Youth Improving Non-profits for Children, Inc.

Financial Statements

For the Years Ended December 31, 2015 and 2014

BOND BEEBE
ACCOUNTANTS & ADVISORS

YOUTH IMPROVING NON-PROFITS FOR CHILDREN, INC.
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 11

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Youth Improving Non-profits for Children, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Youth Improving Non-profits for Children, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 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 Youth Improving Non-profits for Children, Inc. 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.

Bond Beebe

A Professional Corporation
Bethesda, MD
June 10, 2016

YOUTH IMPROVING NON-PROFITS FOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 3,010,312	$ 2,501,855
Pledges receivable, net of allowance for doubtful accounts of $56,457 and $98,000	680,611	460,711
Deferred expenses	17,386	4,500
Inventory	2,705	435
	3,711,014	2,967,501
FIXED ASSETS		
Furniture, software and equipment - at cost	172,903	156,763
Accumulated depreciation and amortization	(142,106)	(129,563)
	30,797	27,200
OTHER ASSETS		
Deposits	30,000	30,000
Pledges receivable - long-term	49,957	197,101
	79,957	227,101
TOTAL ASSETS	$ 3,821,768	$ 3,221,802

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 543,249	$ 398,078
Accrued payroll and related liabilities	245,540	-
TOTAL CURRENT LIABILITIES	788,789	398,078
NET ASSETS		
Unrestricted	2,886,268	2,514,886
Temporarily restricted	146,711	308,838
TOTAL NET ASSETS	3,032,979	2,823,724
TOTAL LIABILITIES AND NET ASSETS	$ 3,821,768	$ 3,221,802

YOUTH IMPROVING NON-PROFITS FOR CHILDREN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions	$ 7,982,715	$ 240,873	$ 8,223,588	$ 5,856,275	$ 173,916	$ 6,030,191
Net investment income (loss)	(1,185)	-	(1,185)	(4,498)	-	(4,498)
Special events revenue	44,030	-	44,030	39,816	-	39,816
Loss on uncollectable pledges	-	-	-	-	(80,000)	(80,000)
Revocation of previously awarded grant	-	75,000	75,000	-	-	-
	8,025,560	315,873	8,341,433	5,891,593	93,916	5,985,509
Net assets released from restrictions	478,000	(478,000)	-	299,500	(299,500)	-
	8,503,560	(162,127)	8,341,433	6,191,093	(205,584)	5,985,509
EXPENSES						
Program services	6,056,012	-	6,056,012	4,962,790	-	4,962,790
Management and general expenses	811,119	-	811,119	508,603	-	508,603
Fundraising expenses	1,265,047	-	1,265,047	797,554	-	797,554
	8,132,178	-	8,132,178	6,268,947	-	6,268,947
CHANGE IN NET ASSETS	371,382	(162,127)	209,255	(77,854)	(205,584)	(283,438)
NET ASSETS AT BEGINNING OF YEAR	2,514,886	308,838	2,823,724	2,592,740	514,422	3,107,162
NET ASSETS AT END OF YEAR	$ 2,886,268	$ 146,711	$ 3,032,979	$ 2,514,886	$ 308,838	$ 2,823,724

YOUTH IMPROVING NON-PROFITS FOR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 209,255	$ (283,438)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net present value adjustment on pledges receivable	(11,391)	18,543
Bad debt expense (recovery)	48,457	92,250
Loss on uncollectable restricted pledge	-	80,000
Depreciation and amortization	12,543	27,336
(Increase) decrease in		
Pledges receivable	(109,822)	372,904
Deferred expenses	(12,886)	(4,500)
Inventory	(2,270)	(435)
Increase (decrease) in		
Accounts payable and accrued expenses	145,171	91,281
Accrued payroll and related liabilities	245,540	-
	524,597	393,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(16,140)	(6,118)
INCREASE IN CASH AND CASH EQUIVALENTS	508,457	387,823
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,501,855	2,114,032
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,010,312	$ 2,501,855
NON-CASH TRANSACTIONS		
Donated goods and professional services	$ 481,285	$ 331,660
Donated stock	$ 31,168	$ 280,891

NOTE 1: ORGANIZATION

Youth Improving Non-profits for Children, Inc. (the Organization) is a nonprofit corporation, established on July 7, 1995, under the Laws of Delaware. The purpose of the Organization is to improve the lives of America's youth through a unique venture philanthropy model that empowers, develops, and educates nonprofit organizations serving young people. The Organization receives all event proceeds directly. The Organization creates programs to educate and empower nonprofits through service grants.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 the reported amounts of assets, liabilities and contingencies, if any, at the date of the statement of financial position and revenue and expenses during the reporting period. Actual results may differ from these estimates.

Net Assets

Net assets arising from contributions are reported as unrestricted or restricted based on lawful conditions imposed by the donor. Unrestricted net assets are the portion of net assets that are neither temporarily nor permanently restricted as to their use. Temporarily restricted net assets are the portion of net assets resulting from contributions or other inflows of assets whose use is limited by donor-imposed stipulations that can be removed by the passage of time or action of the Organization pursuant to those stipulations. Permanently restricted net assets are restricted to perpetual investment, and only the income from investing the funds may be expended. As of December 31, 2015 and 2014 there were $146,711 and $308,838, respectively, of temporarily restricted net assets and no permanently restricted net assets.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered cash equivalents.

Inventory

The Organization receives donated goods which are recorded as inventory at fair value when the donation is received. The donated goods are used for fundraising purposes during future special events.

Fixed Assets

Fixed assets are capitalized at cost. Depreciation and amortization is recognized over the related assets' estimated useful lives, using the straight-line method. Furniture and equipment are depreciated over their useful lives of three to seven years. Computer hardware and software are amortized over their useful lives of three to five years. For the years ended December 31, 2015 and 2014, depreciation and amortization expense was $12,543 and $27,336, respectively, and is allocated to program services, management and general and fundraising expenses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pledges Receivable

The Organization uses the allowance method to estimate uncollectable pledges. The allowance is based on historical experience and management's analysis of specific balances. For the years ended December 31, 2015 and 2014, the Organization recognized $56,457 and $98,000, respectively, in expense for uncollectable pledges. For the years ended December 31, 2015 and 2014, management also deemed restricted pledges of $90,000 and $80,000, respectively, to be uncollectable.

The Organization applies a present value discount to outstanding pledges that are receivable one year or more after the fiscal year end. The discount is determined using a discount rate consisting of (a) the Prime Rate reported by the Wall Street Journal as effective on the last fiscal day of the year plus (b) a 3% interest rate spread. As of December 31, 2015, the Organization had 3 multi-year pledges outstanding with balances due one year or more into the future. These pledges were discounted using a rate of 6.50% resulting in a discount provision of $7,153. As of December 31, 2014, the Organization had 9 multi-year pledges outstanding with balances due one year or more into the future. These pledges were discounted using a rate of 6.25% resulting in a discount provision of $18,544.

The Organization's pledges receivable as of December 31, 2015 and 2014 total $730,568 and $657,812, respectively, net of the allowance for uncollectable pledges and discount to net present value as discussed in the preceding paragraphs. As of December 31, 2015 and 2014, approximately 64% and 85% of the total pledges receivable are from donations made by current and former members of the Board of Directors of the Organization.

Donated Goods and Professional Services

Non-cash contributions are recorded at fair value on the date of receipt. Donated goods are recorded at fair value when they are received. Contributed professional services are recognized when they are received if the services create or enhance nonfinancial assets, or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The fair value of such contributed professional services is reflected as both revenue and expense during the period received, unless the contributed services meet capitalization criteria, in which case their fair value is capitalized as an asset and recognized as revenue for the period.

Subsequent Events

In preparing these financial statements, management of the Organization has evaluated events and transactions that occurred after December 31, 2015 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through June 10, 2016, the date that the financial statements were available to be issued.

NOTE 3: TAX STATUS

The Organization is exempt from income taxes except for taxes on unrelated business income under Section 501(c)(3) of the Internal Revenue Code (the Code) and applicable state laws. The Organization did not have any unrelated business income for the years ended December 31, 2015 and 2014. The Organization is classified as a public charity under Section 509(a)(1) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate income tax positions taken and recognize an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken by the Organization and concluded that as of December 31, 2015 there are no uncertain positions taken or expected to be taken that would require recognition of a liability in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

NOTE 4: FAIR VALUE

The following tables present the Organization's assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on unadjusted quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 refers to fair values estimated using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are derived principally from or corroborated by observable market data by correlation or other means and Level 3 includes fair values estimated using inputs that are unobservable and significant to the fair value measurement.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

For the year ended December 31, 2015, there were no transfers in or out of levels 1, 2 or 3.

Cash equivalents, which are comprised of money market funds, are valued using quoted prices of like assets and corroborated market data and are classified as Level 2 assets. The methodology was not changed during the year ended December 31, 2015.

As of December 31, 2015 and 2014, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2015			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents	$ -	$ 774,288	$ -	$ 774,288

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents	$ -	$ 1,196,034	$ -	$ 1,196,034

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	2015	2014
Amounts due in		
Less than one year	$ 737,068	$ 558,711
One to five years	57,110	215,645
	794,178	774,356
Discount to net present value	(7,153)	(18,544)
	787,025	755,812
Allowance for doubtful accounts	(56,457)	(98,000)
	$ 730,568	$ 657,812

NOTE 6: FIXED ASSETS

At December 31, 2015 and 2014, fixed assets comprise the following:

	2015	2014
Furniture and equipment	$ 29,671	$ 22,923
Computer hardware and software	143,232	133,840
	172,903	156,763
Accumulated depreciation and amortization	(142,106)	(129,563)
	$ 30,797	$ 27,200

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2015 and 2014, temporarily restricted net assets arose from contributions received for (a) Metrics Program Expenses and (b) BridgeFund program expenses. The BridgeFund was created to fuel the growth of high-performing nonprofit organizations through small cash grants for capacity building. For the years ending December 31, 2015 and 2014, the Organization accrued $90,000 and $80,000 for loss on uncollectable pledges, respectively. The $90,000 loss on uncollectable pledges for the year ended December 31, 2015 is included within the release from restrictions $478,000 total. The $80,000 loss on uncollectable pledges for the year ended December 31, 2014 was specifically line-reported as loss on uncollectable pledges in the financial statements.

	Metrics Program	BridgeFund	Total
Temporarily restricted net assets - January 1, 2014	$ -	$ 514,422	$ 514,422
Contributions	-	173,916	173,916
Loss on uncollectable pledges	-	(80,000)	(80,000)
Released from restrictions	-	(299,500)	(299,500)
Temporarily restricted net assets - December 31, 2014	-	308,838	308,838
Contributions	30,000	210,873	240,873
Released from restrictions	-	(478,000)	(478,000)
Revocation of previously awarded grant	-	75,000	75,000
Temporarily restricted net assets - December 31, 2015	$ 30,000	$ 116,711	$ 146,711

NOTE 8: RELATED PARTY TRANSACTIONS

The Organization entered into various management services agreements with Orr Associates, Inc. (OAI) and with Stephen K. Orr, the co-owner of OAI, the founder of the Organization, and a member of the Board of Directors of the Organization in 2015 and prior years. Under terms of the agreements, OAI provided various services, including management of day-to-day operations of the Organization, event support and transition support. OAI is 100% owned by Stephen K. Orr and his family.

Contracts and agreements with OAI were reviewed and approved by officers and directors unaffiliated with OAI.

For the years ended December 31, 2015 and 2014, the Organization incurred fees in connection with OAI and Stephen K. Orr totaling $1,219,240 and $1,525,200, respectively.

The Organization leases facilities under an agreement with OAI. For the years ended December 31, 2015 and 2014, the Organization incurred rent expenses in connection with OAI totaling $218,227 and $214,087, respectively.

NOTE 8: RELATED PARTY TRANSACTIONS - continued

Under the terms of the management services and rental agreements, the Organization reimbursed OAI for reimbursable expenses.

	2015	2014
OAI and S.K. Orr management agreement fees		
Direct fees allocable to Executive Director management services	$ 81,875	$ 260,000
Indirect fees allocable to Executive Director management services	261,555	393,560
All other Orr Associates management services fees	875,810	871,640
Total OAI and S.K. Orr management agreement fees	1,219,240	1,525,200
OAI rent		
600 Lexington Avenue	218,227	214,087
Total OAI and S.K. Orr management fees and rent	$ 1,437,467	$ 1,739,287
OAI reimbursed expenses		
Supplies, telecom, IT, postage, printing, travel, other	$ 108,144	$ 98,671
Total OAI fees, rent and reimbursed expenses, excluding S.K. Orr Executive Director fees	$ 1,463,736	$ 1,577,958
Form 1099 and Form 990 reportable S.K. Orr Executive Director fees	81,875	260,000
Total OAI fees, rent, reimbursed expenses and S.K. Orr Executive Director fees	$ 1,545,611	$ 1,837,958

Under the terms of the management services agreement executed January 1, 2016 and under the existing rental agreement, the Organization will pay OAI $250,000 for management fees and $92,309 for rent in fiscal year 2016.

NOTE 9: ALLOCATION OF JOINT COSTS

The Organization incurred joint costs related to management fees for certain events and office expenses. Joint costs for these activities totaled $419,578 and $400,561 for the years ended December 31, 2015 and 2014, respectively, and have been allocated as follows:

	2015	2014
Program services	$ 268,137	$ 221,473
Management and general expenses	53,305	48,791
Fundraising expenses	98,136	130,297
	$ 419,578	$ 400,561

NOTE 10: OCCUPANCY EXPENSE AND LEASE COMMITMENTS

In May 2013, the Organization executed a, multi-year lease with Orr Associates, Inc. expiring May 31, 2016. For the five months ending May 31, 2016, the Organization's net rent obligation was $92,309 because the Organization agreed to release office space in return for lower rent.

In January 2016, the Organization executed a new lease agreement with 535 Eighth Avenue LLC, for property located at 535 Eighth Avenue, Manhattan, New York 10018, beginning May 2016 and expiring April 2021. Lease payments due each year, which include two months rent abatement in 2016, under the agreement are as follows:

2016	$ 94,050
2017	191,549
2018	196,819
2019	202,229
2020	207,790
Thereafter	69,887
	$ 962,324

Occupancy expenses for the years ended December 31, 2015 and 2014 were $218,227 and $214,087, respectively, and were allocated to program services, management and general, and fundraising expenses.

	2015	2014
Program services	$ 135,873	$ 167,523
Management and general expenses	18,459	12,845
Fundraising expenses	63,895	33,719
	$ 218,227	$ 214,087

NOTE 11: RETIREMENT PLAN

The Organization implemented a 401(k) salary deferral plan effective January 1, 2010. Under the terms of the 401(k) plan, the Organization makes a safe harbor contribution to the plan equal to 3% of the salary of all eligible employees. For the year ended December 31, 2015, the amount of employer contributions was $44,193. For the year ended December 31, 2014, the amount of employer contributions was $25,893.

NOTE 12: CONCENTRATIONS

Financial instruments that subject the Organization to concentrations of credit risk include cash which is invested with financial institutions. While the Organization attempts to limit its financial exposure, its deposit balances with financial institutions may, at times, exceed the limits insured by agencies of the U.S. government. The Organization has not experienced and management does not anticipate experiencing any credit losses on such deposits.

The Organization participates in the Trade for the Kids fundraising event and a Trading Week for the Kids fundraising event with two financial services firms. The financial services firms agree to contribute an amount equal to the Youth INC designated trade commissions for a period determined by the financial services firms. For 2015 and 2014, the contributions from the events were $1,593,902 and $850,000, which represented 20% and 14% of contributions, respectively.

NOTE 13: SUBSEQUENT EVENTS

As discussed in Note 8, in January 2016 the Organization entered into a six month agreement with Orr Associates for management services, with fees set at $250,000.

The Organization entered into an agreement with Fiscal Management Associates to perform management advisory services. The estimated fees to be incurred for management advisory services and the initial systems design and implementation is $78,000 for the first year. Thereafter, if the agreement is extended beyond one year, the estimated annual fees to be incurred for management advisory services is $53,000.

As discussed in Note 10, in January 2016 the Organization executed a long-term lease agreement for space in New York.

NOTE 14: RECLASSIFICATION

Certain items in the 2014 financial statements have been reclassified to conform to the 2015 presentation. The reclassification was made to donated stock as a non-cash transaction on the statement of cash flows. The reclassification had no impact on the amount of net assets as of December 31, 2014 or changes in net assets for the year then ended as reflected in previously issued financial statements.