

ENTERPRISE FOR YOUTH
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

ENTERPRISE FOR YOUTH
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December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Enterprise for Youth

Report on the Financial Statements

We have audited the accompanying financial statements of Enterprise for Youth (the "Organization"), which comprise the statement of financial position as of December 31, 2018, 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 of 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 Organization'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 Organization'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 statement referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the Foundation adopted Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "SingerLewak LLP". The signature is written in a cursive, flowing style.

SingerLewak LLP

June 24, 2019

ENTERPRISE FOR YOUTH
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash	\$ 497,888	\$ 480,740
Investments	360,046	284,284
Grants and contributions receivable	70,077	17,763
Contracts and other receivables	147,823	289,438
Prepaid expenses	74,644	34,278
Total current assets	1,150,478	1,106,503
Noncurrent assets		
Equipment and improvements, net	59,495	60,420
Deposits	50,002	15,530
Total noncurrent assets	109,497	75,950
 Total assets	\$ 1,259,975	\$ 1,182,453
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 191,451	\$ 125,719
Accrued expenses	48,158	67,486
Deferred revenue	7,500	-
Deferred rent	-	5,263
Total liabilities	247,109	198,468
Net assets		
Without donor restrictions	894,562	827,694
With donor restrictions	118,304	156,291
Total net assets	1,012,866	983,985
 Total liabilities and net assets	\$ 1,259,975	\$ 1,182,453

The accompanying notes are an integral part of these financial statements.

ENTERPRISE FOR YOUTH**STATEMENTS OF ACTIVITIES**

Year Ended December 31, 2018

(Summarized Comparative Information for the Year Ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenue and support				
Fundraising events income, including contributions of \$373,989 and \$421,300, respectively	\$ 1,984,068	\$ -	\$ 1,984,068	\$ 2,098,032
Fundraising events direct expenses	<u>(1,263,195)</u>	<u>-</u>	<u>(1,263,195)</u>	<u>(1,350,987)</u>
Fundraising events, net	720,873	-	720,873	747,045
Contracts and fees for service	617,417	-	617,417	599,963
Grants and contributions	638,377	37,008	675,385	422,499
Net investment return	(163)	-	(163)	4,767
Other income	<u>6,043</u>	<u>-</u>	<u>6,043</u>	<u>3,264</u>
	1,982,547	37,008	2,019,555	1,777,538
Net assets released from restrictions	<u>74,995</u>	<u>(74,995)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,057,542</u>	<u>(37,987)</u>	<u>2,019,555</u>	<u>1,777,538</u>
Expenses				
Program services	1,388,695	-	1,388,695	1,233,385
Supporting services				
Fundraising	476,211	-	476,211	380,279
Management and general	<u>125,768</u>	<u>-</u>	<u>125,768</u>	<u>97,034</u>
Total expenses	<u>1,990,674</u>	<u>-</u>	<u>1,990,674</u>	<u>1,710,698</u>
Change in net assets	66,868	(37,987)	28,881	66,840
Net assets, beginning of year	<u>827,694</u>	<u>156,291</u>	<u>983,985</u>	<u>917,145</u>
Net assets, end of year	<u>\$ 894,562</u>	<u>\$ 118,304</u>	<u>\$ 1,012,866</u>	<u>\$ 983,985</u>

The accompanying notes are an integral part of these financial statements.

ENTERPRISE FOR YOUTH
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

(Summarized Comparative Information for the Year Ended December 31, 2017)

	Program Services	Fundraising			Management and General	Total Support Services	Total 2018	Total 2017
	Student Training & Employment Opportunities	Events Indirect Expenses	Other Activities	Total				
Salaries	\$ 745,008	\$ 116,829	\$ 98,604	\$ 215,433	\$ 72,681	\$ 288,114	\$ 1,033,122	\$ 986,284
Employee benefits	52,310	9,824	10,485	20,309	13,989	34,298	86,608	80,891
Payroll taxes	58,342	10,785	9,757	20,542	6,607	27,149	85,491	80,371
Total personnel costs	855,660	137,438	118,846	256,284	93,277	349,561	1,205,221	1,147,546
Student stipends	225,687	2	2,411	2,413	-	2,413	228,100	137,598
Rent	141,355	30,350	27,543	57,893	11,249	69,142	210,497	196,930
Professional fees	5,576	34,126	10,905	45,031	74,234	119,265	124,841	31,425
Meetings and hospitality	9,091	36,547	260	36,807	8,458	45,265	54,356	13,657
Depreciation	31,957	6,070	5,508	11,578	2,240	13,818	45,775	49,022
Supplies	10,649	6,130	795	6,925	14,229	21,154	31,803	30,546
Telephone and technology	5,054	-	2,736	2,736	18,396	21,132	26,186	37,115
Insurance	-	-	-	-	15,338	15,338	15,338	12,016
Printing and copying	2,986	5,529	4,818	10,347	1,441	11,788	14,774	11,175
Postage and delivery	-	1,562	3,701	5,263	1,369	6,632	6,632	6,821
Conferences and training	576	-	922	922	4,313	5,235	5,811	10,861
Travel	1,233	361	41	402	3,613	4,015	5,248	3,270
Scholarships awarded	4,000	-	-	-	-	-	4,000	4,000
Credit card fees	-	3,242	1,346	4,588	75	4,663	4,663	1,883
Moving expenses	-	-	-	-	3,655	3,655	3,655	-
Miscellaneous expense	618	562	307	869	21	890	1,508	11,774
Repairs and maintenance	-	-	-	-	1,214	1,214	1,214	3,494
Bank charges	-	-	-	-	1,052	1,052	1,052	1,564
Shared cost allocation	94,253	17,906	16,247	34,153	(128,406)	(94,253)	-	-
Total expenses	<u>\$ 1,388,695</u>	<u>\$ 279,825</u>	<u>\$ 196,386</u>	<u>\$ 476,211</u>	<u>\$ 125,768</u>	<u>\$ 601,979</u>	<u>\$ 1,990,674</u>	<u>\$ 1,710,697</u>

The accompanying notes are an integral part of these financial statements.

ENTERPRISE FOR YOUTH
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 28,881	\$ 66,840
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	45,775	49,022
Amortization of deferred rent	(5,263)	(7,895)
Net investment gain (loss)	6,415	(1,490)
Changes in operating assets and liabilities		
Grants and contributions receivable	(52,314)	95,037
Contracts and other receivables	141,615	(102,162)
Prepaid expenses	(40,366)	(978)
Deposits	(34,472)	-
Accounts payable	65,732	(8,472)
Accrued expenses	(19,328)	37,000
Deferred revenue	7,500	-
Net cash provided by operating activities	144,175	126,902
Cash flows from investing activities		
Purchases of equipment	(44,850)	(12,084)
Proceeds from sales of investments	3,209	3,076
Purchase of investments	(85,386)	(181,152)
Net cash used in investing activities	(127,027)	(190,160)
Net change in cash	17,148	(63,258)
Cash, beginning of year	480,740	543,998
Cash, end of year	\$ 497,888	\$ 480,740

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF ACTIVITIES

Enterprise for Youth (the “Organization”) is a California non-profit corporation. The mission of the Organization is to increase student preparedness to explore and pursue career paths through training, counseling and guidance; to offer a variety of experiential options with the work world; and to provide a support network to raise youth's personal expectations for success. Located in San Francisco, California, the Organization is funded through its annual event, the San Francisco Fall Antiques Show, as well as individual contributions and corporate, foundation and government grants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP), which reflects revenues when earned and expenses as incurred.

Basis of Financial Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets with Donor Restrictions* – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the purchase date to be cash equivalents.

Receivables and Credit Policies

Receivables consist primarily of grants, contributions, and contracts related to program activities, fundraising, and general support. The Organization determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. Receivables have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of December 31, 2018.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of December 31, 2018, the Organization had \$100,000 in conditional promises to give contingent on the fulfillment of certain program milestones, of which \$75,000 can be earned for the year ended December 31, 2019 and \$25,000 can be earned for the year ended December 31, 2020.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment income is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Equipment and Improvements

All acquisitions of property and equipment in excess of \$500. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method, primarily five years for equipment and software and the shorter of estimated useful life or length of the remaining lease term for leasehold improvements. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statement of activities.

Advertising Costs

The Organization expenses advertising costs as incurred. For the year ended December 31, 2018, the Organization incurred \$16,329 in advertising expenses which are included in fundraising events direct expenses on the statement of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services based on specific identification, facility usage, and estimated proportion of staff time expended on various activities. These estimates are reviewed and updated as needed every six months or as major events occur.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts are recognized in the period in which the related services are performed, or expenditures are incurred. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Restricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Donated Goods

The financial statements reflect a total of \$126,764 in donated goods and services for contributed advertising, supplies and services for fundraising events. Donated goods are included as fundraising events income and expense in the Statement of Activities.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was obtained.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management continuously evaluates tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for years beginning after December 15, 2019, including interim periods within those years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 should be applied on a modified prospective basis and retrospective application is permitted. ASU 2018-08 will be effective for years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019. The Organization expects the adoption of the standard will not have a material impact on the on the financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. For the year ended December 31, 2018, the Organization has implemented ASU 2016-14 and has changed its presentation of net asset classes and expanded the footnote disclosures as required by the ASU.

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitment, while also striving to maximize the investment of its available funds. Financial assets in excess of current cash requirements are invested in money market funds, equities, and certificates of deposit. The proceeds of these funds are to be used for general operations.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 497,888
Investments	360,046
Grants and contributions receivable due in one year	70,077
Contracts receivable due in one year	<u>147,823</u>
	1,075,834
Less: net assets with donor restrictions	<u>(111,706)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 964,128</u>

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Organization manages deposit concentration risk by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts, and the Organization does not believe that it is exposed to any significant risk in connection with these cash balances.

ENTERPRISE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 – INVESTMENTS

The following table presents investments measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds	\$ 108,950	\$ -	\$ 108,950
Equities	71,700	-	71,700
Certificate of deposit	<u>-</u>	<u>179,396</u>	<u>179,396</u>
Total	<u>\$ 180,650</u>	<u>\$ 179,396</u>	<u>\$ 360,046</u>

U.S. GAAP expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in an appropriate market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 inputs – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 inputs – Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets; or obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 inputs – Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. The Organization had no level 3 inputs.

NOTE 7 – EQUIPMENT AND IMPROVEMENTS

Furniture and equipment	\$ 155,932
Leasehold improvements	100,361
Job bank software	<u>72,580</u>
	328,873
Less: accumulated depreciation	<u>(269,378)</u>
	<u>\$ 59,495</u>

ENTERPRISE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 – LINE OF CREDIT

The Organization has a revolving line of credit with First Republic Bank which provides for borrowings up to \$125,000 and is secured by substantially all assets of the Organization. The interest rate is the greater of prime rate rounded up to the nearest 0.125% or 5.25%, payable monthly. At December 31, 2018, the interest rate was 5.50%. The line of credit expires October 1, 2019 and contains various general covenants. There was no activity on the line of credit during 2018 and no outstanding balance as of December 31, 2018.

NOTE 9 – DAVID RAWSON MEMORIAL FUND

The David Rawson Memorial Fund was established in October 2007 to support annual scholarships to be awarded to graduating high school seniors who participated in the Junior Caddie Program of the Organization. During the year ended December 31, 2018, \$4,000 of scholarships were awarded, and are included in student employment opportunities expenses in the Statement of Activities.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

	Beginning	Additions	Releases	Ending
Restricted as to purpose:				
This Way Ahead program	\$ 26,899	\$ 37,008	\$ (26,899)	\$ 37,008
David Rawson Memorial Fund	78,542	-	(4,000)	74,542
Donor management software	35,850	-	(29,630)	6,220
Equipment purchase	<u>15,000</u>	<u>-</u>	<u>14,466</u>	<u>534</u>
Total	<u>\$ 156,291</u>	<u>\$ 37,008</u>	<u>\$ (74,995)</u>	<u>\$ 118,304</u>

NOTE 11 – LEASE COMMITMENTS

The Organization leases its office under a non-cancelable operating lease with monthly lease payments of \$21,929 and scheduled annual increases through its expiration in December 2025.

As of December 31, 2018, future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 263,150
2020	268,413
2021	273,781
2022	279,257
2023	284,842
Thereafter	<u>586,888</u>
Total	<u>\$ 1,956,331</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 24, 2019, the date which the financial statements were available to be issued and determined that no reportable events occurred.