YOUTHPRISE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Six Month Period Ended
December 31, 2013 and The Year Ended June 30, 2013

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HLB Tautges Redpath, Ltd.
Certified Public Accountants

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, 2013 and June 30, 2013, and the related statements of activities, functional expenses and cash flows for the six month period and 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 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 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, 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.

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Equal Opportunity Employer 100-Percent Employee-Owned

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, 2013 and June 30, 2013, and the changes in its net assets and its cash flows for the six month period and the year then ended in accordance with accounting principles generally accepted in the United States of America.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.

April 1, 2014

FINANCIAL STATEMENTS

YOUTHPRISE
STATEMENTS OF FINANCIAL POSITION **Statement 1**
December 31, 2013 and June 30, 2013

	December 31, 2013	June 30, 2013
Assets:		
Cash and cash equivalents	$1,384,075	$5,376,861
Pledges receivable - current	5,085,856	99,833
Miscellaneous receivable	325	46,831
Prepaid expenses	37,107	73,302
Total current assets	6,507,363	5,596,827
Fixed assets, net	205,521	183,973
Total assets	$6,712,884	$5,780,800
Liabilities and net assets:		
Liabilities:		
Accounts payable	$46,875	$113,354
Accrued expenses	3,627	3,236
Grants payable	928,598	1,299,145
Accrued liabilities	72,991	56,580
Funds held for others	13,100	13,100
Total liabilities	1,065,191	1,485,415
Net assets:		
Unrestricted	309,208	603,246
Temporarily restricted	5,338,485	3,692,139
Total net assets	5,647,693	4,295,385
Total liabilities and net assets	$6,712,884	$5,780,800

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

YOUTHPRISE

STATEMENTS OF ACTIVITIES **Statement 2**

For The Six Month Period Ended December 31, 2013 and The Year Ended June 30, 2013

	Six Months Ended December 31, 2013			Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues:						
Contributions and grants	$218,212	$5,052,500	$5,270,712	$137,007	$29,000	$166,007
Interest income	4,906	-	4,906	5,479	-	5,479
Contract fee for service	12,320	-	12,320	46,381	-	46,381
Net support and revenue	235,438	5,052,500	5,287,938	188,867	29,000	217,867
Net assets released from restriction	3,406,154	(3,406,154)	-	3,754,619	(3,754,619)	-
Total support and revenues	3,641,592	1,646,346	5,287,938	3,943,486	(3,725,619)	217,867
Expenses:						
Program services	3,652,621	-	3,652,621	3,497,806	-	3,497,806
Supportive services:						
Management and general	254,628	-	254,628	387,974	-	387,974
Fundraising	28,381	-	28,381	47,678	-	47,678
Total expenses	3,935,630	0	3,935,630	3,933,458	0	3,933,458
Change in net assets	(294,038)	1,646,346	1,352,308	10,028	(3,725,619)	(3,715,591)
Net assets - beginning of year	603,246	3,692,139	4,295,385	593,218	7,417,758	8,010,976
Net assets - end of year	$309,208	$5,338,485	$5,647,693	$603,246	$3,692,139	$4,295,385

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

YOUTHPRISE

STATEMENTS OF FUNCTIONAL EXPENSES **Statement 3**

For The Six Month Period Ended December 31, 2013 and The Year Ended June 30, 2013

	Six Months Ended December 31, 2013			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses:				
Strategic investments	$2,960,456	$ -	$ -	$2,960,456
Salaries	314,327	96,500	4,505	415,332
Benefits	65,285	24,660	2,090	92,035
Payroll taxes	23,312	2,882	344	26,538
Fees for services (non-employees):				
Management	61,928	36,365	15,566	113,859
Legal	-	3,431	-	3,431
Accounting	-	12,780	-	12,780
Other	130,495	733	-	131,228
Office expenses	29,280	8,492	1,792	39,564
Information technology	14,021	16,856	869	31,746
Occupancy	38,275	8,567	2,534	49,376
Travel	13,108	12,106	370	25,584
Depreciation	-	22,559	-	22,559
Insurance	-	7,697	-	7,697
Professional development staff	2,095	368	-	2,463
Membership dues	39	-	-	39
Bank fees	-	561	287	848
Other	-	71	24	95
Total functional expenses	$3,652,621	$254,628	$28,381	$3,935,630

	Year Ended June 30, 2013			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses:				
Strategic investments	$2,197,273	$ -	$ -	$2,197,273
Salaries	532,718	140,001	16,681	689,400
Benefits	94,174	41,369	-	135,543
Payroll taxes	39,104	14,327	1,501	54,932
Fees for services (non-employees):				
Management	34,580	11,799	-	46,379
Legal	2,398	7,460	-	9,858
Accounting	-	14,840	-	14,840
Other	400,476	54,514	28,993	483,983
Office expenses	37,862	15,085	182	53,129
Information technology	11,965	21,731	-	33,696
Occupancy	79,339	24,575	-	103,914
Travel	45,276	4,802	26	50,104
Depreciation	8,136	20,515	-	28,651
Insurance	-	8,351	-	8,351
Professional development staff	4,801	6,967	85	11,853
Membership dues	9,704	-	-	9,704
Bank fees	-	1,638	210	1,848
Total functional expenses	$3,497,806	$387,974	$47,678	$3,933,458

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

YOUTHPRISE

STATEMENTS OF CASH FLOWS **Statement 4**

For The Six Month Period Ended December 31, 2013 and The Year Ended June 30, 2013

	Six Months Ended December 31, 2013	Year Ended June 30, 2013
Cash flows from operating activities:		
Change in net assets	$1,352,308	($3,715,591)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	22,559	28,651
Changes in assets and liabilities:		
(Increase) decrease in pledge receivable	(4,986,023)	5,187,079
(Increase) decrease in miscellaneous receivable	46,506	3,044
(Increase) decrease in prepaid expenses	36,195	(67,619)
Increase (decrease) in accounts payable	(66,479)	43,208
Increase (decrease) in accrued expenses	391	881,513
Increase (decrease) in grants payable	(370,547)	(277,819)
Increase (decrease) in accrued liabilities	16,411	10,614
Increase (decrease) in deferred revenue	-	13,100
Net cash provided by (used in) operating activities	(3,948,679)	2,106,180
Cash flows from investing activities:		
Purchase of fixed assets	(44,107)	(70,366)
Net increase (decrease) in cash and cash equivalents	(3,992,786)	2,035,814
Cash and cash equivalents - beginning of year	5,376,861	3,341,047
Cash and cash equivalents - end of year	$1,384,075	$5,376,861

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

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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. The Organization is grounded in the belief that Minnesota's greatest untapped resource is the energy and ingenuity of our youth. The Organization is committed to investing in youth and inspiring others in Minnesota to do the same. Our mission is to champion learning beyond the classroom so that all Minnesota youth thrive. We accelerate leadership, systems and innovation in the out-of-school time field by forging strategic partnerships, advocating for policy change, commissioning research and evaluation studies, modeling innovation, and building field capacity through grantmaking, technical assistance and sharing best practices.

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, 2013 and June 30, 2013, 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.

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give 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 promises to give 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. 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. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. All asset purchases over $2,500 are capitalized by the Organization. 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.

H. 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.

FASB ASC 740-10 provides that 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. The Organization’s 2011 and 2012 fiscal tax years are open to examination by regulatory agencies.

I. 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 CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITED IN EXCESS OF INSURED LIMITS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and temporary cash investments. At times, the account balances may exceed the Federal Deposit Insurance Corporation limit. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Note 3 PLEDGES RECEIVABLE

Collection of pledges receivable is expected as follows:

	December 31, 2013	June 30, 2013
Due in one year	$5,085,856	$99,833
Net pledges receivable	$5,085,856	$99,833

Note 4 FIXED ASSETS

Fixed assets are as follows:

	December 31, 2013	June 30, 2013
Leasehold improvements	$11,068	$11,068
Furniture	99,421	99,421
Equipment	147,545	103,437
Total	258,034	213,926
Less: accumulated depreciation	(52,513)	(29,953)
Net fixed assets	$205,521	$183,973

Depreciation expense totaled $22,559 and $28,651 for the periods ended December 31, 2013 and June 30, 2013, respectively.

Note 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	December 31, 2013	June 30, 2013
Restricted for purpose:		
Program and administration support	$5,287,294	$3,667,750
Ignite Afterschool	21,191	14,389
Youth leadership program	30,000	10,000
Total temporarily restricted net assets	$5,338,485	$3,692,139

Some items restricted for purpose are also restricted for time.

Note 6 CONCENTRATION OF REVENUES

The Organization received 95% of revenue from one foundation for the period ended December 31, 2013. There was no significant concentration of revenue for the year ended June 30, 2013.

Note 7 RETIREMENT PLAN

The Organization sponsors a retirement plan pursuant to section 403(b) of the Internal Revenue Code. All employees of the Organization are immediately eligible to make elective salary deferrals under the Plan. Employees are eligible to share in the Organization’s contribution to the Plan upon meeting the service requirements set forth in the Plan. The Organization has made discretionary matching contributions to eligible employees’ compensation to the Plan on a dollar-for-dollar basis up to 4% percent of compensation. After completing one year of service, the Organization has contributed an additional flat 2% of compensation. Employee contributions are 100% vested upon participation in the Plan and employer contributions are on a five-year vesting schedule. Retirement expense was $19,342 and $32,874 for the periods ended December 31, 2013 and June 30, 2013, respectively.

Note 8 COMMITMENT - STRATEGIC INVESTMENTS

During 2013, the Board of Directors approved $388,000 in contracts for field-building efforts to provide technical assistance, conduct research and evaluation, support quality-improvement training for youth-serving programs, and incubate and jump-start promising initiatives to accelerate positive change. These contracts are structured as fees for service and will be recognized as the services are provided.

Note 9 OPERATING LEASE

In January 2012, the Organization entered into a sublease for its administrative and program office. The sublease provides for three consecutive one year renewals. The monthly payments were $6,678 continuing through January 2013. The Organization is in the process of renewing this lease. This lease is currently on a month to month basis.

The Organization rents a telephone system on a month to month basis.

Total 2013 and 2012 rent and equipment lease expenses were $41,481 and $96,050, respectively.

Note 10 CONDITIONAL GRANT

The Organization was awarded a three-year conditional grant of $14.5 million in September 2013. Conditional grants are recognized as revenue as the conditions are met. As of December 31, 2013, $5,000,000 of the grant has been recognized.

Note 11 SUBSEQUENT EVENT

Management has evaluated subsequent events through April 1, 2014, 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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