	-	5,744	5,744
Utilities	33,116	-	33,116
Fundraising expense	7,150	-	7,150
Scholarship expenses	18,800	-	18,800
Total before depreciation expenses	<u>736,200</u>	<u>191,256</u>	<u>927,456</u>
Depreciation expense	<u>106,233</u>	<u>-</u>	<u>106,233</u>
Total expenses after depreciation	<u>\$ 842,433</u>	<u>\$ 191,256</u>	<u>\$ 1,033,689</u>

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended June 30, 2015

Note 1 - Organization

The mission of Fresh Youth Initiatives (“FYI”)(the “Organization”) is to engage youth in positive, community-building activities while guiding and supporting them through childhood and adolescence. FYI fights poverty in three key ways. We provide a safe haven for children’s healthy development, create a pipeline to college by providing rigorous academic support starting in kindergarten straight through high school, and engage youth in local civic activities to build their sense of confidence and belonging to the community.

Subsequent to the year ended June 30, 2015, the Board of Directors expanded FYI’s mission to serve children from grades 5 – 12 to additionally include children in grades K - 4. Soon thereafter, we were awarded a three year grant from the NYC Department of Youth and Community Development (DYCD) in the amount of \$924,000 supporting an elementary Out-of-School Time (OST) program for 120 children at PS 128. We decided immediately to replicate The Welcome Program (“Welcome”) at PS 128, increasing that population from 25 to 120 participants.

FYI now operates across three sites where 450 children ages 5 – 18 participate in afterschool programs and summer camps. As one result of FYI’s newly expanded services, including the Welcome Program, we are serving increased numbers of immigrant youth from the Dominican Republic and Central America. We continue to help children and teens navigate developmental and school transitions, and are doubling our efforts to assist children who are coping with immigration and learning to speak English.

Founded in 1993, the very first FYIers created a youth-run food pantry, organized soup carts for the hungry, and distributed hand-made sleeping bags to homeless persons—all FYI traditions that have endured. Recent program growth has sparked new and varied service learning opportunities. Many of our teens today are assisting their younger peers as tutors, homework helpers, and athletic coaches, and our youth-run food pantry increasingly donates groceries to FYI’s own children and families 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.

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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 June 30, 2015 is \$16,199.

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 June 30, 2015 is \$136,344.

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:

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Plant, property and equipment (Continued)

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

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 June 30, 2015

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 June 30, 2015

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 June 30, 2015.

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 value of these securities at June 30, 2015 was \$145,748. There are no liabilities utilizing Level 1 inputs.
- Assets utilizing Level 2 inputs include fixed income securities. The carrying values of these securities at June 30, 2015, which equaled fair values, were \$0. 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 year ended June 30, 2015 are as follows:

	<i>2015</i>		
	<i>Fair Value</i>	<i>Cost</i>	<i>Unrealized Gain / (Loss)</i>
Equity securities and exchange traded funds	\$ 128,034	\$ 131,100	\$ (3,066)
Corporate fixed income	3,245	2,921	324
Government securities	7,876	7,583	293
Cash and money market funds	6,593	6,593	-
Total	\$ 145,748	\$ 148,197	\$ (2,449)

Investment earnings for the year ended June 30, 2015 are as follows:

	<i>2015</i>
Interest and dividends	\$ 11,446
Realized loss on investments	(2,449)
Unrealized loss on investments, net	(19,405)
Total investment income	(10,408)
Less: investment expenses	1,925
Total	\$ (12,333)

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended June 30, 2015

Note 6 - Fixed Assets

Fixed assets consisted of the following as of June 30, 2015:

Land	\$	313,637
Buildings and improvements		3,494,557
Furniture, fixtures and equipment		<u>144,978</u>
		3,953,172
Accumulated depreciation		<u>(957,031)</u>
Fixed assets, net	\$	<u><u>2,996,141</u></u>

Depreciation expense for the year ended June 30, 2015 was \$106,233.

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 June 30, 2015 are as follows:

Scholarship expenses	\$	6,199
Building fund replacement reserves		<u>10,000</u>
	\$	<u><u>16,199</u></u>

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.

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

FRESH YOUTH INITIATIVES, INC.

Notes to Financial Statements

Year Ended June 30, 2015

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

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 June 30, 2015

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 June 30, 2015.

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.

The Organization was given a contribution for a permanently restricted endowment fund with an original corpus of \$150,000. The donor stipulated that up to 5% of the balance in the account is to be transferred to the Organization for operating purposes. For the year ended June 30, 2015, \$9,404 was released from restriction in accordance with the terms of the agreement. The remaining permanently restricted balance was \$136,344 as of June 30, 2015.

Note 10 - Subsequent events

Subsequent events have been evaluated through March 18, 2016, which is the date the financial statements were available to be issued.