

YOUTHPRISE

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

For The Years Ended
December 31, 2017 and 2016

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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, 2017 and 2016 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017 and 2016, 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.

Emphasis of Matter – Changes in Accounting Principle

As discussed in Note 13 to the financial statements, Youthprise elected to early implement the provisions of Accounting Standards Update (ASU) 2016-02 (Topic 842) – *Leases* and ASU 2016-14 Not-For-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2018 on our consideration of Youthprise's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youthprise's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 10, 2018

FINANCIAL STATEMENTS

YOUTHPRISE
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

Statement 1

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	\$2,636,111	\$1,974,293
Contributions and grants receivable	883,157	4,911,341
Prepaid expenses	40,255	11,378
Right-of-use asset - operating lease, current portion	63,660	91,919
Total current assets	3,623,183	6,988,931
Security deposits	9,200	-
Long-term contributions and grants receivable, net	48,828	-
Right-of-use asset - operating lease, net of current portion	426,485	-
Fixed assets, net	167,755	95,859
Total assets	\$4,275,451	\$7,084,790
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$213,270	\$129,433
Grants payable	1,124,373	385,812
Accrued liabilities	110,069	96,754
Lease liability - operating lease, current portion	48,804	91,919
Total current liabilities	1,496,516	703,918
Lease liability - operating lease, net of current portion	447,556	-
Total liabilities	1,944,072	703,918
Net assets:		
Without donor restrictions		
Undesignated	487,509	188,835
Designated by the Board for working capital reserve	1,000,000	-
Total without donor restriction	1,487,509	188,835
With donor restrictions	843,870	6,192,037
Total net assets	2,331,379	6,380,872
Total liabilities and net assets	\$4,275,451	\$7,084,790

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

YOUTHPRISE**STATEMENTS OF ACTIVITIES**

For The Years Ended December 31, 2017 and 2016

Statement 2

	2017			2016		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Contributions and grants	\$3,167,190	\$1,420,081	\$4,587,271	\$882,121	\$10,614,774	\$11,496,895
Contract fee for service	159,447	-	159,447	169,018	-	169,018
Interest income	7,345	-	7,345	4,918	-	4,918
Gain on donated securities	2,420	-	2,420	7,446	-	7,446
Net support and revenue	3,336,402	1,420,081	4,756,483	1,063,503	10,614,774	11,678,277
Net assets released from restriction	6,768,248	(6,768,248)	-	6,084,837	(6,084,837)	-
Total support and revenues	10,104,650	(5,348,167)	4,756,483	7,148,340	4,529,937	11,678,277
Expenses:						
Program services	7,734,056	-	7,734,056	6,183,669	-	6,183,669
Supportive services:						
Management and general	723,031	-	723,031	710,697	-	710,697
Fundraising	348,889	-	348,889	218,986	-	218,986
Total expenses	8,805,976	0	8,805,976	7,113,352	0	7,113,352
Change in net assets	1,298,674	(5,348,167)	(4,049,493)	34,988	4,529,937	4,564,925
Net assets - beginning of year	188,835	6,192,037	6,380,872	153,847	1,662,100	1,815,947
Net assets - end of year	\$1,487,509	\$843,870	\$2,331,379	\$188,835	\$6,192,037	\$6,380,872

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

YOUTHPRISE
STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended December 31, 2017 and 2016

Statement 3

	2017			Total
	Program Services	Supporting Services		
		Management and General	Fundraising	
Expenses:				
Strategic investments	\$6,306,095	\$ -	\$ -	\$6,306,095
Salaries	811,765	255,701	145,334	1,212,800
Benefits	145,864	33,129	15,565	194,558
Payroll taxes	60,207	17,982	10,656	88,845
Fees for services (non-employees):				
Management	60	60,258	-	60,318
Legal	45,000	29,383	-	74,383
Accounting	-	50,030	-	50,030
Research	58,387	-	-	58,387
Evaluation	78,853	4,952	-	83,805
Fundraising	-	-	123,839	123,839
Other	52,105	12,093	20,009	84,207
Office expenses	75,987	26,446	25,506	127,939
Information technology	38,145	22,442	2,894	63,481
Occupancy	9,490	120,070	1,442	131,002
Travel	44,033	11,225	2,651	57,909
Depreciation	-	44,593	-	44,593
Insurance	-	16,471	-	16,471
Professional development staff	6,864	5,695	-	12,559
Membership dues	899	60	-	959
Bank fees	275	6,184	888	7,347
Other	27	6,317	105	6,449
Total functional expenses	<u>\$7,734,056</u>	<u>\$723,031</u>	<u>\$348,889</u>	<u>\$8,805,976</u>
	2016			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Strategic investments	\$4,740,799	\$ -	\$ -	\$4,740,799
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	-	60,795	-	60,795
Legal	8,145	18,890	-	27,035
Accounting	-	35,152	-	35,152
Research	105,700	-	-	105,700
Evaluation	-	-	-	-
Fundraising	-	-	81,675	81,675
Other	361,575	(6,485)	6,744	361,834
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>\$6,183,669</u>	<u>\$710,697</u>	<u>\$218,986</u>	<u>\$7,113,352</u>

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

YOUTHPRISE**STATEMENTS OF CASH FLOWS**

For The Years Ended December 31, 2017 and 2016

Statement 4

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	(\$4,049,493)	\$4,564,925
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	44,593	61,925
Amortization of lease asset and liability	98,134	97,354
Payments made on lease liability	(91,919)	(97,354)
(Gain) loss on disposal of fixed assets	4,711	-
Changes in assets and liabilities:		
(Increase) decrease in contributions and grants receivable	3,979,356	(4,514,529)
(Increase) decrease in miscellaneous receivable	-	14,676
(Increase) decrease in prepaid expenses	(28,877)	36,852
(Increase) decrease in security deposits	(9,200)	-
Increase (decrease) in accounts payable	83,837	(81,694)
Increase (decrease) in grants payable	738,561	(1,054,560)
Increase (decrease) in accrued liabilities	13,315	1,556
Net cash provided by (used in) operating activities	<u>783,018</u>	<u>(970,849)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(121,200)	-
Net cash provided by (used in) investing activities	<u>(121,200)</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	661,818	(970,849)
Cash and cash equivalents - beginning of year	<u>1,974,293</u>	<u>2,945,142</u>
Cash and cash equivalents - end of year	<u><u>\$2,636,111</u></u>	<u><u>\$1,974,293</u></u>
Supplemental disclosure of non-cash investing and financing activity:		
Right-of-use asset resulting from operating lease	<u><u>\$495,419</u></u>	<u><u>\$0</u></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, 2017 and 2016

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 by The McKnight Foundation. Youthprise is a youth-centered philanthropic organization that invests in the future of Minnesota by investing in youth. Our mission is to reduce racial disparities with and for Minnesota youth with a focus in the areas of learning and leadership, economic opportunity, and health and safety. We strategically combine funding, capacity building, policy advocacy, and research and authentically engage young people in our governance and operations.

Learning and Leadership: Youthprise promotes the learning, leadership, and social-emotional development of youth. Programs and initiatives supported in this area expose youth to arts and culture, enrichment activities, technical assistance and youth leadership opportunities. We seek to shift how programs interact with youth and support programs that engage youth in leadership and governance, a practice that we model at Youthprise. We embed young people across all areas of our organization, and we have 50% representation of youth on our Board of Directors. In 2017 Youthprise invested \$1,859,583 in Learning and Leadership for grants and strategic investments.

Economic Opportunity: Youthprise creates opportunities for economic prosperity by supporting programs and initiatives that build workforce skills, promote youth entrepreneurship, and expose youth to career pathways. We work with a range of stakeholders across sectors to equip young people with the economic tools to thrive. In 2017, Youthprise awarded grants to connect young people with career pathways in high demand industries such as healthcare, IT, automotive and customer service in the Twin Cities and Greater Minnesota communities including Northfield, Duluth and Sauk Rapids. In 2017 Youthprise invested \$2,424,557 in Economic Opportunity for grants and strategic investments.

Health and Safety: Youthprise supports programs and initiatives that promote the health and safety of young people. In addition to meeting basic food needs through our Nutrition Program, we work with community-based organizations to link healthy lifestyles with good nutrition. We take a holistic approach to health and safety and advance intervention strategies that prevent the criminalization of youth, which can pose a threat to public safety. In 2017 Youthprise expanded our Nutrition Hub which served 3,800 unduplicated youth with over 225,000 meals and snacks at 45 sites. Additionally, we support a number of initiatives that seek to reduce disparities in the juvenile justice system and contact between non-violent youth and law enforcement. In 2017 Youthprise invested \$2,021,955 in grants and strategic investments.

B. BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis of accounting and are presented in accordance with the FASB Accounting Standards Codification (ASC) 958, 'Not-for-profit Entities', and the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions represent contributions to the Organization whose use is limited by donor-imposed stipulations that either expire by the passage of

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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 net assets with donor restrictions.

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.

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 net assets with donor restrictions, when the time or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of net assets as released from restriction.

G. DONATED GOODS AND SERVICES

Donations of goods 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

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

capitalized. Donations of property and equipment are reported as support without donor restrictions 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
Furniture	7 years
Equipment and software	3 - 7 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.

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. In 2016, the Organization implemented a Cost Allocation Plan to be in conformity with the Office of Management and Budget (OMB) Part 200 for Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. In compliance with OMB Part 200 referenced above, the Organization expenses costs to three pools: 1) direct, 2) intermediate indirect, or 3) indirect for facilities and administration (F&A). Costs that can be identified specifically with one or more projects (cost objectives) are charged directly to those projects. Costs that are not readily identifiable with one or more projects, but that benefit one or more projects of the organization are assigned to the intermediate indirect cost pool, and allocated across applicable projects on a non-financial base. The Organization has determined that the base which provides the most equitable distribution of intermediate indirect costs is employee hours as reported on electronic timesheets in the two payroll periods that most closely fall within the calendar month. For grant reporting only, costs assigned to indirect F & A are allocated across all programs using a 10% de minimis rate.

Note 2 LIQUIDITY AND AVAILABILITY

The Organization has \$2,625,398 of financial assets available within one year of the statement of financial position date (December 31, 2017) to meet cash needs for general expenditure consisting of cash of \$1,792,241, and accounts receivable of \$833,157. \$843,870 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to time restrictions, but are expected to be collected within one year with exception to \$50,000 expected to be collected after one year. The Organization has a goal to maintain financial

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,460,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 3 CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$883,157	\$4,911,341
One to five years	50,000	-
Less discounts for time value of money	<u>(1,172)</u>	<u>-</u>
Total contributions and grants receivable	<u><u>\$931,985</u></u>	<u><u>\$4,911,341</u></u>

A discount rate of approximately 2.4% was used as of December 31, 2017. As of December 31, 2017, approximately 79% of contributions receivable was from 3 donors.

No discount was applied to receivables in 2016 because all amounts were due in one year or less. As of December 31, 2016, approximately 92% of contributions receivable before the unamortized discount was from 1 donor.

Note 4 FIXED ASSETS

Fixed assets at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$35,398	\$11,068
Furniture	180,362	117,419
Equipment and software	<u>204,266</u>	<u>193,820</u>
Total	420,026	322,307
Less: accumulated depreciation	<u>(252,271)</u>	<u>(226,448)</u>
Net fixed assets	<u><u>\$167,755</u></u>	<u><u>\$95,859</u></u>

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

Note 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Restricted for purpose:		
Program and Administration Support	\$28,868	\$5,433,091
Wrap Around Services for System- Involved Youth	268,500	279,000
Accelerator Initiative	198,828	45,000
Health Equity in Action	124,344	100,000
Somali Youth Development and Capacity Building	53,438	149,627
Sanneh Capital Fund	48,918	-
St. Paul Youth Intervention Initiative - Community Ambassadors	38,304	32,400
YouthBank	22,930	22,980
Systems Building	13,950	86,016
Nutrition Program	13,842	-
YoPro Fitness and Nutrition	9,300	9,300
Urban Tennis Fund	838	2,065
Other	21,810	32,558
	<u>\$843,870</u>	<u>\$6,192,037</u>

Some items restricted for purpose are also restricted for time.

Note 6 DONATED GOODS AND SERVICES

The Organization recognized \$0 of donated goods and services for 2017 and 2016.

Note 7 REVENUE CONCENTRATIONS

The Organization received 79% of revenue from 12 governmental entities for 2017. The Organization received 78% of revenue from one foundation for 2016.

Note 8 RETIREMENT PLAN

The Organization sponsors a retirement plan for all employees pursuant to section 403(b) of the Internal Revenue Code. Retirement expense was \$53,779 and \$49,785 for 2017 and 2016, respectively.

Note 9 STRATEGIC INVESTMENTS

During 2017 and 2016, the Board of Directors approved \$6,306,095 and \$4,740,799 in contracts, leveraging matching grants, challenge grants, and field-building efforts to provide technical assistance. These contracts, leverage matching grants and challenge grants are recognized as the services are provided or the conditions of the leverage matching grants or challenge grants are met.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

Note 10 LEASED FACILITIES AND EQUIPMENT

The Organization subleased its administrative and program office for a period covering March 2014 through November 30, 2017. The lease is recorded in the Organization's assets and liabilities for its right-of-use of the asset for the lease term.

Effective November 30, 2017, the Organization entered into a new lease agreement for its administrative and program office, covering the period from December 1, 2017 through February 28, 2025. The lease is recorded in the Organization's assets and liabilities for its right-of-use of the asset for the lease term. Leased office expenses are straight-lined over the life of the lease.

The lease includes base rent and variable additional rent for taxes and operating costs. The Organization has two options to extend the lease for five years each. These options are not recognized as part of the Organization's lease-related assets and liabilities. The operating lease liability was determined using a present value rate of 2.28% based on comparable U.S. Treasury bond rates.

Minimum future lease payments for the operating lease base rent are:

	<u>Amount</u>
2018	\$71,672
2019	73,530
2020	75,388
2021	77,246
2022	79,104
Thereafter	<u>163,782</u>
Total	540,722
Less- present value adjustment	<u>(44,362)</u>
Net lease liability	<u><u>\$496,360</u></u>

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

Total 2017 and 2016 rent and equipment lease expenses were \$131,002 and \$124,757, respectively.

Note 11 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, 2017, \$4.5 million of the grant has been recognized.

Note 12 RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with current period presentation. These reclassifications had no effect on the reported change in net assets. In 2017, the Organization concluded that it was appropriate to classify its nutrition program expenses as part of its strategic investments expenses. Previously, these expenses were reported under the Statements of Functional Expenses as a separate line item. Accordingly, the Organization has revised the 2016 classification to report these expenses as part of its strategic investments line item under the Statements of Functional Expenses. No other changes to the financial

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

statements were required. Refer to Note 13, Changes in Accounting Principle for additional reclassifications made.

Note 13 CHANGES IN ACCOUNTING PRINCIPLE

The Organization elected to early implement the provisions of Accounting Standards Update (ASU) 2016-02 (Topic 842) – *Leases*, and ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*.

ASU 2016-02 addresses accounting by lessees for leases that have been classified as finance leases or operating leases. The presentation in these financial statements has been adjusted accordingly. ASU 2016-02 is required to be applied using a modified retrospective approach. The 2016 Statement of Financial Position was retrospectively reclassified to include a \$91,919 right-of-use asset and a \$91,919 lease liability for the Organization’s operating lease. There was no impact on the 2016 Statement of Activities.

ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The presentation in these financial statements has been adjusted accordingly. Certain provisions of ASU 2016-14 are required to be applied retrospectively for all prior periods presented.

ASU 2016-14 modified the definitions of functional expense categories. Accordingly, the 2016 Statement of Functional Expenses was retrospectively reclassified as follows:

	2016 expenses by function		
	<u>previously reported</u>	<u>Reclassification</u>	<u>as restated</u>
Program services	\$6,225,032	(\$41,363)	\$6,183,669
Management and general	665,113	45,584	710,697
Fundraising	223,207	(4,221)	218,986
Total	<u>\$7,113,352</u>	<u>\$0</u>	<u>\$7,113,352</u>

Note 14 SUBSEQUENT EVENT

Management has evaluated subsequent events through April 10, 2018, 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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