

ENTERPRISE FOR YOUTH
FINANCIAL REPORT
DECEMBER 31, 2021

ENTERPRISE FOR YOUTH

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Enterprise for Youth

Opinion

We have audited the financial statements of Enterprise for Youth (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.



September 21, 2022

ENTERPRISE FOR YOUTH
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash	\$ 777,327	\$ 532,989
Operating investments	294,688	316,727
Grants and contributions receivable, net	84,976	9,113
Contracts receivable	406,311	201,471
Prepaid expenses	<u>36,276</u>	<u>117,262</u>
 Total current assets	 <u>1,599,578</u>	 <u>1,177,562</u>
Noncurrent assets		
Equipment and improvements, net	17,396	27,469
Endowment investments	<u>144,604</u>	<u>111,971</u>
 Total noncurrent assets	 <u>162,000</u>	 <u>139,440</u>
 Total assets	 <u>\$ 1,761,578</u>	 <u>\$ 1,317,002</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 109,032	\$ 71,770
Deferred revenue	50,350	110,000
Deferred rent	<u>-</u>	<u>27,389</u>
 Total liabilities	 <u>159,382</u>	 <u>209,159</u>
Net assets		
Without donor restrictions	1,457,592	995,872
With donor restrictions	<u>144,604</u>	<u>111,971</u>
 Total net assets	 <u>1,602,196</u>	 <u>1,107,843</u>
 Total liabilities and net assets	 <u>\$ 1,761,578</u>	 <u>\$ 1,317,002</u>

See notes to financial statements.

ENTERPRISE FOR YOUTH
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Grants and contributions	\$ 1,004,363	\$ 25,350	\$ 1,029,713
Government contracts	1,321,188	-	1,321,188
Government grants - CARES Act	534,354	-	534,354
Donated goods and services	9,590	-	9,590
Net investment (loss) return	(547)	11,283	10,736
Other income	3,849	-	3,849
Net assets released from restrictions	4,000	(4,000)	-
Total revenue, gains, and other support	2,876,797	32,633	2,909,430
Expenses			
Program services	1,971,994	-	1,971,994
Supporting services			
Fundraising	210,437	-	210,437
Management and general	232,646	-	232,646
Total expenses	2,415,077	-	2,415,077
Change in net assets	461,720	32,633	494,353
Net assets, beginning of year	995,872	111,971	1,107,843
Net assets, end of year	\$ 1,457,592	\$ 144,604	\$ 1,602,196

See notes to financial statements.

ENTERPRISE FOR YOUTH
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Fall Antiques Show	\$ 93,295	\$ -	\$ 93,295
Grants and contributions	943,402		943,402
Government contracts	678,731	-	678,731
Government grants - CARES Act	249,000	-	249,000
Donated goods and services	117,510		117,510
Net investment return	13,437	13,610	27,047
Other income	11,628	-	11,628
Net assets released from restrictions	76,401	(76,401)	-
Total revenue, gains, and other support	2,183,404	(62,791)	2,120,613
Expenses			
Program services	1,482,325	-	1,482,325
Fall Antiques Show	198,831	-	198,831
Supporting services			
Fundraising	273,094	-	273,094
Management and general	145,248	-	145,248
Total expenses	2,099,498	-	2,099,498
Change in net assets	83,906	(62,791)	21,115
Net assets, beginning of year	911,966	174,762	1,086,728
Net assets, end of year	\$ 995,872	\$ 111,971	\$ 1,107,843

See notes to financial statements.

ENTERPRISE FOR YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	
Salaries, taxes, and benefits	\$ 1,466,389	\$ 166,508	\$ 141,615	\$ 308,122	\$ 1,774,512
Rent	124,121	10,818	7,671	18,490	142,610
Student stipends	138,240	150	-	150	138,390
Professional fees	73,223	13,218	33,388	46,605	119,829
Insurance	56,733	2,086	1,620	3,707	60,439
Meetings and hospitality	14,215	2,552	39,620	42,172	56,387
Telephone and technology	39,560	7,075	1,969	9,044	48,604
Supplies	19,873	1,031	3,477	4,508	24,381
Depreciation	10,058	877	622	1,498	11,557
Printing and copying	7,016	3,729	508	4,237	11,253
Donated goods and services	9,590	-	-	-	9,590
Travel and professional development	2,798	648	1,251	1,899	4,697
Postage and delivery	3,672	317	245	562	4,234
Scholarships awarded	4,000	-	-	-	4,000
Moving expenses	1,873	135	550	685	2,558
Bank charges and credit card fees	21	1,249	27	1,276	1,297
Other	612	44	83	127	739
	<u>612</u>	<u>44</u>	<u>83</u>	<u>127</u>	<u>739</u>
Total expenses by function	<u>\$ 1,971,994</u>	<u>\$ 210,437</u>	<u>\$ 232,646</u>	<u>\$ 443,082</u>	<u>\$ 2,415,077</u>

See notes to financial statements.

ENTERPRISE FOR YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	<u>Supporting Services</u>					<u>Fall Antiques Show</u>	<u>Total</u>
	<u>Program services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>			
Salaries, taxes, and benefits	\$ 885,993	\$ 206,052	\$ 98,205	\$ 304,257	\$ 178,489	\$ 1,368,739	
Student stipends	195,111	-	-	-	-	195,111	
Rent	141,123	17,800	10,300	28,100	3,611	172,834	
Donated goods and services	117,200	310	-	310	-	117,510	
Professional fees	45,413	19,713	24,540	44,253	6,575	96,241	
Telephone and technology	26,728	4,503	1,984	6,487	3,032	36,247	
Insurance	28,511	2,849	1,440	4,289	1,491	34,291	
Depreciation	20,723	2,614	1,513	4,127	530	25,380	
Printing and copying	8,325	5,760	19	5,779	517	14,621	
Travel and professional development	999	2,813	5,015	7,828	3,856	12,683	
Supplies	6,035	4,323	1,302	5,625	275	11,935	
Meetings and hospitality	3,754	283	698	981	278	5,013	
Bank charges and credit card fees	860	5,010	63	5,073	22	5,955	
Postage and delivery	1,428	1,049	90	1,139	91	2,658	
Other	122	15	79	94	64	280	
Total expenses by function	<u>\$ 1,482,325</u>	<u>\$ 273,094</u>	<u>\$ 145,248</u>	<u>\$ 418,342</u>	<u>\$ 198,831</u>	<u>\$ 2,099,498</u>	

See notes to financial statements.

ENTERPRISE FOR YOUTH
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 494,353	\$ 21,115
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	10,560	25,380
Termination of office lease	(23,545)	-
Deferred rent expense	(2,847)	11,063
Endowment contributions received	(23,350)	-
Investment gains, net	(3,084)	(17,872)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(75,863)	(4,648)
Contracts receivable	(204,840)	(40,750)
Prepaid expenses	80,986	(55,808)
Deposits	-	50,002
Accounts payable	37,262	(149,119)
Deferred revenue	(59,650)	80,660
	<u>229,982</u>	<u>(79,977)</u>
Cash flows from investing activities		
Purchases of investments	(11,510)	(9,031)
Proceeds from sales of investments	4,000	4,000
Purchases of equipment	(1,484)	(10,067)
	<u>(8,994)</u>	<u>(15,098)</u>
Cash flows from financing activities		
Endowment contributions received	23,350	-
	<u>23,350</u>	<u>-</u>
Net increase (decrease) in cash	244,338	(95,075)
Cash, beginning of year	<u>532,989</u>	<u>628,064</u>
Cash, end of year	<u>\$ 777,327</u>	<u>\$ 532,989</u>
Supplemental disclosure of non-cash financing activities		
Fulfillment of the government assistance grant requirements	<u>\$ 267,800</u>	<u>\$ 249,000</u>

See notes to financial statements.

ENTERPRISE FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

Enterprise for Youth (the “Organization”) is a California nonprofit 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 individual contributions and corporate, foundation and government grants.

Student Training & Employment Opportunities

In the Organization’s comprehensive job-readiness training, youth participate in engaging workshops and receive individualized support that prepares them for success in a wide range of work settings.

After completing job-readiness training, the Organization’s youth have the opportunity to explore careers, develop workplace skills, and make connections through diverse internship experiences. The internship program is available during the summer and during the school year.

The Organization’s Job Bank is a resource that matches talented and motivated youth with opportunities at businesses and with individual employers within the San Francisco community. All youth who access the Job Bank have completed the Organization’s job-readiness training program and are prepared to work one-time or ongoing jobs alongside a supportive employer. The Job Bank is a members-only job board.

Youth Council is a leadership program in which youth counselors gain communication and leadership skills by participating in workshops, supporting the Organization’s staff in outreach efforts, representing the Organization at events, and providing a youth voice to the staff and Board of the Organization. Upon completion of the program, youth counselors receive a stipend for completing a paid summer internship at one of the Organization’s internship sites.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 period. Actual results could differ from those estimates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Net investment income consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Receivables and Credit Policies

Receivables consist primarily of grants, contributions, and contracts related to program activities, fundraising, and general support. 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, 2021 and 2020, the Organization had no conditional promises to give.

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 there is an allowance for doubtful accounts of \$46,527 as of December 31, 2021 and 2020, respectively.

Equipment and Improvements

Property and equipment are recorded at cost, or if donated, at 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. The Organization's capitalization policy is to capitalize asset purchases in excess of \$500.

Refundable Advance

The Organization accounts for its forgiveness of the Paycheck Protection Program (PPP) loan as a governmental grant as addressed in FASB ASC 958-605. In accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed, the Organization recognized forgiveness.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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) 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.

Revenue Recognition

Revenue is recognized when earned. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. A portion of the Organizations revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state contracts and grants. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

The financial statements reflect donated goods and services for program consultation, supplies and other services. Such donated services totaled \$9,340 and \$117,110 for the years ended December 31, 2021 and 2020, respectively. Donated goods and services are included in statements of functional expenses.

Functional Allocation of Expenses

The statements of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Accordingly, certain costs (including salaries and related fringe benefits, rent, depreciation, supplies, and insurance) have been allocated among the programs and supporting services benefited based on 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.

Income Taxes

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

The Organization is also exempt from income taxes under California Revenue and Taxation Code §23701d.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

ENTERPRISE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash and other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization on January 1, 2022, with early adoption permitted. The Organization is currently evaluating the impact of this new guidance on its financial statements.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

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 as of December 31, 2021, and 2020:

	2021	2020
Cash	\$ 777,327	\$ 532,989
Operating investments	294,688	316,727
Grants and contributions receivable	84,976	9,113
Contracts receivable	406,311	201,471
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,563,302	\$ 1,060,300

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, 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 used for general operations.

Additionally, the Organization has available a \$125,000 line of credit from which it may use to draw funds to meet any operating shortfalls throughout the year.

NOTE 4 – RISKS AND UNCERTAINTIES

Cash

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.

Receivables

The Organization has a long-standing history of collecting its receivable balances, which are from various individuals, governments and foundations. An allowance for uncollectible accounts is normally recorded in the financial statements for any amounts considered uncollectible. This limits the Organization's exposure to credit risk. The Organization's contracts receivable consist primarily of reimbursement requests to government agencies and are unsecured. The Organization has not experienced any losses on these receivables. During the years ended December 31, 2021 and 2020, three and two grantors, respectively, amounted to over 75% of total contracts receivable.

Investments

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

COVID-19

During the years ended December 31, 2021 and 2020, the San Francisco Fall Antiques Show and other in-person events were canceled as a result of the COVID-19 pandemic. During the year-ended December 31, 2021, the Organization permanently ended its administration and participation with the San Francisco Fall Antiques Show. During the closure, the Organization focused primarily on virtual fundraising events and campaigns, engaging members, donors and volunteers with innovative online content and mission-related programs, and ensuring the Organization's long-term financial health. The Organization received additional federal grant funding for COVID-19.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

As defined in U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses the market approach. Based on this approach, the Organization utilizes certain assumptions about the risk or risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market-corroborated or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, U.S. GAAP establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices for identical assets in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs that are supported by little or no market activity.

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

- Mutual Funds – The basis of fair value of mutual funds differs depending on the investment. For investments, market value is based on quoted market prices; these are classified within Level 1 of the valuation hierarchy.
- Equities – The fair value of equities is the market value based on quoted market prices. They are classified within Level 1 of the fair value hierarchy.
- Certificate of Deposit – The certificate of deposit is valued at amortized cost, which approximates fair value. It is classified within Level 2 of the fair value hierarchy.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Organization's policy. For the year ended December 31, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

ENTERPRISE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the Organization’s investments by the fair value hierarchy levels as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Operating investments				
Mutual funds	\$ 129,658	\$ -	\$ -	\$ 129,658
Certificate of deposit	<u>-</u>	<u>165,030</u>	<u>-</u>	<u>165,030</u>
	<u>129,658</u>	<u>165,030</u>	<u>-</u>	<u>294,688</u>
Endowment investments				
Equities	123,254	-	-	123,254
Certificate of deposit	<u>-</u>	<u>21,350</u>	<u>-</u>	<u>21,350</u>
	<u>123,254</u>	<u>21,350</u>	<u>-</u>	<u>144,604</u>
Total	<u>\$ 252,912</u>	<u>\$ 186,380</u>	<u>\$ -</u>	<u>\$ 439,292</u>

The following table summarizes the Organization’s investments by the fair value hierarchy levels as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Operating investments				
Mutual funds	\$ 130,852	\$ -	\$ -	\$ 130,852
Certificate of deposit	<u>-</u>	<u>185,875</u>	<u>-</u>	<u>185,875</u>
	<u>130,852</u>	<u>185,875</u>	<u>-</u>	<u>316,727</u>
Endowment investments				
Equities	<u>111,971</u>	<u>-</u>	<u>-</u>	<u>111,971</u>
	<u>111,971</u>	<u>-</u>	<u>-</u>	<u>111,971</u>
Total	<u>\$ 242,823</u>	<u>\$ 185,875</u>	<u>\$ -</u>	<u>\$ 428,698</u>

ENTERPRISE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – EQUIPMENT AND IMPROVEMENTS

As of December 31, 2021 and 2020, equipment and improvements consisted of the following:

	2021	2020
Furniture and equipment	\$ 70,496	\$ 187,248
Leasehold improvements	-	100,361
Job bank software	73,176	73,176
	143,672	360,785
Accumulated depreciation	(126,276)	(333,316)
	\$ 17,396	\$ 27,469

NOTE 7 – LINE OF CREDIT

The Organization has a \$125,000 line of credit with a bank that 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% (3.50% at December 31, 2021) or 5.25%. The line of credit contains various general covenants and expires on December 1, 2022. As of December 31, 2021, the Organization was in compliance with the line of credit covenants.

NOTE 8 – GOVERNMENT GRANTS - CARES ACT

On April 20, 2020 and December 3, 2021, the Organization was informed by a bank that the U.S. Small Business Administration (SBA) approved the Organization's request for the first and second draw of PPP loans for \$249,000 and \$267,800, respectively. In accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Organization used the PPP loan proceeds for eligible costs. During the years ended December 31, 2021 and 2020, the Organization recognized the first and second draw loan amounts as a government grants in the statement of activities.

The CARES Act provides an Employee Retention Credit (ERC), which is a refundable tax credit against certain employment taxes equal to 70% of qualified wages paid to employees during a quarter, and limited to \$10,000 of qualified wages per quarter, per employee. The Organization qualified for the tax credit under the CARES Act and received additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. The credit was recognized as a government grants in the statement of activities.

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NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes:

	2021	2020
<i>Endowment subject to endowment spending policy and appropriation</i>		
David Rawson Memorial Fund	\$ 123,254	\$ 111,971
David Perlman Scholarship Fund	21,350	-
	<u>\$ 144,604</u>	<u>\$ 111,971</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors are as follows for the years ended December 31, 2021 and 2020:

	2021	2020
<i>Satisfaction of purpose restrictions</i>		
This Way Ahead program	\$ -	\$ 49,001
COVID emergency funding	-	13,334
Technology upgrades	-	10,067
	-	72,401
<i>Restricted-purpose spending-rate distributions</i>		
David Rawson Memorial Fund	2,000	4,000
David Perlman Scholarship Fund	2,000	-
	4,000	4,000
	<u>\$ 4,000</u>	<u>\$ 76,401</u>

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 years ended December 31, 2021 and 2020, \$2,000 and \$4,000 of scholarships were awarded, respectively.

The David Perlman Scholarship Fund was established in May 2021 to support annual scholarships to be awarded to graduating high school seniors who participated in Enterprise for Youth's programming and will study journalism-related areas in college. During the years ended December 31, 2021 and 2020, \$2,000 and zero of scholarships were awarded, respectively.

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NOTE 10 – ENDOWMENT

The endowment consists of funds established by donors to provide annual funding for specific activities, namely to provide scholarship.

The Board of Directors has interpreted the California-enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts, including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

As of December 31, 2021 and 2020, endowment net asset composition by fund type is as follows:

	2021	2020
Donor-restricted endowment funds		
Original donor-restricted gift	\$ 155,737	132,387
Losses in excess of unappropriated earnings	(11,133)	(20,416)
	\$ 144,604	\$ 111,971

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NOTE 10 – ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors and management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2021, funds with original gift values of \$155,737, fair values of \$144,604, and deficiencies of \$11,133 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred during the year and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are:

	2021	2020
Balance, beginning of year	\$ 111,971	\$ 102,362
Net Investment return	11,283	13,611
Contributions	25,350	-
Appropriation of endowment assets pursuant to spending-rate policy	(4,000)	(4,000)
	<u>\$ 144,604</u>	<u>\$ 111,971</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

The Organization’s board of directors is actively involved in raising funds for the Organization. During the years ended December 31, 2021 and 2020, the Organization received a total of \$122,104 and \$154,105, respectively, in contributions from board members. In addition, board members have agreed to contribute an additional amount of \$3,100 and \$9,000 that are recorded as grants and contributions receivables as of December 31, 2021 and 2020, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2022, the date on which the financial statements were available to be issued.