

Audited Financial Statements
YOUTH LEADERSHIP FOUNDATION, INC.
June 30, 2016

Youth Leadership Foundation, Inc.

June 30, 2016

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Independent Auditor's Report On the Financial Statements

To the Board of Directors and Management
of the Youth Leadership Foundation, Inc.

I have audited the accompanying financial statements of Youth Leadership Foundation, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statement of activities and change in net assets and statements of cash flows for the twelve- and six-month periods 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unmodified opinion on the year ended June 30, 2016, and my qualified audit opinion on the six months ended June 30, 2015.

Basis for Qualified Opinion

In common with many charitable organizations, the Youth Leadership Foundation derives revenue from contributions and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts adequately recorded in the records of the Organization for the six months ended June 30, 2015, and I was not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

Unmodified Opinion on the year ended June 30, 2016, and Qualified Opinion on the six months ended June 30, 2015.

In my opinion, except for the possible effects on the financial statements of the matter(s) discussed in the Basis on Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Youth Leadership Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the twelve- and six-month periods then ended, in accordance with accounting principles generally accepted in the United States of America.



Silver Spring, MD
November 21, 2016

Youth Leadership Foundation, Inc.

Statements of Financial Position

June 30,	2016	2015
Assets		
Cash and cash equivalents	\$ 59,497	\$ 135,171
Accounts receivable	-	763
Pledges receivable, current	130,000	32,500
Prepaid expenses and other current assets	10,878	11,812
Total current assets	200,375	180,246
Property and equipment	324	324
Total assets	\$ 200,699	\$ 180,570
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 34,099	\$ 91,733
Pledges payable	-	10,961
Loan payable	-	1,525
Deferred revenue	12,201	-
Total current liabilities	46,300	104,219
Net Assets		
Unrestricted	104,399	53,851
Temporarily restricted	50,000	22,500
Total net assets	154,399	76,351
Total liabilities and net assets	\$ 200,699	\$ 180,570

Youth Leadership Foundation, Inc.

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Grants	\$ 125,659	\$ -	\$ 125,659
Contributions	428,735	50,000	478,735
Special events, net of direct costs	166,490		166,490
Net assets released from restrictions	22,500	(22,500)	
Total support	743,384	27,500	770,884
Earned revenue			
Program revenue	40,314		40,314
Total support and revenue	783,698	27,500	811,198
Expenses			
Program services	564,635		564,635
Supporting services			
Fundraising	124,516		124,516
Management and general	43,998		43,998
Total expenses	733,150		733,150
Change in net assets	50,548	27,500	78,048
Net assets, July 1, 2015	53,851	22,500	76,351
Net Assets, June 30, 2016	\$ 104,399	\$ 50,000	\$ 154,399

See accompanying auditor's report and notes to the financial statements.

Youth Leadership Foundation, Inc.

Statement of Activities

Six Months Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Grants	\$ 33,201	\$ -	\$ 33,201
Contributions	89,041		89,041
Special events, net of direct costs	120,677		120,677
In-kind contributions	52,968		52,968
Net assets released from restrictions	12,500	(12,500)	
Total support	308,388	(12,500)	295,888
Earned revenue			
Investment income	(561)		(561)
Program revenue	887		887
Total support and revenue	308,714	(12,500)	296,214
Expenses			
Program services	233,905		233,905
Supporting services			
Fundraising	51,641		51,641
Management and general	18,226		18,226
Total expenses	303,772		303,772
Change in net assets	4,942	(12,500)	(7,558)
Net assets, January 1, 2015	48,909	35,000	83,909
Net Assets, June 30, 2015	\$ 53,851	\$ 22,500	\$ 76,351

See accompanying auditor's report and notes to the financial statements.

Youth Leadership Foundation, Inc.

Statement of Cash Flows Year Ended June 30, 2016

Cash flows from operating activities	
Change in net assets	\$ 78,048
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
Accounts receivable	763
Pledges receivable	(97,500)
Prepaid expenses and other current assets	934
Accounts payable and accrued expenses	(57,634)
Pledges payable	(10,961)
Deferred revenue	12,201
Total adjustments	(152,197)
Net cash used in operating activities	(74,149)
Cash flows from financing activities	
Principal payments on loan	(1,525)
Net cash used in financing activities	(1,525)
Net decrease in cash and cash equivalents	(75,674)
Cash and cash equivalents, beginning of period	135,171
Cash and cash equivalents, end of period	\$ 59,497

Youth Leadership Foundation, Inc.

Statement of Cash Flows Six Months Ended June 30, 2015

Cash flows from operating activities	
Change in net assets	\$ (7,558)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Net (gain) loss on investments	561
Depreciation	652
Changes in assets and liabilities:	
Accounts receivable	26,143
Pledges receivable	340
Prepaid expenses and other current assets	(2,535)
Accounts payable and accrued expenses	43,764
Pledges payable	(1,500)
Total adjustments	67,425
Net cash provided by operating activities	59,867
Cash flows from investing activities	
Acquisitions of investments	(50,600)
Proceeds from sales of investments	71,795
Net cash provided by investing activities	21,195
Net increase in cash and cash equivalents	81,062
Cash and cash equivalents, beginning of period	54,109
Cash and cash equivalents, end of period	\$ 135,171

NOTE 1 ORGANIZATION AND MAJOR PROGRAMS

Youth Leadership Foundation, Inc., (YLF or "the Organization") was incorporated in Washington, D.C. in January 1997. The Organization's mission is to build character and support the pursuit of academic excellence enabling youth in the DC-MD-VA area to enhance the trajectory of their lives. This is accomplished through two major programs. **Program for Academic and Leadership Skills (PALS)** is designed to help girls understand themselves the world and how to be great women in it. **Tenley Achievement Program (TAP)** is designed to cultivate virtue, encouraging boys to lead by example. YLF's Four Pillars of Success help students reach their full potential:

CHALLENGING ACADEMICS

The programs employ vigorous curricula crafted to remediate learning gaps and challenge students' problem-solving. During the school year, students receive two 45-minute tutoring blocks, targeting reading, mathematics and study skills. The summer programs include math, English, science and cultural studies.

CHARACTER FORMATION

The programs implement substantive character curricula that provoke meaningful self-reflection around the themes of human freedom and responsibility. Each four-year curriculum helps students to answer the questions, "Who Am I?", "Where Am I Going?", "What Is the Path?", and "What Is My Responsibility?" Character lessons are an integral part of each program.

PERSONAL MENTORING

Each student is paired with a mentor who helps them to set specific measurable goals related to personal and academic development. Mentors help students to disentangle troubling social situations and come up with creative and self-edifying solutions.

PARENTAL INVOLVEMENT

YLF believes that parents are the primary educators of their students. The Organization aims to support parents as they guide their children. Monthly Parent Corners during the school year and weekly Parent Seminars in summer provide stimulating conversation among like-minded parents for the purpose of enriching the home.

More than 95% of the parents with students involved in the programs observe significant improvement in their child's behavior after participating in YLF programs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

Youth Leadership Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable income tax laws and regulations of the District of Columbia. YLF is classified as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code.

In accordance with FASB ASC 740, *Income Taxes*, management evaluated its activities and believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the accounting standard.

Basis of accounting

Consistent with accounting principles generally accepted in the United States (GAAP), YLF prepares its financial statements on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense is recognized when the obligation is incurred.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates and assumptions in these financial statements require the exercise of judgment and are used for, but not limited to, allowance for doubtful accounts, estimates of future cash flows and other assumptions associated with useful lives for depreciation and amortization and contingencies. Accordingly, actual results could differ from those estimates.

Cash, cash equivalents and investments

For financial statement purposes, YLF considers demand deposits, certificates of deposit with original maturities of less than ninety days at acquisition and money market accounts held for operating purposes to be cash and cash equivalents.

Securities held in money market accounts are treated as investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts receivable

Accounts receivable consists of amounts owed to YLF primarily for program and event revenue. Accounts receivable are recorded at net realizable value. The Organization provides for probable losses on accounts and notes receivable using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off.

Pledges receivable

YLF records pledges receivable (unconditional promises to give contributions) that are expected to be collected within one year at net realizable value. The Organization provides for probable losses on pledges receivable using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off.

Grants and Contributions

Grants and contributions are recognized in the statement of activities when legally binding unconditional promises to give are made or as gifts of cash are received. Grants and contributions are classified as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Grants and contributions that are restricted by the donor, or that have an implied time restriction, are reported as increases in either temporarily or permanently restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when purpose or time restrictions expire. Temporarily restricted support whose restriction expires in the same period is classified as changes in unrestricted net assets.

Special events

YLF conducts special events in which a portion of the gross proceeds represents both a contribution and a payment for the direct benefits received by the participant at the event. Typically, direct benefits to donors relates to the cost of meals and entertainment provided at special events.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated services

Donated services are recognized as contributions and expense in accordance with generally accepted accounting principles if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by YLF.

Subsequent events

Subsequent events have been evaluated through November 21, 2016, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as disclosed in Note 6.

NOTE 3 CONCENTRATIONS

Credit risk

YLF maintains its cash and cash equivalents in financial institutions. At times, balances held within these accounts may exceed the federally insured limit of \$250,000. As of June 30, 2016, the Organization had no balances in excess of insured limits.

Market value risk

YLF also maintains funds in a money market account. From time to time, the organization receives in-kind contributions in the form of securities. These investments are kept for short periods of time to limit exposure to various risks such as fluctuations in market value and credit risk and to avoid fluctuations in fair value.

NOTE 4 INVESTMENTS

In accordance with Accounting Standards Codification (ASC) 820 (formerly Statement of Financial Accounting Standards No. 157), Fair Value Measurements and Disclosures, YLF uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1—Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Youth Leadership Foundation, Inc.

June 30, 2016

Notes to the Financial Statements

NOTE 4 INVESTMENTS – CONTINUED

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices 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. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

During the year ended June 30, 2016, YLF had no financial instruments that were measured at fair value. The net loss on investments for the six months ended June 30, 2015 was \$561.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment valued at \$750 or greater are capitalized and recorded at cost, if purchased, or fair value, if donated. Depreciation is recorded using the straight-line method over the following useful lives: leasehold improvements – 10 to 39 years; office furniture and fixtures – 5 to 10 years; and program equipment and software – 3 years.

Property and equipment consisted of the following at June 30:

	2016	2015
Furniture and fixtures	\$ 17,655	\$ 17,655
Equipment	<u>21,245</u>	<u>21,245</u>
	38,900	38,900
Less accumulated depreciation	<u>(38,576)</u>	<u>(38,576)</u>
	<u>\$ 324</u>	<u>\$ 324</u>

Youth Leadership Foundation, Inc.

June 30, 2016

Notes to the Financial Statements

NOTE 6 PLEDGES PAYABLE

As part of its mission, in 2007, YLF established the Johnny Holliday Scholarship Fund to benefit graduates of YLF who have been accepted to the University of Maryland and who demonstrate financial need. The University of Maryland College Park Foundation holds the funds in custody for the university. At inception, YLF committed to contribute \$40,000 to the fund. The Organization's remaining liability was \$12,461 at June 30, 2015. This amount was paid in fiscal year 2016.

During fiscal year 2016, a proposal was drafted for the creation of a Johnny Scholarship Fund to be administered by YLF. Under this proposal, 20% of the net proceeds from the annual Johnny Holliday Scholarship Classic would be used to provide financial support to YLF students attending local Catholic schools or colleges and universities. Subsequent to the end of the fiscal year, YLF's Board of Directors adopted the proposal and designated \$29,942 for the fund.

NOTE 7 NET ASSETS

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Unrestricted net assets was \$104,399 and \$53,851 at June 30, 2016 and 2015, respectively.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by YLF has been donor restricted by specified purpose or time limitations.

Temporarily restricted net assets consisted of the following at June 30:

	2016	2015
PALS and TAP programs	\$ -	\$ 12,500
Time restrictions	<u>50,000</u>	<u>10,000</u>
	<u>\$ 50,000</u>	<u>\$ 22,500</u>

Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when purpose or time restrictions expire. Temporarily restricted support whose restriction expires in the same period is classified as unrestricted net assets. Net assets released from restrictions were \$22,500 for the year ended June 30, 2016 and \$12,500 for the six months ended June 30, 2015.

Youth Leadership Foundation, Inc.

June 30, 2016

Notes to the Financial Statements

NOTE 8 IN-KIND CONTRIBUTIONS

No in-kind contributions were received during the year ended June 30, 2016. During the six months ended June 30, 2015, the Organization received \$50,600 in non-cash donations of stock.

YLF relies on contributions of time from its pool of volunteers. Volunteers work on all aspects of the Organization's operations, including program and event staffing, and some volunteers provide special expertise. YLF's volunteers donate thousands of hours of service, the total value of which cannot be easily calculated or estimated, yet these volunteers contribute significantly to the work, impact, and success of the Organization.

NOTE 9 OPERATING LEASES

YLF leases mailing and copying equipment under non-cancelable operating leases. Future minimum lease payments under these leases at June 30, 2016 are as follows:

2017	\$	2,416
2018		2,184
2019		2,184
2020		<u>364</u>
	\$	<u>7,148</u>

Equipment rental expense was \$3,112 for the year ended June 30, 2016, and \$1,556 for the six months ended June 30, 2015.

NOTE 10 SPECIAL EVENTS

Special events represents net proceeds from the Johnny Holliday Scholarship Classic.

	2016	2015
Revenues	\$ 214,061	\$ 186,582
Less: Direct Costs	<u>(47,571)</u>	<u>(65,905)</u>
	\$ <u>166,490</u>	\$ <u>120,677</u>

NOTE 11 RETIREMENT PLAN

During the year ended June 30, 2016, YLF adopted the Automatic Data Processing Prototype 401(k) and Profit Sharing Plan. The plan is made available to all eligible employees, with no minimum service requirement. The retirement plan qualifies as tax deferred plans under Internal Revenue Code Section 401(k). The plan is a defined contribution plan.

In accordance with generally accepted accounting principles relating to defined contribution plans, YLF records the net pension cost of the plan equal to the required contribution for the year. YLF pays its portion of the premiums under the plan and records a liability for any unpaid contributions owed at the end of each year.

Under the plan, YLF will match \$0.33 for every dollar contributed by an employee up to 3% of regular pay. YLF's contributions under the retirement plan totaled \$2,938 for the year ended June 30, 2016.