

Audited Financial Statements
YOUTH LEADERSHIP FOUNDATION, INC.
June 30, 2017

Youth Leadership Foundation, Inc.

June 30, 2017

Contents

<i>Independent Auditor's Report on the Financial Statements</i>	1-2
<i>Financial Statements</i>	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to the Financial Statements	7-14



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, 2017, and the related statement of activities and change in net assets and statements of 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

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 audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youth Leadership Foundation, as of June 30, 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in cursive script that reads "Virginia P. Jenkins".

Silver Spring, MD
November 30, 2017

Youth Leadership Foundation, Inc.

Statements of Financial Position

June 30,	2017	2016
Assets		
Cash and cash equivalents	\$ 180,854	\$ 59,497
Pledges receivable, current	77,772	130,000
Prepaid expenses and other current assets	17,040	10,878
Total current assets	275,666	200,375
Property and equipment	-	324
Total assets	\$ 275,666	\$ 200,699
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 37,129	\$ 34,099
Deferred revenue	9,447	12,201
Total current liabilities	46,576	46,300
Net Assets		
Unrestricted	229,090	104,399
Temporarily restricted	-	50,000
Total net assets	229,090	154,399
Total liabilities and net assets	\$ 275,666	\$ 200,699

Youth Leadership Foundation, Inc.

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Grants	\$ 26,000	\$ -	\$ 26,000
Contributions	436,468		436,468
Donated services	50,000		50,000
Special events, net of direct costs	348,368		348,368
Net assets released from restrictions	50,000	(50,000)	
Total support	910,836	(50,000)	860,836
Earned revenue			
Program revenue	62,211		62,211
Total support and revenue	973,047	(50,000)	923,047
Expenses			
Program services	653,362		653,362
Supporting services			
Fundraising	144,083		144,083
Management and general	50,912		50,912
Total expenses	848,356		848,356
Change in net assets	124,691	(50,000)	74,691
Net assets, June 30, 2016	104,399	50,000	154,399
Net Assets, June 30, 2017	\$ 229,090	\$ -	\$ 229,090

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

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, June 30, 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.

Statements of Cash Flows

Year Ended June 30,	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 74,691	\$ 78,048
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	324	
Changes in assets and liabilities:		
Accounts receivable	-	763
Pledges receivable	52,228	(97,500)
Prepaid expenses and other current assets	(6,162)	934
Accounts payable and accrued expenses	3,030	(57,634)
Pledges payable	-	(10,961)
Deferred revenue	(2,754)	12,201
Total adjustments	46,666	(152,197)
Net cash used in operating activities	121,357	(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	121,357	(75,674)
Cash and cash equivalents, beginning of period	59,497	135,171
Cash and cash equivalents, end of period	\$ 180,854	\$ 59,497

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

NOTE 1 ORGANIZATION AND CURRENT 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 1 ORGANIZATION AND CURRENT PROGRAMS – CONTINUED

The **Johnny and Mary Clare Holliday Scholarship Fund** at YLF helps merit-worthy, need-based student of the organization to attend academically excellent, private schools in the region. Scholarships are awarded to provide financial assistance to students in Washington, D.C. and Prince George’s County with a good attendance record at YLF programs and who have demonstrated academic excellence and strong integrity. The programs annually award scholarships ranging from \$1,000 to \$10,000 to deserving students, as well as provide education and financial counseling towards obtaining a college degree.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

Pending accounting guidance

In January 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for YLF for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the pending adoption of the new standard on the Organization's financial statements.

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 amends the requirements for financial statements and notes in Topic 958 to require not-for-profit entities to make reporting changes affecting the following:

- Net asset classifications and related disclosures.
- Underwater donor-restricted endowments and related disclosures.
- Recognition of the expiration of restrictions under the placed-in-service approach for all capital gifts.
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date.
- Enhanced disclosures required for institutions that present an operating measure.
- The options for presenting the statement of cash flows.
- Reporting of net investment return.
- New reporting requirements related to expenses, including disclosure of expenses by both nature and function.

The standard is affective for financial statements issued for fiscal years beginning after December 15, 2017. Management is currently evaluating the potential impact that the adoption of this Update will have on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent events

Subsequent events have been evaluated through November 30, 2017, 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.

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, 2017, 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 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. For leasehold improvements acquired in connection with an operating lease, the amortization period is the shorter of the useful life of the leasehold improvement or the lease term (including renewal periods that are reasonably assured).

Youth Leadership Foundation, Inc.

June 30, 2017

Notes to the Financial Statements

NOTE 4 PROPERTY AND EQUIPMENT – CONTINUED

Property and equipment consisted of the following at June 30:

	2017	2016
Furniture and fixtures	\$ 17,655	\$ 17,655
Equipment	<u>21,245</u>	<u>21,245</u>
	38,900	38,900
Less accumulated depreciation	<u>(38,900)</u>	<u>(38,576)</u>
	<u>\$ 0</u>	<u>\$ 324</u>

NOTE 5 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. YLF's unrestricted net assets include both undesignated funds and amounts relating to the Johnny Holliday Scholarship Fund. YLF committed to contributing 20% of the net proceeds from the annual Johnny Holliday Scholarship Classic to the fund. Scholarships awarded for the year ended June 30, 2017, were \$23,072.

Unrestricted net assets were \$229,089 and \$104,399 at June 30, 2017 and 2016, respectively. Unrestricted net assets at June 30, 2017, includes \$6,870 designated for scholarships.

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

There were no temporarily restricted net assets at June 30, 2017. Temporarily restricted net assets at June 30, 2016, consisted of \$50,000 with time limitations.

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 \$50,000 for the year ended June 30, 2017, and \$22,500 for the year ended June 30, 2016.

Youth Leadership Foundation, Inc.

June 30, 2017

Notes to the Financial Statements

NOTE 6 IN-KIND CONTRIBUTIONS

Contributions received during the year ended June 30, 2017, include \$1,228 in non-cash donations of stock. No non-cash donations were received during the year ended June 30, 2016.

NOTE 7 DONATED SERVICES

The Organization received donated services having fair value of \$50,000 during the year ended June 30, 2017. No donated services were received during the year ended June 30, 2016.

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 8 OPERATING LEASES AND RENTAL EXPENSES

YLF has a month-to-month rental agreement for office space and leases space for its programs under annual agreements. Occupancy costs for the year ended June 30, 2017, include \$10,000 for leasehold improvements and \$51,504 for rental expense. Occupancy costs for the year ended June 30, 2016, included \$60,121 for rental expense.

The Organization leases mailing and copying equipment under non-cancelable operating leases. Future minimum lease payments under these leases at June 30, 2017, are as follows:

2018	\$	2,184
2019		2,184
2020		<u>364</u>
	\$	<u>4,732</u>

Equipment rental expense was \$2,416 and \$3,112 for the years ended June 30, 2017 and 2016, respectively.

Youth Leadership Foundation, Inc.

June 30, 2017

Notes to the Financial Statements

NOTE 9 SPECIAL EVENTS

For the year ended June 30, 2017, special events revenue represents net proceeds of \$176,398 from the Johnny Holliday Scholarship Classic golf tournament and \$171,970 from the Spirit of Service awards dinner. For the year ended June 30, 2016, special events revenue represents net proceeds from the Johnny Holliday Scholarship Classic.

	2017	2016
Revenues	\$ 451,348	\$ 214,061
Less: Direct Costs	<u>(102,980)</u>	<u>(47,571)</u>
	<u>\$ 348,368</u>	<u>\$ 166,490</u>

NOTE 10 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, at its discretion, match \$0.33 for every dollar contributed by an employee up to 3% of regular pay. YLF made no contributions under the retirement plan for the year ended June 30, 2017. The Organization's contributions under the plan totaled \$2,938 for the year ended June 30, 2016.