

Fresh Youth Initiatives, Inc.

Financial Statements

June 30, 2019

Independent Auditors' Report

The Board of Directors Fresh Youth Initiatives, Inc.

We have audited the accompanying financial statements of Fresh Youth Initiatives, Inc. ("FYI") which comprise the statement of financial position as of June 30, 2019 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 auditors' 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, 2019 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019 Fresh Youth Initiatives, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Adjustment to Prior Period Financial Statements

The financial statements of Fresh Youth Initiatives, Inc. as of June 30, 2018 were audited by other auditors, whose report dated February 20, 2019 expressed an unmodified opinion on those financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 10 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of FYI other than with respect to the adjustments and, accordingly, we do not express any opinion or any other form of assurance on the 2018 financial statements as a whole.

PKF O'Connor Davies, LLP

November 19, 2019

Fresh Youth Initiatives, Inc.

Statement of Financial Position
June 30, 2019

ASSETS

Cash and cash equivalents	\$ 817,378
Grants and pledges receivable	337,384
Investments	134,730
Prepaid expenses and deposits	9,748
Property and equipment, net	<u>2,699,728</u>
	<u>\$ 3,998,968</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 10,635
Deferred revenue	<u>17,575</u>
Total Liabilities	<u>28,210</u>
Net Assets	
Without donor restrictions	3,666,028
With donor restrictions	<u>304,730</u>
Total Net Assets	<u>3,970,758</u>
	<u>\$ 3,998,968</u>

See notes to financial statements

Fresh Youth Initiatives, Inc.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Contributions	\$ 419,180	\$ 75,000	\$ 494,180
Special events, net of direct costs of \$33,999	114,043	-	114,043
Government grant revenue	1,744,361	-	1,744,361
Investment return	867	9,941	10,808
Other income	1,568	-	1,568
Net assets released from restriction	<u>277,910</u>	<u>(277,910)</u>	<u>-</u>
Total Operating Support and Revenue	<u>2,557,929</u>	<u>(192,969)</u>	<u>2,364,960</u>
OPERATING EXPENSES			
Program services	2,051,550	-	2,051,550
General and administrative	191,793	-	191,793
Fundraising	<u>199,395</u>	<u>-</u>	<u>199,395</u>
Total Operating Expenses	<u>2,442,738</u>	<u>-</u>	<u>2,442,738</u>
Change in Net Assets	115,191	(192,969)	(77,778)
NET ASSETS			
Beginning of year, as restated	<u>3,550,837</u>	<u>497,699</u>	<u>4,048,536</u>
End of year	<u>\$ 3,666,028</u>	<u>\$ 304,730</u>	<u>\$ 3,970,758</u>

See notes to financial statements

Fresh Youth Initiatives, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services						Program Services Total	General and Administrative	Fundraising	Total
	College Access	Amistad	Compass	Luperon	PS128	On-Site 505				
PERSONNEL										
Salaries	\$ 34,270	\$ 201,975	\$ 70,763	\$ 397,325	\$ 440,446	\$ 218,329	\$ 1,363,108	\$ 141,055	\$ 110,422	\$ 1,614,585
Payroll taxes and benefits	5,665	33,326	11,676	65,268	72,636	35,932	224,503	23,248	18,219	265,970
Total Personnel Costs	39,935	235,301	82,439	462,593	513,082	254,261	1,587,611	164,303	128,641	1,880,555
OTHER THAN PERSONNEL COSTS										
Processing fees	168	986	346	1,932	2,150	1,064	6,646	688	539	7,873
Professional fees	1,019	5,993	2,099	19,344	15,061	7,611	51,127	4,179	47,722	103,028
Supplies	454	6,030	1,759	13,021	24,952	10,480	56,696	1,862	36,850	95,408
Stipends	11	63	6,684	5,580	2,237	146	14,721	-	-	14,721
Postage and printing	111	651	277	2,284	1,729	834	5,886	816	423	7,125
Repairs and maintenance	477	2,804	983	5,492	6,112	3,024	18,892	1,956	2,073	22,921
Travel and conference	8,298	2,726	89	12,265	84	3,316	26,778	3	383	27,164
Evaluation fees	-	-	-	32,000	19,200	-	51,200	1,872	-	53,072
Food and beverage	223	1,767	1,561	1,618	4,353	9,452	18,974	151	3,330	22,455
Activity fees	-	759	105	21,931	18,975	11,563	53,333	-	-	53,333
Insurance	618	3,636	1,274	7,121	7,925	3,920	24,494	2,536	1,988	29,018
Telephone and utilities	744	5,509	1,953	8,569	10,570	4,717	32,062	3,052	2,392	37,506
Dues and fees	21	200	94	300	1,359	457	2,431	88	873	3,392
In-kind expenses	23	175	49	971	796	152	2,166	98	127	2,391
Bank fees	23	37	48	10	40	73	231	11	75	317
Depreciation	2,481	14,592	5,112	28,579	31,805	15,733	98,302	10,178	7,978	116,458
Total Expenses	54,606	281,229	104,872	623,610	660,430	326,803	2,051,550	191,793	233,394	2,476,737
Less expenses of direct benefit to donors	-	-	-	-	-	-	-	-	(33,999)	(33,999)
Total Operating Expenses	\$ 54,606	\$ 281,229	\$ 104,872	\$ 623,610	\$ 660,430	\$ 326,803	\$ 2,051,550	\$ 191,793	\$ 199,395	\$ 2,442,738

Fresh Youth Initiatives, Inc.

Statement of Cash Flows
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (77,778)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	116,458
Net unrealized and realized gain on investments	(3,587)
Changes in operating assets and liabilities	
Grants and pledges receivable	30,781
Prepaid expenses and deposits	(9,748)
Accounts payable and accrued expenses	13,190
Deferred revenue	<u>17,575</u>
Net Cash From Operating Activities	<u>86,891</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(12,672)
Proceeds from sales of investments	14,226
Purchase of equipment	<u>(48,366)</u>
Net Cash From Investing Activities	<u>(46,812)</u>

Net Change in Cash and Cash Equivalents 40,079

CASH AND CASH EQUIVALENTS

Beginning of year	<u>777,299</u>
End of year	<u>\$ 817,378</u>

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

1. Organization and Tax Status

Fresh Youth Initiatives, Inc. (“FYI”), is a non-profit organization whose mission is to assist children who have the fewest resources to reach their greatest potential. Founded in 1993, FYI operates programs across four sites in Washington Heights/Inwood where 1,400 children ages 5 –18 years old participate in after school programs, summer camps, service learning, tutoring, advisory and College Access programs.

FYI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and has been determined to be a publicly supported organization, not a private foundation under Section 509(a) of the Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

On July 1, 2018, FYI adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit entities. This guidance requires FYI to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires FYI to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

The changes have the following effect on net assets at June 30, 2018, after the restatement discussed in Note 10:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
<u>Net Assets Classifications</u>			
As restated:			
Unrestricted net assets	\$ 3,550,837	\$ -	\$ 3,550,837
Temporarily restricted net assets	-	372,910	372,910
Permanently restricted net assets	-	124,789	124,789
Total Net Assets	<u>\$ 3,550,837</u>	<u>\$ 497,699</u>	<u>\$ 4,048,536</u>

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

The financial statements report amounts separately by class of net assets. Amounts without donor restriction are those currently available for use by FYI. Net assets with donor restrictions are those which are stipulated by donors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction and/or purpose restriction is accomplished, net assets with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. Certain restricted amounts contain donor imposed restrictions to be maintained in perpetuity by FYI.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of demand deposit and money market accounts with maturities of three months or less at the time of purchase.

Fair Value Measurements

FYI follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. There are no level 3 investments held at June 30, 2019.

Investments Valuation and Investment Income Recognition

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property and Equipment

FYI follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000. Property and equipment are reported at costs at the date of acquisition or at their fair values at the date of donation. Minor costs of repairs and maintenance are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are approximately 39 years for the building, 10 to 39 years for building improvements, and 5 to 10 years for furniture, fixtures, computers and office equipment. Construction-in-progress is transferred to building improvements and depreciated when the construction is substantially complete and the assets are placed into service.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. There were no asset impairments for the year ended June 30, 2019.

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies *(continued)*

Contributions

Contributions are recorded when received or when an unconditional promise to give is made. Conditional promises to give are recorded when substantially all conditions have been met. All donor-restricted contributions are recorded as donor restricted revenue. Perpetually restricted donations are restricted by donors to be maintained in perpetuity, with only the income from such net assets available for operations. Donor restricted contributions expire by either the passage of time or fulfillment of the purpose restriction. When a restriction expires, donor restricted contributions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Management has concluded that all pledges receivable at June 30, 2019 are collectible.

Government Grants

Federal, state and other grant awards received for specific purposes are recognized as support and revenue to the extent related expenses are incurred in compliance with the specific grant terms. Unexpended funds are reported as deferred revenue.

Grant Revenue

Grant revenue is conditional upon the occurrence of allowable expenditures and is recognized as the expenditures are incurred. Amounts received prior to the incurrence of expenditures are recorded as deferred revenue. Amounts expended prior to receipt are recorded as a receivable. Management has concluded that all grants receivable at June 30, 2019 are collectible.

Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management either in accordance with grant provisions or by the division of salaries.

Accounting for Uncertainty in Income Taxes

FYI recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that FYI had no uncertain tax positions that would require financial statement recognition or disclosure. FYI is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2016.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statement was available to be issued, which date is November 19, 2019.

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

3. Investments

Fair value of investments measured on a recurring basis at June 30, 2019 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Exchange traded funds	\$ 53,212	\$ -	\$ 53,212
Domestic equities	49,778	-	49,778
Corporate bonds	<u>-</u>	<u>23,719</u>	<u>23,719</u>
Total Investments, at Fair Value	<u>\$ 102,990</u>	<u>\$ 23,719</u>	126,709
Cash, at cost			<u>8,021</u>
Total Investments			<u>\$ 134,730</u>

Total investment return is composed of the following elements for the year ended June 30, 2019:

Interest and dividends	\$ 8,974
Realized gain on sale of investments	1,335
Unrealized gain	2,252
Investment fees	<u>(1,753)</u>
	<u>\$ 10,808</u>

4. Property and Equipment

Property and equipment consisted of the following as of June 30, 2019:

Land	\$ 270,000
Building and improvements	3,493,421
Furniture and fixtures	60,751
Computer and office equipment	<u>173,432</u>
	3,997,604
Accumulated depreciation	<u>(1,297,876)</u>
	<u>\$ 2,699,728</u>

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

5. Retirement Plan

FYI has a 403(b) retirement investment plan (the "Plan") for eligible employees who met plan requirements. Employee contribution is based on the Plan's guidelines. For the year ended June 30, 2019, there was no expense related to the Plan.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 are restricted for the following purposes:

Time or Purpose Restricted

Time restricted donations	\$ 95,000
Early intervention for immigrant youth	75,000
General operations	<u>7,893</u>
	177,893

Held in Perpetuity

RAS Foundation Endowment Fund	<u>126,837</u>
	<u>\$ 304,730</u>

Amounts released from restrictions during the year ended June 30, 2019 were for the following purposes:

General - time restricted	\$ 270,000
General operations	<u>7,910</u>
	<u>\$ 277,910</u>

7. Endowment

General

FYI's endowment consists of a donor-restricted endowment fund established for the future cash flow needs of the programs. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2010, New York State adopted the Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

7. Endowment (continued)

Interpretation of Relevant Law

The Board of FYI has interpreted NYPMIFA as requiring the preservation of the 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, FYI classified as net assets held in perpetuity (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations of investment returns to the perpetual 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 as net assets held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by FYI in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

FYI 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 FYI must hold in perpetuity or for a donor-specified period. The primary objective of the endowment is to generate income which would be withdrawn and used to support current year programs. Interest and dividends earned from the endowment investment assets are to be used for general operations of FYI. The remaining investment return would be used to grow the endowment, though growth of the assets is a secondary objective. Interest and dividends earned are distributed annually to FYI for general operations.

Changes in the endowment by type of fund in fiscal year 2019 were as follows:

	<u>Time or Purpose Restricted</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Balance, July 1, 2018	\$ 7,910	\$ 124,789	\$ 132,699
Investment return	7,893	2,048	9,941
Appropriated for expenditure	<u>(7,910)</u>	<u>-</u>	<u>(7,910)</u>
Balance, June 30, 2019	<u>\$ 7,893</u>	<u>\$ 126,837</u>	<u>\$ 134,730</u>

Funds with Deficiencies

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original perpetually restricted contribution. FYI is not aware of any funds with deficiencies as of June 30, 2019.

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

8. Liquidity and Availability

FYI's working capital and cash flows are primarily driven by contributions from individual and corporate donors, and governmental grant revenue. In addition, FYI holds special events throughout the year to provide additional contribution revenue and further their purpose. Grants and pledges receivable are expected to be collected during the normal course of business. At June 30, 2019, FYI has an endowment fund of \$134,730. The purpose of the endowment is to support FYI and its mission over the long-term. The primary investment objectives of the endowment are to provide an annual contribution derived from interest and dividend income for general operations of FYI, with the secondary investment objective being to preserve the real purchasing power of the principal.

The following reflects FYI's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor designations. Amounts not available include restricted contributions for time and amounts held in perpetuity.

Financial assets:

Cash and cash equivalents	\$ 817,378
Grants and pledges receivable	337,384
Investments	<u>134,730</u>
Total financial assets	<u>1,289,492</u>

Less contractual or donor imposed restricted amounts:

Restricted by donor with time or purpose restrictions	170,000
Endowment funds	
Restricted by donor	<u>134,730</u>
	<u>304,730</u>

Financial assets available to meet general expenditures
over the next twelve months

\$ 984,762

9. Concentration of Credit Risk

Financial instruments that potentially subject FYI to concentrations of credit risk consist principally of cash and cash equivalents, grants and pledges receivable, and investments. FYI maintains cash and cash equivalent balances with large, commercial banking institutions with limited insurance provided by the Federal Deposit Insurance Corporation (FDIC). At times cash balances may be in excess of federally insured limits. FYI has not experienced any losses in such accounts. Grants and pledges receivable are expected to be collected in the normal course of business. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

Fresh Youth Initiatives, Inc.

Notes to Financial Statements
June 30, 2019

10. Restatement

In fiscal 2019, FYI restated its 2018 financial statements in order to properly reflect grants and pledges receivable, endowment net asset classifications and donor restricted net assets. The adjustments from the restatement were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets at June 30, 2018			
as previously reported	\$ 3,554,479	\$ 304,057	\$ 3,858,536
Adjustment for the reclassification of net assets	(3,642)	3,642	-
Adjustment to the following accounts:			
Grants and pledges receivable	<u>-</u>	<u>190,000</u>	<u>190,000</u>
Net Assets at June 30, 2018, as restated	<u>\$ 3,550,837</u>	<u>\$ 497,699</u>	<u>\$ 4,048,536</u>

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