

YOUTHPRISE

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

For The Years Ended
December 31, 2015 and 2014

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

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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, 2015 and 2014 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, 2015 and 2014, 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, MN

March 18, 2016

FINANCIAL STATEMENTS

YOUTHPRISE
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

Statement 1

	2015	2014
Assets:		
Cash and cash equivalents	\$2,945,142	\$1,447,145
Accounts receivable	14,676	6,930
Pledges receivable - current	396,812	219,242
Prepaid expenses	48,230	13,728
Total current assets	<u>3,404,860</u>	<u>1,687,045</u>
Fixed assets, net	157,784	157,224
Pledges receivable - long term	-	90,000
Total assets	<u><u>\$3,562,644</u></u>	<u><u>\$1,934,269</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$211,127	\$73,405
Grants payable	1,440,372	412,983
Accrued liabilities	95,198	72,658
Unearned revenue	-	40,000
Funds held for others	-	16,887
Total liabilities	<u>1,746,697</u>	<u>615,933</u>
Net assets:		
Unrestricted	153,847	311,964
Temporarily restricted	1,662,100	1,006,372
Total net assets	<u>1,815,947</u>	<u>1,318,336</u>
Total liabilities and net assets	<u><u>\$3,562,644</u></u>	<u><u>\$1,934,269</u></u>

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

YOUTHPRISE**STATEMENTS OF ACTIVITIES**

For The Years Ended December 31, 2015 and 2014

Statement 2

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues:						
Contributions and grants	\$787,276	\$6,943,719	\$7,730,995	\$322,895	\$1,328,643	\$1,651,538
Interest income	4,954	-	4,954	5,774	-	5,774
Gain/(loss) on donated securities	(9)	-	(9)	13,141	-	13,141
Contract fee for service	163,936	-	163,936	169,432	-	169,432
Net support and revenue	956,157	6,943,719	7,899,876	511,242	1,328,643	1,839,885
Net assets released from restriction	6,287,991	(6,287,991)	-	5,660,756	(5,660,756)	-
Total support and revenues	7,244,148	655,728	7,899,876	6,171,998	(4,332,113)	1,839,885
Expenses:						
Program services	6,611,845	-	6,611,845	5,595,662	-	5,595,662
Supportive services:						
Management and general	516,924	-	516,924	429,345	-	429,345
Fundraising	273,496	-	273,496	144,235	-	144,235
Total expenses	7,402,265	-	7,402,265	6,169,242	-	6,169,242
Change in net assets	(158,117)	655,728	497,611	2,756	(4,332,113)	(4,329,357)
Net assets - beginning of year	311,964	1,006,372	1,318,336	309,208	5,338,485	5,647,693
Net assets - end of year	\$153,847	\$1,662,100	\$1,815,947	\$311,964	\$1,006,372	\$1,318,336

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

YOUTHPRISE

STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended December 31, 2015 and 2014

Statement 3

	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>
	2014			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Strategic investments	\$4,185,346	\$ -	\$ -	\$4,185,346
Salaries	663,770	123,423	77,490	864,683
Benefits	126,793	39,977	2,607	169,377
Payroll taxes	49,562	20,348	5,679	75,589
Fees for services (non-employees):				
Management	33,200	20,359	4,351	57,910
Legal	1,334	18,867	-	20,201
Accounting	-	51,435	-	51,435
Other	322,102	794	18,753	341,649
Office expenses	51,063	18,230	3,942	73,235
Information technology	21,693	28,334	15,335	65,362
Occupancy	85,933	15,946	14,150	116,029
Travel	43,721	5,673	958	50,352
Depreciation	-	54,573	-	54,573
Insurance	750	11,673	-	12,423
Professional development staff	10,281	7,838	819	18,938
Membership dues	-	60	-	60
Bank fees	-	2,385	151	2,536
Other	114	9,430	-	9,544
Total functional expenses	<u>\$5,595,662</u>	<u>\$429,345</u>	<u>\$144,235</u>	<u>\$6,169,242</u>

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

YOUTHPRISE**STATEMENTS OF CASH FLOWS**

For The Years Ended December 31, 2015 and 2014

Statement 4

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$497,611	(\$4,329,357)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	57,438	54,573
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable	(87,570)	4,776,614
(Increase) decrease in miscellaneous receivable	(7,746)	(6,605)
(Increase) decrease in prepaid expenses	(34,502)	23,379
Increase (decrease) in accounts payable	137,722	26,530
Increase (decrease) in accrued expenses	-	(3,627)
Increase (decrease) in grants payable	1,027,389	(515,615)
Increase (decrease) in accrued liabilities	22,540	(333)
Increase (decrease) in deferred revenue	(40,000)	40,000
Increase (decrease) in funds held for others	(16,887)	3,787
Net cash provided by (used in) operating activities	<u>1,555,995</u>	<u>69,346</u>
Cash flows from investing activities:		
Purchase of fixed assets	(57,998)	(6,276)
Net increase (decrease) in cash and cash equivalents	1,497,997	63,070
Cash and cash equivalents - beginning of year	<u>1,447,145</u>	<u>1,384,075</u>
Cash and cash equivalents - end of year	<u><u>\$2,945,142</u></u>	<u><u>\$1,447,145</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, 2015 and 2014

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 strategically combines funding, capacity building, policy advocacy and research, and model authentic youth engagement throughout our governance and operations. Youthprise works on multiple levels: supporting nonprofit organizations that serve youth; aligning efforts through citywide and statewide initiatives; and providing opportunities directly to youth.

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, 2015 and 2014, 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, 2015 and 2014

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. 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

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.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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.

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 PLEDGES RECEIVABLE

Collection of pledges receivable at December 31 is expected as follows:

	<u>2015</u>	<u>2014</u>
Due in one year	\$396,812	\$219,242
Due in two years	-	90,000
Net pledges receivable	<u>\$396,812</u>	<u>\$309,242</u>

Note 3 FIXED ASSETS

Fixed assets at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$11,068	\$11,068
Furniture	117,419	99,421
Equipment and software	193,820	153,820
Total	<u>322,307</u>	<u>264,309</u>
Less: accumulated depreciation	<u>(164,523)</u>	<u>(107,085)</u>
Net fixed assets	<u>\$157,784</u>	<u>\$157,224</u>

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

Note 4 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Restricted for purpose:		
Program and Administration Support	\$1,038,154	\$802,214
Somali Youth Development and Capacity Building	240,967	-
Nutrition Program	181,522	131,398
Wrap Around Services for System- Involved Youth	89,500	-
Urban Tennis Fund	23,350	-
Ignite Afterschool	22,230	16,043
Other	<u>66,377</u>	<u>56,717</u>
 Total temporarily restricted net assets	 <u><u>\$1,662,100</u></u>	 <u><u>\$1,006,372</u></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 \$1,593 and \$0 of donated goods and services for 2015 and 2014, respectively.

Note 6 CONCENTRATION OF REVENUES

The Organization received 65% of revenue from one foundation for 2015. The Organization received 33% of revenue from three foundations for 2014.

Note 7 RETIREMENT PLAN

The Organization offers a 403(b) plan for employees meeting certain eligibility requirements. Contributions to the plan are currently equal to the employee's deferrals up to 4% of the employee's compensation. After completing one year of service, the Organization has contributed an additional flat 2% of compensation. Retirement plan expense for 2015 and 2014 was \$54,509 and \$42,974, respectively.

YOUTHPRISE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

Note 8 COMMITMENT - STRATEGIC INVESTMENTS

During 2015 and 2014, the Board of Directors approved \$4,443,876 and \$284,257, respectively, 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

On March 17, 2014, the Organization entered into a new sublease for its administrative and program office. The new sublease supercedes and replaces the former sublease. The sublease covers the period from March 2014 through November 30, 2017. The monthly payments are \$7,877 through 2015. In 2016, the monthly payments will be \$8,113 and in 2017, the monthly payments will be \$8,356.

The Organization rents a separate space in the same building as its sublease on a month to month basis for \$366. A telephone system is also rented on a month to month basis.

Future annual minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$97,354
2017	91,919
Total	<u>\$189,273</u>

Total 2015 and 2014 rent and equipment lease expenses were \$126,933 and \$116,029, 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, 2015, \$10 million of the grant has been recognized.

Note 11 SUBSEQUENT EVENT

Management has evaluated subsequent events through March 18, 2016, 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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