SAMWOO
CERTIFIED PUBLIC ACCOUNTANTS

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

FINANCIAL STATEMENTS
AS OF JUNE 30, 2016
AND
FOR THE YEAR THEN ENDED
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

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YOUTH COMMUNICATION / NEW YORK CENTER, INC.

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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, 2016, 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, 2016, and the changes 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.

Samwoo LLP

New York, NY
September 13, 2016

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YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

Assets	**2016**	**2015**
Current assets:		
Cash and cash equivalents (Notes 2,8,10)	$ 1,390,228	$ 1,394,972
Pledges receivable (Notes 3,10)	465,000	52,500
Accounts receivable	25,293	14,537
Prepaid expenses	-	12,800
Total current assets	1,880,521	1,474,809
Non-Current assets:		
Property and equipment, at cost (net of accumulated depreciation) (Notes 2,4)	189,369	76,147
Security deposit and other assets (Note 6)	94,573	107,047
Total non-current assets	283,942	183,194
Total assets	$ 2,164,463	$ 1,658,003
Liabilities and net assets		
Current liabilities:		
Payroll taxes and related payables	$ 4,622	$ 6,606
Accrued expenses	786	12,451
Total liabilities	5,408	19,057
Commitment (Note 6)		
Contingencies (Note 9)		
Net assets: (Note 2)		
Unrestricted	1,644,055	1,540,052
Temporarily restricted (Note 5)	515,000	98,894
Total net assets	2,159,055	1,638,946
Total liabilities and net assets	$ 2,164,463	$ 1,658,003

See accompanying notes to financial statements and independent auditors' report.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Total (All funds) 2016	2015
Revenue and support				
Grants and contributions from				
Corporations	$ 119,000	$ 11,000	$ 130,000	$ 17,500
Foundations	638,000	742,000	1,380,000	1,009,000
Governments	—	—	—	5,000
Individuals	147,848	—	147,848	154,791
Event income	20,350	—	20,350	—
Professional development services	84,912	—	84,912	1,500
Other contracted services	7,525	—	7,525	6,750
Book income and royalty	39,369	—	39,369	69,231
Subscriptions, advertising and permissions	9,988	—	9,988	10,143
Interest and dividend	1,824	—	1,824	2,320
In-Kind contributions	—	—	—	8,000
Other income	—	—	—	1,278
Unrealized gain (loss) on investment (Note 2)	—	—	—	133
Release from temporarily restricted funds (Notes 2,5)	336,894	(336,894)	—	—
Total revenue and support	1,405,710	416,106	1,821,816	1,285,646
Expenses				
Program services:				
Professional development	621,751	—	621,751	629,297
Writing program	367,341	—	367,341	348,697
Supporting services:				
Administrative and general	149,348	—	149,348	118,499
Fundraising	163,267	—	163,267	100,424
Total expenses	1,301,707	—	1,301,707	1,196,917
Changes in net assets	104,003	416,106	520,109	88,729
Net assets at beginning of year	1,540,052	98,894	1,638,946	1,550,217
Prior period adjustments	—	—	—	—
Net assets at end of year	$ 1,644,055	$ 515,000	$ 2,159,055	$ 1,638,946

See accompanying notes to financial statements and independent auditors' report.

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YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	Program Services		Supporting Services		Total Program and Supporting Services	
	Professional Development	Writing Program	Administrative and General	Fund Raising	2016	2015
Salaries	$ 406,622	$ 120,299	$ 87,454	$ 125,056	$ 739,431	$ 644,824
Payroll taxes	30,766	9,102	6,617	9,462	55,947	49,933
Fringe benefits	46,204	23,666	27,047	15,777	112,694	98,876
Total payroll and related expenses	483,592	153,067	121,118	150,295	908,072	793,633
Bank, merchant fees, and other charges	5,118	—	—	903	6,021	9,305
Professional fees	2,325	2,325	2,325	2,325	9,300	8,650
Consultants and contractors	18,820	4,705	7,841	—	31,366	42,886
Books and books for resale	—	—	—	—	—	19,840
Supplies & services	15,447	17,377	3,862	1,931	38,617	23,478
Telephone	1,368	1,185	304	182	3,039	4,119
Postage & shipping	28,277	2,044	2,385	1,363	34,069	27,448
Occupancy (Note 6)	28,123	149,989	5,625	3,750	187,487	194,997
Printing	29,979	5,996	2,798	1,199	39,972	25,912
Travel & transportation	344	2,295	201	29	2,869	5,273
Refreshments	—	—	—	—	—	3,552
Prize & awards	—	20,000	—	—	20,000	21,317
Insurance	3,199	3,199	1,599	—	7,997	10,742
Total expenses before depreciation	616,592	362,182	148,058	161,977	1,288,809	1,191,152
Depreciation	5,159	5,159	1,290	1,290	12,898	5,765
Total expenses	$ 621,751	$ 367,341	$ 149,348	$ 163,267	$ 1,301,707	$ 1,196,917

See accompanying notes to financial statements and independent auditors' report.

YOUTH COMMUNICATION / NEW YORK CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	2016	2015
Cash flows from operating activities		
Changes in net assets	$ 520,109	$ 88,729
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation	12,898	5,765
Unrealized (gain) loss on investment	-	(133)
(Increase) Decrease in Pledges receivable	(412,500)	107,000
(Increase) Decrease in Accounts receivable	(10,756)	(9,681)
(Increase) Decrease in Prepaid expenses	12,800	(12,800)
(Increase) Decrease in Security deposit and other assets	12,474	(92,696)
Increase (Decrease) in Payroll taxes and related payable	(1,984)	(3,897)
Increase (Decrease) in Accrued expenses	(11,665)	2,058
Net cash provided by operating activities	121,376	84,345
Cash flows from investing activities		
Purchase of furniture and equipment	$ (5,736)	(7,772)
Leasehold improvement	(120,384)	(61,101)
Net cash used in investing activities	(126,120)	(68,873)
Net decrease in cash and cash equivalents	(4,744)	15,472
Cash and cash equivalents at beginning of year	1,394,972	1,379,500
Cash and cash equivalents at end of year	$ 1,390,228	$ 1,394,972

See accompanying notes to financial statements and independent auditors' report.

1. Organization

Youth Communication / New York Center, Inc. (the "Center"), a Delaware corporation 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:

<u>Support</u>
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.

<u>Contributed Services and Materials</u>
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.

<u>Use of Estimates</u>
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.

<u>Cash and cash equivalents</u>
The Center considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

<u>Investments</u>
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.

<u>Revenue recognition</u>
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.

<u>Property and equipment</u>
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.

<u>Income Tax</u>
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.

<u>Net Assets</u>
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.

(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, 2014 from which the summarized information was derived.

3. Pledges receivable

The unconditional promises to give amounted to $465,000 as of June 30, 2016.

4. Property and equipment

Property and equipment at June 30, 2016 consisted of the following:

Office furniture and equipment	$	112,364
Leasehold improvement		450,910
		563,274
Less: accumulated depreciation		(373,905)
Property and equipment, net	$	189,369

5. Temporarily restricted net assets

Temporarily restricted net Assets of $336,894 were released during the year ended June 30, 2016, from donor restrictions by satisfying the purpose and time restrictions specified by donors.

Balance at beginning of year	$	98,894
Added during the year		753,000
Released from restriction during the year		(336,894)
Balance at end of year	$	515,000

6. Commitment

On May 4, 2015, the Center entered into an operating lease agreement with 242 West 38th Street LLC for its office facilities. The Center paid $92,817 of security deposit in conjunction with this new lease which expires on August 31, 2022. Future minimum annual lease payments required under the lease are as follows:

Year Ended June 30		Amount
2017	$	156,070
2018		160,362
2019		169,588
2020		176,636
2021		181,493
Thereafter (to 8/2022)		218,273
Total	$	1,062,422

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 three financial institutions in checking and savings, certificates of deposits, and money market funds. Account balances are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to $250,000 per depositor per insured bank except money market funds. As of June 30, 2016, it exceeded the insured limit by $376,471 in one bank and its brokerage account had money market funds in the amount of $234,107 which is not insured by the FDIC. But the Center 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.

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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 pledges receivable approximate fair values because of the short-term durations as follows:

Financial assets:	Carrying amount	Fair Value
Cash and cash equivalents	$ 1,390,228	$ 1,390,228
Pledges receivable	465,000	465,000

11. Subsequent events

The Center evaluated subsequent events through September 13, 2016, 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.