

YOUTHPRISE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For The Years Ended
December 31, 2016 and 2015

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YOUTHPRISE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youthprise
Minneapolis, Minnesota

We have audited the accompanying financial statements of Youthprise (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, functional expenses and cash flows for the years 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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youthprise as of December 31, 2016 and 2015, 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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 11, 2017

FINANCIAL STATEMENTS

YOUTHPRISE

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

Statement 1

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$1,974,293	\$2,945,142
Accounts receivable	-	14,676
Contributions and grants receivable	4,911,341	396,812
Prepaid expenses	11,378	48,230
Total current assets	<u>6,897,012</u>	<u>3,404,860</u>
Fixed assets, net	<u>95,859</u>	<u>157,784</u>
Total assets	<u><u>\$6,992,871</u></u>	<u><u>\$3,562,644</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$129,433	\$211,127
Grants payable	385,812	1,440,372
Accrued liabilities	96,754	95,198
Total liabilities	<u>611,999</u>	<u>1,746,697</u>
Net assets:		
Unrestricted	188,835	153,847
Temporarily restricted	6,192,037	1,662,100
Total net assets	<u>6,380,872</u>	<u>1,815,947</u>
Total liabilities and net assets	<u><u>\$6,992,871</u></u>	<u><u>\$3,562,644</u></u>

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

YOUTHPRISE**STATEMENTS OF ACTIVITIES**

For The Years Ended December 31, 2016 and 2015

Statement 2

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues:						
Contributions and grants	\$882,121	\$10,614,774	\$11,496,895	\$787,276	\$6,943,719	\$7,730,995
Interest income	4,918	-	4,918	4,954	-	4,954
Gain/(loss) on donated securities	7,446	-	7,446	(9)	-	(9)
Contract fee for service	169,018	-	169,018	163,936	-	163,936
Net support and revenue	1,063,503	10,614,774	11,678,277	956,157	6,943,719	7,899,876
Net assets released from restriction	6,084,837	(6,084,837)	-	6,287,991	(6,287,991)	-
Total support and revenues	7,148,340	4,529,937	11,678,277	7,244,148	655,728	7,899,876
Expenses:						
Program services	6,225,032	-	6,225,032	6,611,845	-	6,611,845
Supportive services:						
Management and general	665,113	-	665,113	516,924	-	516,924
Fundraising	223,207	-	223,207	273,496	-	273,496
Total expenses	7,113,352	-	7,113,352	7,402,265	-	7,402,265
Change in net assets	34,988	4,529,937	4,564,925	(158,117)	655,728	497,611
Net assets - beginning of year	153,847	1,662,100	1,815,947	311,964	1,006,372	1,318,336
Net assets - end of year	\$188,835	\$6,192,037	\$6,380,872	\$153,847	\$1,662,100	\$1,815,947

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

YOUTHPRISE
STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended December 31, 2016 and 2015

Statement 3

	2016			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Strategic investments	\$4,383,108	\$ -	\$ -	\$4,383,108
Salaries	644,098	258,819	94,871	997,788
Benefits	116,198	71,728	12,319	200,245
Payroll taxes	45,994	23,525	6,786	76,305
Fees for services (non-employees):				
Management	41,363	15,211	4,221	60,795
Legal	8,145	18,890	-	27,035
Accounting	-	17,078	-	17,078
Other	467,275	11,589	88,419	567,283
Nutrition program	357,691	-	-	357,691
Office expenses	50,609	21,142	4,959	76,710
Information technology	40,106	23,728	8,237	72,071
Occupancy	8,035	115,522	1,200	124,757
Travel	56,104	379	1,551	58,034
Depreciation	-	61,925	-	61,925
Insurance	-	14,117	-	14,117
Professional development staff	4,553	3,640	-	8,193
Membership dues	625	60	360	1,045
Bank fees	550	5,456	284	6,290
Other	578	2,304	-	2,882
Total functional expenses	<u>\$6,225,032</u>	<u>\$665,113</u>	<u>\$223,207</u>	<u>\$7,113,352</u>
	2015			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Strategic investments	\$4,443,876	\$ -	\$ -	\$4,443,876
Salaries	861,830	240,388	63,202	1,165,420
Benefits	152,116	40,220	25,353	217,689
Payroll taxes	63,138	7,494	4,444	75,076
Fees for services (non-employees):				
Management	43,951	12,470	4,743	61,164
Legal	3,163	33,171	-	36,334
Accounting	-	26,974	-	26,974
Other	598,111	2,730	128,406	729,247
Nutrition program	157,723	-	-	157,723
Office expenses	75,875	19,993	4,302	100,170
Information technology	46,761	15,704	23,953	86,418
Occupancy	92,264	20,914	13,755	126,933
Travel	67,537	7,785	3,774	79,096
Depreciation	-	57,438	-	57,438
Insurance	-	13,471	-	13,471
Professional development staff	5,168	15,660	511	21,339
Membership dues	100	139	335	574
Bank fees	-	2,189	389	2,578
Other	232	184	329	745
Total functional expenses	<u>\$6,611,845</u>	<u>\$516,924</u>	<u>\$273,496</u>	<u>\$7,402,265</u>

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

YOUTHPRISE**STATEMENTS OF CASH FLOWS**

For The Years Ended December 31, 2016 and 2015

Statement 4

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$4,564,925	\$497,611
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	61,925	57,438
Changes in assets and liabilities:		
(Increase) decrease in contributions and grants receivable	(4,514,529)	(87,570)
(Increase) decrease in miscellaneous receivable	14,676	(7,746)
(Increase) decrease in prepaid expenses	36,852	(34,502)
Increase (decrease) in accounts payable	(81,694)	137,722
Increase (decrease) in grants payable	(1,054,560)	1,027,389
Increase (decrease) in accrued liabilities	1,556	22,540
Increase (decrease) in unearned revenue	-	(40,000)
Increase (decrease) in funds held for others	-	(16,887)
Net cash provided by (used in) operating activities	<u>(970,849)</u>	<u>1,555,995</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>-</u>	<u>(57,998)</u>
Net increase (decrease) in cash and cash equivalents	(970,849)	1,497,997
Cash and cash equivalents - beginning of year	<u>2,945,142</u>	<u>1,447,145</u>
Cash and cash equivalents - end of year	<u>\$1,974,293</u>	<u>\$2,945,142</u>

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

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YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Youthprise (the Organization) is a Minnesota not-for-profit 501(c)(3) corporation established in October 2010. Youthprise is a statewide intermediary that invests in the future of Minnesota by investing in youth. The Organization works on multiple levels: supporting nonprofit organizations that serve youth; aligning efforts through citywide and statewide initiatives; and providing opportunities directly to young people.

Grounded in a commitment to addressing racial disparities, Youthprise works to increase young people's opportunities for: Learning and Social Emotional Development; Economic Prosperity, and Health and Safety.

B. BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets represent contributions to the Organization whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. The designation of net assets for specific purposes by the Organization itself does not constitute a basis for reclassifying them as temporarily restricted. Permanently restricted net assets account for donor-imposed restrictions that are to be maintained permanently by the Organization. As of December 31, 2016 and December 31, 2015, the Organization had not received any permanently restricted gifts.

C. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and related disclosures. Accordingly, actual results could differ from those estimates.

D. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of six months or less when purchased to be cash equivalents.

E. RECEIVABLES

Miscellaneous receivables are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Contributions and grants receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using the prime lending rate applicable to the year in which the promise is received. Conditional contributions and grants receivable are not included as support until such time as the conditions are substantially met.

F. CONTRIBUTIONS

Contributions received are measured at their fair value and are reported as an increase in net assets. All contributions with donor stipulations that limit their use are reported as restricted revenue when received. For temporary restrictions when the time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of net assets as released from restriction.

G. DONATED GOODS AND SERVICES

Donations of goods and services are recorded at the estimated fair value on the date received. Contributed services, which require special skill and the Organization would have paid for if not donated, are recorded at their estimated fair value when the services are rendered.

H. FIXED ASSETS

Fixed assets are stated at cost if purchased by the Organization or at the fair value of the asset at the date of the gift if received by donation. The Organization uses a capitalization threshold of \$5,000. Maintenance and repairs of property and equipment are charged to operations, and major renewals are capitalized. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Depreciation is provided using the straight-line method over estimated useful lives as follows:

Leasehold improvements	7 years
Equipment and furniture	3 – 7 years
Software	3 years

I. INCOME TAXES

The Organization is exempt from federal income taxes as a publicly supported organization under Section 501(c)(3) of the Internal Revenue Code. Contributions made to the organization are tax deductible.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the Organization has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

YOUTHPRICE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

J. FUNCTIONAL EXPENSES

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 CONTRIBUTIONS AND GRANTS RECEIVABLE

Collection of contributions and grants receivable at December 31 is expected as follows:

	<u>2016</u>	<u>2015</u>
Due in one year	<u>\$4,911,341</u>	<u>\$396,812</u>

Note 3 FIXED ASSETS

Fixed assets at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$11,068	\$11,068
Furniture	117,419	117,419
Equipment and software	<u>193,820</u>	<u>193,820</u>
Total	322,307	322,307
Less: accumulated depreciation	<u>(226,448)</u>	<u>(164,523)</u>
Net fixed assets	<u>\$95,859</u>	<u>\$157,784</u>

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Note 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Restricted for purpose:		
Program and Administration Support	\$5,433,091	\$1,038,154
Wrap Around Services for System- Involved Youth	279,000	89,500
Somali Youth Development and Capacity Building	149,627	240,967
Health Equity in Action	100,000	-
Systems Building	86,016	-
Accelerator Initiative	45,000	-
St. Paul Youth Intervention Initiative - Community		
Ambassadors	32,400	-
YouthBank	22,980	-
YoPro Fitness and Nutrition	9,300	-
Urban Tennis Fund	2,065	23,350
Nutrition Program	-	181,522
Ignite Afterschool	-	22,230
Other	32,558	66,377
	<u>32,558</u>	<u>66,377</u>
Total temporarily restricted net assets	<u>\$6,192,037</u>	<u>\$1,662,100</u>

Some items restricted for purpose are also restricted for time.

Note 5 DONATED GOODS AND SERVICES

Donated goods and services are recorded as contributions in the accompanying statements at fair value at the date of receipt. The organization received \$0 and \$1,593 of donated goods and services for 2016 and 2015, respectively.

Note 6 CONCENTRATIONS

The Organization received 78% of revenue from one foundation for 2016. The Organization received 65% of revenue from three foundations for 2015. 92% of contributions and grants receivables at December 31, 2016 was from one foundation.

Note 7 RETIREMENT PLAN

The Organization sponsors a retirement plan for all employees pursuant to section 403(b) of the Internal Revenue Code. Retirement expense was \$49,785 and \$54,509 for the years ended December 31, 2016 and December 31, 2015, respectively.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Note 8 COMMITMENT - STRATEGIC INVESTMENTS

During 2016 and 2015, the Board of Directors approved \$4,383,108 and \$4,443,876 in contracts, leveraging matching grants, challenge grants, and field-building efforts to provide technical assistance. These contracts, leverage matching grants and challenge grants will be recognized as the services are provided or the conditions of the leverage matching grants or challenge grants are met.

Note 9 OPERATING LEASE

The Organization subleases its administrative and program office. The sublease covers the period from March 2014 through November 30, 2017. The monthly payments were \$7,877 through 2015. In 2016, the monthly payments were \$8,113 and in 2017, the monthly payments will be \$8,356. In 2017, the annual minimum lease payment will be \$91,919.

A telephone system is also rented on a month to month basis.

Total 2016 and 2015 rent and equipment lease expenses were \$124,757 and \$126,933, respectively.

Note 10 CONDITIONAL GRANT

The Organization was awarded a three-year conditional grant of \$12.5 million in September 2016. Conditional grants are recognized as revenue as the conditions are met. As of December 31, 2016, \$4.5 million of the grant has been recognized.

Note 11 SUBSEQUENT EVENT

Management has evaluated subsequent events through April 11, 2017, the date that the report was available to be issued, and concluded that there are no subsequent events that require disclosure.

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