

YOUTHPRISE

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

For The Year Ended December 31, 2014 and
The Six Month Period Ended
December 31, 2013

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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 statement of financial position as of December 31, 2014 and 2013 and the related statements of activities, functional expenses and cash flows for the year then ended and the six month period 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, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended and the six month period 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 31, 2015

FINANCIAL STATEMENTS

YOUTHRISE
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

Statement 1

	2014	2013
Assets:		
Cash and cash equivalents	\$1,447,145	\$1,384,075
Accounts receivable	6,930	325
Pledges receivable - current	219,242	5,085,856
Prepaid expenses	13,728	37,107
Total current assets	<u>1,687,045</u>	<u>6,507,363</u>
Fixed assets, net	157,224	205,521
Pledges receivable - long term	90,000	-
Total assets	<u><u>\$1,934,269</u></u>	<u><u>\$6,712,884</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$73,405	\$46,875
Accrued expenses	-	3,627
Grants payable	412,983	928,598
Accrued liabilities	72,658	72,991
Unearned revenue	40,000	-
Funds held for others	16,887	13,100
Total liabilities	<u>615,933</u>	<u>1,065,191</u>
Net assets:		
Unrestricted	311,964	309,208
Temporarily restricted	1,006,372	5,338,485
Total net assets	<u>1,318,336</u>	<u>5,647,693</u>
Total liabilities and net assets	<u><u>\$1,934,269</u></u>	<u><u>\$6,712,884</u></u>

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

YOUTHPRISE

STATEMENTS OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2014 and The Six Month Period Ended December 31, 2013

	Year Ended December 31, 2014			Six Months Ended December 31, 2013		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Support and revenues:						
Contributions and grants	\$322,895	\$1,328,643	\$1,651,538	\$218,212	\$5,052,500	\$5,270,712
Interest income	5,774	-	5,774	4,906	-	4,906
Gain on donated securities	13,141	-	13,141	-	-	-
Contract fee for service	169,432	-	169,432	12,320	-	12,320
Net support and revenue	511,242	1,328,643	1,839,885	235,438	5,052,500	5,287,938
Net assets released from restriction	5,660,756	(5,660,756)	-	3,406,154	(3,406,154)	-
Total support and revenues	6,171,998	(4,332,113)	1,839,885	3,641,592	1,646,346	5,287,938
Expenses:						
Program services	5,595,662	-	5,595,662	3,652,621	-	3,652,621
Supportive services:						
Management and general	429,345	-	429,345	254,628	-	254,628
Fundraising	144,235	-	144,235	28,381	-	28,381
Total expenses	6,169,242	0	6,169,242	3,935,630	0	3,935,630
Change in net assets	2,756	(4,332,113)	(4,329,357)	(294,038)	1,646,346	1,352,308
Net assets - beginning of year	309,208	5,338,485	5,647,693	603,246	3,692,139	4,295,385
Net assets - end of year	\$311,964	\$1,006,372	\$1,318,336	\$309,208	\$5,338,485	\$5,647,693

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

YOUTHPRISE**STATEMENTS OF FUNCTIONAL EXPENSES****Statement 3**

For The Year Ended December 31, 2014 and The Six Month Period Ended December 31, 2013

	Year Ended December 31, 2014			
	Program Services	Supporting Services		Total
		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>
	Six Months Ended December 31, 2013			
	Program Services	Supporting Services		Total
		General	Fundraising	
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	<u>\$3,652,621</u>	<u>\$254,628</u>	<u>\$28,381</u>	<u>\$3,935,630</u>

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

YOUTHPRISE**STATEMENTS OF CASH FLOWS**

For The Year Ended December 31, 2014 and The Six Month Period Ended December 31, 2013

Statement 4

	Year Ended December 31, 2014	Six Months Ended December 31, 2013
Cash flows from operating activities:		
Change in net assets	(\$4,329,357)	\$1,352,308
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	54,573	22,559
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable	4,776,614	(4,986,023)
(Increase) decrease in miscellaneous receivable	(6,605)	46,506
(Increase) decrease in prepaid expenses	23,379	36,195
Increase (decrease) in accounts payable	26,530	(66,479)
Increase (decrease) in accrued expenses	(3,627)	391
Increase (decrease) in grants payable	(515,615)	(370,547)
Increase (decrease) in accrued liabilities	(333)	16,411
Increase (decrease) in deferred revenue	40,000	-
Increase (decrease) in funds held for others	3,787	-
Net cash provided by (used in) operating activities	<u>69,346</u>	<u>(3,948,679)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(6,276)</u>	<u>(44,107)</u>
Net increase (decrease) in cash and cash equivalents	63,070	(3,992,786)
Cash and cash equivalents - beginning of year	<u>1,384,075</u>	<u>5,376,861</u>
Cash and cash equivalents - end of year	<u><u>\$1,447,145</u></u>	<u><u>\$1,384,075</u></u>

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

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YOUTHPRISE

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2014

and The Six Month Period Ended December 31, 2013

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 with the mission to champion learning beyond the classroom so that all Minnesota youth thrive. Youthprise strategically combines funding, capacity building, policy advocacy, research, and youth engagement under one roof. This unique combination creates efficiencies, accelerates implementation, and maximizes impact. Youthprise is committed to racial equity and works to address the disparities faced by youth of color and other disconnected youth. Our board, staff, and youth partners reflect the strengths and assets of Minnesota's diverse communities.

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, 2014 and December 31, 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.

YOUTHPRISE

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2014

and The Six Month Period Ended December 31, 2013

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. 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.

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

Leasehold improvements	7 years
Equipment and furniture	3 - 7 years

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.

YOUTHPRISE**NOTES TO FINANCIAL STATEMENTS**

For The Year Ended December 31, 2014

and The Six Month Period Ended December 31, 2013

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 through 2013 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 PLEDGES RECEIVABLE

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

	<u>2014</u>	<u>2013</u>
Due in one year	\$219,242	\$5,085,856
Due in two years	<u>90,000</u>	<u>-</u>
Net pledges receivable	<u><u>\$309,242</u></u>	<u><u>\$5,085,856</u></u>

Note 3 FIXED ASSETS

Fixed assets at December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$11,068	\$11,068
Furniture	99,421	99,421
Equipment	<u>153,820</u>	<u>147,545</u>
Total	264,309	258,034
Less: accumulated depreciation	<u>(107,085)</u>	<u>(52,513)</u>
Net fixed assets	<u><u>\$157,224</u></u>	<u><u>\$205,521</u></u>

YOUTHPRISE**NOTES TO FINANCIAL STATEMENTS**

For The Year Ended December 31, 2014

and The Six Month Period Ended December 31, 2013

Note 4 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Restricted for purpose:		
Program and administration support	\$802,214	\$5,287,294
Ignite Afterschool	16,043	21,191
Nutrition Program	131,398	-
Other	<u>56,717</u>	<u>30,000</u>
Total temporarily restricted net assets	<u><u>\$1,006,372</u></u>	<u><u>\$5,338,485</u></u>

Some items restricted for purpose are also restricted for time.

Note 5 CONCENTRATION OF REVENUES

The Organization received 33% of revenue from three foundations for the year ended December 31, 2014. The Organization received 95% of revenue from one foundation for the six month period ended December 31, 2013.

Note 6 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. Contributions during the year ending December 31, 2014 and the six month period ending December 31, 2013 were \$42,974 and \$19,342 respectively.

Note 7 COMMITMENT - STRATEGIC INVESTMENTS

During 2014, the Board of Directors approved \$284,257 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.

YOUTHPRISE

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2014

and The Six Month Period Ended December 31, 2013

Note 8 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.

Prior to the new sublease agreement noted above, the Organization was leasing space on a month to month basis. The monthly payments were \$6,678.

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:

Year Ending December 31,	Amount
2015	\$94,519
2016	97,354
2017	91,919
Total	<u>\$283,792</u>

Total 2014 and 2013 rent and equipment lease expenses were \$116,029 and \$41,481, respectively.

Note 9 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, 2014, \$5,000,000 of the grant has been recognized.

Note 10 SUBSEQUENT EVENT

Management has evaluated subsequent events through March 31, 2015, 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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