

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2014
AND
FOR THE YEAR THEN ENDED
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Youth Communication / New York Center, Inc.
New York, NY

We have audited the accompanying statement of financial position of Youth Communication / New York Center, Inc. (a Delaware nonprofit corporation) as of June 30, 2014, and the related statements of activities, changes in net assets, functional expenses and cash flows for 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 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 audit. We conducted our audit 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 auditors' 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 auditors consider 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 Communication / New York Center, Inc. as of June 30, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Samwoo LLP". The signature is written in a cursive, flowing style.

New York, NY
September 17, 2014

**YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)**

Assets	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents (Notes 2,8,10)	\$ 1,379,500	\$ 1,444,531
Pledges receivable (Note 3)	159,500	159,000
Accounts receivable	4,856	6,995
Total current assets	<u>1,543,856</u>	<u>1,610,526</u>
Non-Current assets:		
Property and equipment (Note 2)		
Office furniture and equipment	98,856	99,767
Leasehold improvement	269,425	269,425
Less: accumulated depreciation	<u>(355,242)</u>	<u>(363,199)</u>
Total property and equipment	13,039	5,993
Security deposit and other assets	<u>14,218</u>	<u>14,444</u>
Total non-current assets	<u>27,257</u>	<u>20,437</u>
Total assets	<u><u>\$ 1,571,113</u></u>	<u><u>\$ 1,630,963</u></u>
 Liabilities and net assets		
Current liabilities:		
Payroll taxes and other payables	\$ 10,503	\$ 17,238
Accrued expenses	<u>10,393</u>	<u>—</u>
Total liabilities	20,896	17,238
Commitment (Note 6)		
Contingencies (Note 9)		
Net assets: (Note 2)		
Unrestricted	1,458,217	1,372,630
Temporarily restricted (Note 4)	<u>92,000</u>	<u>241,095</u>
Total net assets	<u>1,550,217</u>	<u>1,613,725</u>
Total liabilities and net assets	<u><u>\$ 1,571,113</u></u>	<u><u>\$ 1,630,963</u></u>

See accompanying notes to financial statements.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total (All funds)</u>	
			<u>2014</u>	<u>2013</u>
Revenue and support				
Grants and contributions from				
Corporations	\$ 27,900	\$ 15,000	\$ 42,900	\$ 62,600
Foundations	653,085	63,000	716,085	799,654
Governments	5,000	—	5,000	5,000
Individuals	166,316	6,320	172,636	163,530
Contract services	13,300	960	14,260	68,170
Subscriptions	15,069	—	15,069	6,981
Advertising	6,056	—	6,056	21,820
Interest	2,020	—	2,020	3,717
Book income & royalty	69,968	—	69,968	121,732
In-Kind contributions (Note 5)	12,467	—	12,467	14,000
Event income	31,425	—	31,425	—
Other income	3,668	—	3,668	2,161
Unrealized gain (loss) on investment (Note 2)	(43)	—	(43)	—
Release from temporarily restricted funds (Notes 2,4)	234,375	(234,375)	—	—
Total revenue and support	1,240,606	(149,095)	1,091,511	1,269,365
Expenses				
Program services:				
Peer education	525,071	—	525,071	554,835
Literacy training	319,107	—	319,107	418,560
Family education	39,825	—	39,825	85,416
Supporting services:				
Administrative and general	121,456	—	121,456	144,183
Fundraising	149,560	—	149,560	147,413
Total expenses	1,155,019	—	1,155,019	1,350,407
Change in net assets	85,587	(149,095)	(63,508)	(81,042)
Net assets at the beginning of period	1,372,630	241,095	1,613,725	1,694,767
Prior period adjustments	—	—	—	—
Net assets at the end of period	\$ 1,458,217	\$ 92,000	\$ 1,550,217	\$ 1,613,725

See accompanying notes to financial statements.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	Program Services			Supporting Services		Total Program and Supporting Services	
	Professional Development	Literacy Training	Family Education	Administrative and General	Fund Raising	2014	2013
Salaries	\$ 302,484	\$ 107,299	--	\$ 71,533	\$ 100,718	\$ 582,034	\$ 722,625
Payroll taxes	22,637	8,031	--	5,353	7,538	43,559	54,877
Fringe benefits	60,783	21,560	--	14,375	20,238	116,956	160,070
Total payroll and related expenses	385,904	136,890	--	91,261	128,494	742,549	937,572
Bank, credit card, and other charges	4,599	2,077	--	519	222	7,417	9,029
Professional fees	4,956	2,856	--	336	252	8,400	8,000
Consultants	10,597	2,119	--	1,413	--	14,129	39,273
Books and books for resale	17,507	1,142	--	380	--	19,029	21,278
Supplies & services	13,180	6,032	--	2,904	223	22,339	26,879
Telephone	1,840	1,636	--	409	204	4,089	4,085
Postage & shipping	35,582	1,160	--	1,547	387	38,676	38,568
Occupancy (Note 6)	29,097	134,662	--	19,204	7,454	190,417	185,297
Printing (including donated services of \$ 5,600) (Note 5)	17,555	3,901	--	2,194	732	24,382	40,870
Travel & transportation	1,601	2,515	--	320	137	4,573	5,505
Refreshments	359	987	--	395	54	1,795	10,816
Prize & awards	--	19,880	--	--	--	19,880	19,545
Sponsorship	--	--	38,865	--	--	38,865	--
Event expense (including donated services of \$ 6,867) (Note 5)	--	--	--	--	11,146	11,146	--
Miscellaneous	--	--	960	--	--	960	--
Total expenses before depreciation	522,777	315,857	39,825	120,882	149,305	1,148,646	1,346,717
Depreciation and amortization	2,294	3,250	--	574	255	6,373	3,690
Total expenses	\$ 525,071	\$ 319,107	\$ 39,825	\$ 121,456	\$ 149,560	\$ 1,155,019	\$ 1,350,407

See accompanying notes to financial statements.

**YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (63,508)	\$ (81,042)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	6,373	3,690
Unrealized (gain) loss on investment	43	(226)
(Increase) Decrease in Pledges receivable	(500)	(159,000)
(Increase) Decrease in Accounts receivable	2,139	11,080
(Increase) Decrease in other assets	183	—
Increase (Decrease) in Payroll taxes and other payable	(6,735)	(5,188)
Increase (Decrease) in Accrued expenses	10,393	—
	<hr/>	<hr/>
Net cash provided (used) by operating activities	(51,612)	(230,686)
 Cash flows from investing activities		
Assets acquisition	\$ (13,419)	—
	<hr/>	<hr/>
Net cash provided (used) in investing activities	(13,419)	—
 Net increase (decrease) in cash and cash equivalents	(65,031)	(230,686)
 Cash and cash equivalents at the beginning of period	<hr/> 1,444,531	<hr/> 1,675,217
 Cash and cash equivalents at the end of period	<hr/> <u>\$ 1,379,500</u>	<hr/> <u>\$ 1,444,531</u>

See accompanying notes to financial statements.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014



1. Organization

Youth Communication / New York Center, Inc. (the "Center"), founded in 1980, helps youth develop their full potential through reading and writing, so that they can succeed in school and at work and contribute to their communities. The Center's work is grounded in the belief that reading and writing remain the best way to stimulate the imagination and to encourage reflection and discussion

The Center publishes true stories by teens that are developed in rigorous writing programs. These stories are uniquely compelling to peers who do not see their experiences reflected in mainstream reading materials. They motivate teens to read and write, encourage good values, and show teens how to make positive changes in their lives. For teachers and other staff, the Center's material and training provide tools to understand and engage hard-to-reach teens while helping them improve their academic, social, and emotional skills.

The Center is exempt from Federal and New York income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code.

2. Summary of significant accounting policies

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies are as follows:

Support

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services and Materials

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets, or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Accordingly, actual results could differ from management's estimates.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014



Cash and cash equivalents

The Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair market values in the statement of financial position. The Center maintains a brokerage account, which consists of money market funds and certificates of deposit recorded at fair value. Investment income or loss (including realized and unrealized gains or losses on investments, interest, and dividends) is included in the statement of activities.

Revenue recognition

The Center has adopted Financial Accounting Standards Board ASC No. 958-605-25 (formerly SFAS No. 116), *Accounting for Contributions Received and Contribution Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

Property and equipment

Major acquisitions of property and equipment are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives.

Income Tax

The Center is exempt from federal and state income taxes under the provision of Section 501(c)(3) of the Internal Revenue Service Code and similar state income tax laws. Accordingly, no income taxes have been provided for the accompanying financial statements.

The Center adopted *Financial Accounting Standards Board* ("FASB") guidance on uncertain income tax positions in its financial statements. The Center recognizes the effect of tax positions only when they are more likely than not of being sustained. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

Net Assets

The Center has adopted Financial Accounting Standards Board ASC No. 958-205-05 (formerly SFAS No. 117), *Financial Statements of Not-for-profit Organizations*. Under FASB ASC No. 958-205-05, the Center is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and support, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

(1) Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and have been released from restrictions.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014



(2) Temporarily restricted – Net assets subject to donor-imposed restrictions that may or will be met, by action of the Center and/or the passage of time. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(3) Permanently restricted – Net assets subject to donor-imposed stipulations that require the net assets be maintained permanently by the Center. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purpose.

Summarized Financial Statements

These financial statements include certain prior year summarized information presented for comparative purposes and are not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with the Center’s financial statements for the year ended June 30, 2013 from which the summarized information was derived.

3. Pledges receivable

The unconditional promises to give for the coming year amounted to \$159,500 as of June 30, 2014.

4. Temporarily restricted net assets

Temporarily restricted net Assets of \$ 234,375 were released during the year ended June 30, 2014, from donor restrictions by satisfying the purpose and time restrictions specified by donors.

	<u>6/30/2014</u>
Prior year balance	\$ 241,095
For future use	85,280
Release from restriction	<u>(234,375)</u>
Total	<u>\$ 92,000</u>

5. In-kind contributions

The Center received donated printing services amounting to \$ 5,600 and donated event services amounting to \$6,867. These in-kind contributions were recognized as income and expenses during the fiscal year ending June 30, 2014.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014



6. Commitment

The Center's current lease on the premises is to continue until August 31, 2015 with the following rental expenses without the consideration of real estate taxes and operating charges.

July 1, 2014 – August 31, 2014	\$ 29,000
September 1, 2014 – August 31, 2015	<u>179,300</u>
Total	<u>\$ 208,300</u>

7. Functional allocation of expense

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

8. Concentration of credit risk

Financial instruments which potentially subject the Center to concentration of credit risk consist principally of cash and cash equivalents maintained at creditworthy financial institutions. The Center maintained cash balances in four banks in checking and savings, certificates of deposits, and money market funds. The account balances were insured by the Federal Deposit Insurance Corporation up to \$ 250,000 per depositor per insured bank except money market funds. As of June 30, 2014, it exceeded the insured limit by \$390,072 for one bank, but had not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

9. Contingencies

The Center depends on contributions and grants for a significant portion of its revenue. The ability of contributors and grantors to continue giving amounts comparable with those for prior years may be dependent upon future economic conditions and continued deductibility for income tax purpose of contributions and grants to the Center. While the Center's board of directors and management believe the Center has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

10. Fair value of financial instruments

The Center follows FASB guidance on *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. As defined in *FASB Accounting Standards Codification* ("ASC") 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The Center utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. The Center’s assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 – Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets.
- Level 3 – Unobservable inputs reflecting management’s own assumption about the inputs used in pricing the asset or liability.

The carrying amount and the fair value of the Center’s cash and cash equivalents and unconditional promises to give approximate fair values because of the short-term maturities as follows:

Financial assets:	<u>Carrying amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,379,500	\$ 1,379,500
Unconditional promises to give in less than one year	159,500	159,500

11. Subsequent events

The Center evaluated subsequent events through September 17, 2014, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.