

Young Americans Center for Financial Education

Consolidated Financial Statements

December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Directors Young Americans Center for Financial Education:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Young Americans Center for Financial Education, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Young Americans Center for Financial Education as of December 31, 2018 and 2017, 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.

**Young Americans Center for Financial Education
Board of Directors**

Emphasis of Matter

As discussed in note 1, Young Americans Center for Financial Education adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively for all years presented. Our opinion is not modified with respect to this matter.

Kundinger, Corda & Gangle, P.C.

May 17, 2019

Young Americans Center for Financial Education
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 2,253,377	1,855,694
Cash restricted for YouthBiz program	547,949	584,021
Cash restricted for Rural program	171,146	166,870
Accounts receivable	53,462	28,497
Contributions receivable (note 3)	232,367	28,110
Prepaid expenses and other assets	12,421	26,790
Cash held for others	25,376	32,282
Inventory	9,091	14,763
Property and equipment, net (note 4)	87,914	170,541
Total assets	<u>\$ 3,393,103</u>	<u>2,907,568</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 51,105	31,822
Due to Young Americans Education Foundation (note 9)	8,095	—
Deferred revenue (note 1m)	160,052	77,690
Cash held for others	25,376	32,282
Capital lease obligation (note 5)	16,196	22,576
Total liabilities	<u>260,824</u>	<u>164,370</u>
Net assets		
Without donor restrictions (note 6)	2,205,469	2,041,912
With donor restrictions (note 7)	926,810	701,286
Total net assets	<u>3,132,279</u>	<u>2,743,198</u>
Commitments (notes 5 and 8)		
Total liabilities and net assets	<u>\$ 3,393,103</u>	<u>2,907,568</u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Consolidated Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Gifts and grants			
Contributions	\$ 1,159,719	406,674	1,566,393
In-kind donations (note 1n)	1,229,768	—	1,229,768
Program fees, net of discounts of \$83,008	1,085,999	—	1,085,999
Special event revenue (\$18,735 in-kind)	309,853	—	309,853
Special event expense (\$18,735 in-kind)	(61,836)	—	(61,836)
License and service fees (note 10)	70,000	—	70,000
Rental and other income, net of expense of \$18,677	20,110	—	20,110
Net assets released from restrictions due to satisfaction of expenditure requirements (note 7)	181,150	(181,150)	—
Total revenue	<u>3,994,763</u>	<u>225,524</u>	<u>4,220,287</u>
Expenses			
Program services			
Young AmeriTowne (\$552,577 in-kind)	1,643,289	—	1,643,289
International Towne (\$352,825 in-kind)	626,376	—	626,376
Summer programs (\$193,735 in-kind)	416,933	—	416,933
Rural programs (\$47,809 in-kind)	113,095	—	113,095
YouthBiz (\$25,887 in-kind)	294,562	—	294,562
Other programs	51,910	—	51,910
Total program services	<u>3,146,165</u>	<u>—</u>	<u>3,146,165</u>
Supporting services			
Management and general (\$8,656 in-kind)	283,254	—	283,254
Fundraising (\$43,279 in-kind)	401,787	—	401,787
Total supporting services	<u>685,041</u>	<u>—</u>	<u>685,041</u>
Total expenses	<u>3,831,206</u>	<u>—</u>	<u>3,831,206</u>
Change in net assets	163,557	225,524	389,081
Net assets, beginning of year	2,041,912	701,286	2,743,198
Net assets, end of year	<u>\$ 2,205,469</u>	<u>926,810</u>	<u>3,132,279</u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Consolidated Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Gifts and grants			
Contributions	\$ 941,870	135,165	1,077,035
In-kind donations (note 1n)	1,243,532	—	1,243,532
Program fees, net of discounts of \$95,481	1,078,544	—	1,078,544
Special event revenue (\$1,996 in-kind)	239,505	—	239,505
Special event expense (\$1,996 in-kind)	(68,646)	—	(68,646)
License and service fees (note 10)	60,000	—	60,000
Rental and other income, net of expense of \$16,097	20,382	—	20,382
Net assets released from restrictions due to satisfaction of expenditure requirements (note 7)	298,567	(298,567)	—
Total revenue	<u>3,813,754</u>	<u>(163,402)</u>	<u>3,650,352</u>
Expenses			
Program services			
Young AmeriTowne (\$579,562 in-kind)	1,562,534	—	1,562,534
International Towne (\$356,427 in-kind)	612,879	—	612,879
Summer programs (\$175,960 in-kind)	372,911	—	372,911
Rural programs (\$58,531 in-kind)	127,356	—	127,356
YouthBiz (\$22,991 in-kind)	250,086	—	250,086
Other programs	51,324	—	51,324
Total program services	<u>2,977,090</u>	<u>—</u>	<u>2,977,090</u>
Supporting services			
Management and general (\$8,244 in-kind)	261,813	—	261,813
Fundraising (\$41,817 in-kind)	358,316	—	358,316
Total supporting services	<u>620,129</u>	<u>—</u>	<u>620,129</u>
Total expenses	<u>3,597,219</u>	<u>—</u>	<u>3,597,219</u>
Change in net assets	216,535	(163,402)	53,133
Net assets, beginning of year	1,825,377	864,688	2,690,065
Net assets, end of year	<u>\$ 2,041,912</u>	<u>701,286</u>	<u>2,743,198</u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program services							Supporting services			Total
	Young Ameri- Towne	Inter- national Towne	Summer Programs	Rural Programs	Youth- Biz	Other Programs	Total program services	Manage- ment and general	Fund raising	Total supporting services	
Salaries	\$ 517,041	150,153	136,207	13,692	130,065	34,152	981,310	177,410	239,665	417,075	1,398,385
Benefits	98,072	28,481	25,836	2,597	24,670	6,477	186,133	33,650	45,459	79,109	265,242
Payroll taxes	52,038	15,112	13,709	1,378	13,090	3,436	98,763	17,855	24,121	41,976	140,739
Contract labor and professional services	115,941	5,246	—	—	12,764	178	134,129	34,783	—	34,783	168,912
Advertising	13,553	480	21,094	—	39,082	—	74,209	—	13,506	13,506	87,715
Office supplies and postage	186,429	74,342	27,050	16,573	16,393	2,100	322,887	2,854	4,753	7,607	330,494
Occupancy	539,329	339,176	175,916	67,896	—	73	1,122,390	10,333	43,279	53,612	1,176,002
Travel and meetings	37,327	207	7,658	768	6,566	4,873	57,399	398	3,603	4,001	61,400
Depreciation and amortization	57,935	7,973	—	5,618	2,848	—	74,374	1,554	—	1,554	75,928
Insurance	7,461	1,493	909	2,821	178	—	12,862	—	—	—	12,862
Fundraising events	—	—	—	—	—	—	—	—	78,780	78,780	78,780
Other expenses	18,163	3,713	8,554	1,752	48,906	621	81,709	4,417	10,457	14,874	96,583
	<u>1,643,289</u>	<u>626,376</u>	<u>416,933</u>	<u>113,095</u>	<u>294,562</u>	<u>51,910</u>	<u>3,146,165</u>	<u>283,254</u>	<u>463,623</u>	<u>746,877</u>	<u>3,893,042</u>
Less special event expenses netted with revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(61,836)</u>	<u>(61,836)</u>	<u>(61,836)</u>
Total expenses	\$ <u><u>1,643,289</u></u>	<u><u>626,376</u></u>	<u><u>416,933</u></u>	<u><u>113,095</u></u>	<u><u>294,562</u></u>	<u><u>51,910</u></u>	<u><u>3,146,165</u></u>	<u><u>283,254</u></u>	<u><u>401,787</u></u>	<u><u>685,041</u></u>	<u><u>3,831,206</u></u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program services							Supporting services			Total
	Young Ameri- Towne	Inter- national Towne	Summer Programs	Rural Programs	Youth- Biz	Other Programs	Total program services	Manage- ment and general	Fund raising	Total supporting services	
Salaries	\$ 549,023	142,555	125,936	27,834	114,732	35,485	995,565	143,484	240,679	384,163	1,379,728
Benefits	75,459	19,412	17,163	3,868	15,920	4,913	136,735	28,725	27,496	56,221	192,956
Payroll taxes	52,755	13,572	11,999	2,704	11,130	3,434	95,594	20,082	19,223	39,305	134,899
Contract labor and professional services	11,275	1,763	—	197	6,740	1,050	21,025	53,129	260	53,389	74,414
Advertising	3,232	—	6,277	—	23,838	—	33,347	—	855	855	34,202
Office supplies and postage	225,180	91,424	22,559	8,704	24,475	4,505	376,847	3,490	6,295	9,785	386,632
Occupancy	526,514	323,800	170,492	68,387	45,728	157	1,135,078	9,943	41,218	51,161	1,186,239
Travel and meetings	23,135	214	7,376	648	723	942	33,038	304	3,027	3,331	36,369
Depreciation and amortization	63,813	8,012	—	11,339	2,980	—	86,144	—	—	—	86,144
Insurance	8,222	1,935	1,426	2,351	129	—	14,063	—	—	—	14,063
Fundraising events	—	—	—	—	—	—	—	—	80,179	80,179	80,179
Other expenses	23,926	10,192	9,683	1,324	3,691	838	49,654	2,656	7,730	10,386	60,040
	1,562,534	612,879	372,911	127,356	250,086	51,324	2,977,090	261,813	426,962	688,775	3,665,865
Less special event expenses netted with revenue	—	—	—	—	—	—	—	—	(68,646)	(68,646)	(68,646)
Total expenses	\$ 1,562,534	612,879	372,911	127,356	250,086	51,324	2,977,090	261,813	358,316	620,129	3,597,219

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 389,081	53,133
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	75,928	86,144
Donated toy inventory	(5,000)	—
(Increase) decrease in operating assets		
Cash restricted for YouthBiz	36,072	61,833
Cash restricted for Rural	(4,276)	(32,977)
Accounts receivables	(24,965)	21,303
Due from Young Americans Education Foundation	—	100,000
Contributions receivable	(204,257)	138,404
Prepaid expenses and other assets	14,369	20,283
Inventory	10,672	45,357
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	19,283	(96,142)
Due to Young Americans Education Foundation	8,095	—
Deferred revenue	82,362	6,660
Net cash provided by operating activities	<u>397,364</u>	<u>403,998</u>
Cash flows from investing activities		
Payments for purchases of equipment	—	(20,940)
Proceeds from sale of equipment	6,699	—
Net cash provided by (used in) investing activities	<u>6,699</u>	<u>(20,940)</u>
Cash flows from financing activities		
Payments on capital lease obligation	(6,380)	(6,545)
Net cash used in financing activities	<u>(6,380)</u>	<u>(6,545)</u>
Net increase in cash and cash equivalents	397,683	376,513
Cash and cash equivalents at beginning of year	<u>1,855,694</u>	<u>1,479,181</u>
Cash and cash equivalents at end of year	<u>\$ 2,253,377</u>	<u>1,855,694</u>
Supplemental disclosures		
Cash payments for interest	\$ 1,143	747
Donated inventory	\$ 5,000	-

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) Organization

Young Americans Center for Financial Education (YA Center) was formed as a not-for-profit corporation that began operations on January 1, 2001. YA Center is committed to developing the financial literacy of young people through real-life experiences and hands-on programs purposefully designed to enable them to prosper in the free enterprise system.

Rural Young Americans Center for Financial Education, LLC (Rural YA) manages the Rural program operations. Rural YA is considered a disregarded entity for tax purposes.

The programs of the Center are as follows:

Young AmeriTowne: Young AmeriTowne is an educational program for ages 10-12 in which students explore basic economic concepts and then run their own life-sized town. The program incorporates a "learn by doing" approach and teaches economics, financial skills and career exploration.

International Towne: This program helps 11-13 year old "world citizens" become better prepared for the financial realities of the global marketplace. International Towne illustrates the role of free enterprise in the global economy and teaches an array of international concepts including global trading, foreign currency and exchange rates.

Summer Programs: Week-long summer programs provide youth a stimulating combination of hands-on activities promoting a variety of financial and life skills. Topics include learning free enterprise by running a town, traveling the world as a citizen of International Towne, and experiencing entrepreneurship from a youth perspective.

Rural Programs: Rural programs are educational programs for ages 10-12 located in Wray, Colorado, in which students explore basic economic concepts and then run their own life-sized town. The program incorporates a "learn by doing" approach and teaches economics, financial skills and career exploration. Additionally, programs include lessons and activities relating to financial literacy for the rural communities.

YouthBiz: YouthBiz offers youth programs, both in and after school, and in partnership with a broad range of community partners that challenge youth to build entrepreneurial skills and habits. Using hands-on activities, innovative strategies and proven curriculum, students learn about the ins and outs of starting and growing a business. The annual awards competition and Spotlight on YouthBiz Stars dinner event also provide youth the opportunity to showcase their businesses. The YouthBiz Marketplace allows youth to sell their products or services to the public.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

Other Programs: The Center provides a variety of other youth programs on financial education, credit responsibility, investing and related topics through lessons and activities, educational games and money management tip sheets suitable for educators, parents, grandparents and students. In addition, Money Matters classes, tours and presentations reach youth of all ages with a variety of financial topics.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of YA Center and Rural YA (collectively the Center). All intercompany balances and transactions have been eliminated in consolidation.

(c) Basis of Accounting

The accompanying consolidated financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

(d) Financial Statement Presentation

The Center is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the board of directors. The board designated reserve funds are included in net assets without donor restrictions. See note 5.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(e) Cash and Cash Equivalents

The Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist of cash and cash equivalents, and contributions and accounts receivable. At times, a significant portion of the Center's cash exceeds the amounts insured by the FDIC or a related entity. Concentrations of credit risk with respect to contributions receivable is limited due to the large number of contributors comprising the Center's contributor base and historical high collectability experience.

(g) Restricted Cash

Restricted cash represents donor-restricted cash held in separate accounts for specific program purposes.

(h) Accounts Receivable

Accounts receivable represent amounts due resulting from program services provided to schools and individuals. The allowance for doubtful accounts is based on past experience and on analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms. Management considers all accounts receivable to be collectable as of December 31, 2018 and 2017.

(i) Contributions and Contributions Receivable

Contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Center considers all contributions receivable to be fully collectable; accordingly, no allowance for doubtful amounts is considered necessary.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Cash Held for Others

In 2016, the Center launched Spark Change, a service learning leadership program that offers K-8 students the opportunity to give back to their communities. Students collect change and donate the funds to the not-for-profit organization of their choice. The Center is the fiscal agent for funds collected. During the year ended December 31, 2018 and 2017, the balance of funds collected under the program but not yet disbursed totals \$25,376 and \$32,282, respectively, which is reflected as an asset and a liability on the accompanying consolidated statements of financial position.

(k) Inventory

Inventories are stated at the lower of cost or market value. Inventories consist of various toys which are utilized by students during Towne sessions.

(l) Property and Equipment

Property and equipment is recorded at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from two to ten years. The Center capitalizes all fixed asset purchases over \$5,000 with an estimated useful life greater than one year.

(m) Revenue Recognition

Program fees are recorded as revenue in the period in which the schools attend and participate in the programs. License and service fees are recorded as revenue in the period in which the agreement relates. Income from advance payments on program and license and service fees is deferred until the fees are earned.

Deferred program fees and rent total \$90,052 and \$77,690 at December 31, 2018 and 2017, respectively. Deferred license fees total \$70,000 and \$0 at December 31, 2018 and 2017, respectively.

(n) In-Kind Donations

Donated services and materials are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. Unpaid volunteers have donated a significant number of hours in assisting the Center in achieving the goals of its various service programs. The value of this contributed time is not reflected in the accompanying financial statements as it does not meet the requirements of recognition.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) In-Kind Donations, Continued

In-kind contributions for the years ended December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Rent and occupancy (see note 9)	\$ 1,131,910	1,106,985
Program supplies and materials	12,028	83,745
Advertising	55,480	30,587
Donated use of facilities and parking	25,350	22,215
Toy inventory	<u>5,000</u>	<u>—</u>
Total in-kind contributions	\$ <u>1,229,768</u>	<u>1,243,532</u>

(o) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Center incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Center also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(p) Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 totaled \$87,715 and \$34,202, respectively.

(q) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. During 2018 and 2017, the Center did not incur any unrelated business income tax. In addition, the Center qualifies for the charitable contribution deduction.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(r) Income Taxes, Continued

Management is required to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none.

The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(s) Subsequent Events

The Center has evaluated subsequent events through May 17, 2019, the date the financial statements were available to be issued.

(t) Not-for-Profit Financial Statement Presentation

During 2018, the Center adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications had no effect on net assets or the change in net assets.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

The following reflects the Center's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or when restricted by donors for purposes more limited than general expenditures.

Financial assets at year-end:

Cash and cash equivalents	\$ 2,253,377
Cash restricted for YouthBiz program	547,949
Cash restricted for Rural program	171,146
Accounts receivable	53,462
Contributions receivable	<u>232,367</u>
Total financial assets at year-end	3,258,301

Less amounts unavailable to be used within one year:

Net assets with purpose restrictions to be met in more than one year	(426,254)
Contributions receivable due in more than one year	<u>(50,000)</u>
	(476,254)

Less amount unavailable without board approval:

Board designated special reserve (note 5)	(125,000)
Board designated operating reserve (note 5)	<u>(900,000)</u>
	(1,025,000)

Financial assets available for general expenditures within one year

\$ 1,757,047

The Center receives significant contributions restricted by donors and considers contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Center manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Occasionally, the board designates a portion of any operating surplus to its operating reserve. There is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling liabilities. See note 5.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(3) Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Contributions for current year operations	\$ 55,617	—
Program sponsorship receivables	156,750	28,110
Event sponsorships for future year	<u>20,000</u>	<u>—</u>
	<u>\$ 232,367</u>	<u>28,110</u>

All contributions are considered collectable. Contributions receivable totaling \$182,367 are due within one year, and contributions receivable totaling \$50,000 are due in more than one year.

(4) Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 425,431	433,353
Leasehold improvements	<u>149,942</u>	<u>149,942</u>
	575,373	583,295
Less accumulated depreciation	<u>(487,459)</u>	<u>(412,754)</u>
Property and equipment, net	<u>\$ 87,914</u>	<u>170,541</u>

(5) Capital Lease

The Center leases office equipment under a capital lease agreement. The lease requires monthly payments totaling \$579. The cost of the office equipment under the capital lease totals \$32,313 and has been included in furniture, fixtures, and equipment. Amortization expense for the year has been included in depreciation expense.

Future minimum payments required under this lease agreement at December 31 are as follows:

2019	\$ 6,944
2020	6,944
2021	<u>2,894</u>
Total minimum lease payments	16,782
Less amount representing interest	<u>(586)</u>
Total capital lease obligation	<u>\$ 16,196</u>

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(6) Board Designated Reserve Funds

The Center's board of directors established board designated funds for operations and special reserves. The target to be held in the operating reserve is between three to six months of cash expenses, and the balance at December 31, 2018 of \$900,000 represents approximately four months of cash expenses based on the current year's expenses. The special reserve was approved during 2018 for \$250,000. Management intends to spend \$125,000 of this reserve during 2019 and the remaining \$125,000 thereafter on expansion and technology needs as they arise. All board designated funds are held in cash and cash equivalents.

(7) Net Assets With Donor Restrictions

At December 31, net assets with donor restrictions were restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose		
YouthBiz	\$ 547,949	584,021
Young AmeriTowne	118,102	46,000
On the Road	117,000	4,000
Micro loans	28,805	25,000
Send-a-School	21,054	7,335
International Towne	15,000	—
Other programs	<u>33,900</u>	<u>3,320</u>
Total subject to purpose restrictions	881,810	669,676
Subject to passage of time		
Future operations	25,000	31,610
Future events	<u>20,000</u>	<u>—</u>
Total subject to time restrictions	<u>45,000</u>	<u>31,610</u>
Total net assets with donor restrictions	<u>\$ 926,810</u>	<u>701,286</u>

Net assets were released from donor restrictions as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
YouthBiz	\$ 36,072	61,833
Young AmeriTowne	54,398	5,000
On the Road	4,000	—
Micro loans	45,219	—
Send-a-School	6,531	27,320
Other programs	<u>3,320</u>	<u>7,000</u>
Total purpose restrictions released	149,540	101,153
Expiration of time restrictions	<u>31,610</u>	<u>197,414</u>
Total net assets released from restrictions	<u>\$ 181,150</u>	<u>298,567</u>

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(8) Employee Benefit Plan

The Center's employees are covered under a related party's 401(k) pension plan (the Plan). The Plan is open to all employees who have completed three months of service and are at least twenty one years of age. The Center may match employee contributions which are determined annually. All employer contributions are immediately vested. The Center's total contributions to the plan were \$26,588 and \$21,562 in 2018 and 2017, respectively.

(9) Related Party Transactions

Young Americans Education Foundation (the Foundation) staff provide management and accounting services to the Center throughout the year, which are charged to the Center based on estimated time spent. The Center reimburses the Foundation for these services during the year.

Additionally, the Foundation owns three buildings which are utilized by the Center for program activities. The Foundation does not charge the Center for the use of this space or the cost of certain shared occupancy expenses, thus an in-kind donation of rent and occupancy costs is recorded on the Center's books at estimated fair value.

Related party transactions consist of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Accounting and management services	\$ 282,372	254,160
In-kind rent and occupancy		
Headquarters building	865,577	824,359
Jefferson County building	219,083	225,976
Wray building	<u>47,285</u>	<u>56,650</u>
Total related party transactions	\$ <u>1,414,317</u>	<u>1,361,145</u>

At December 31, 2018, amounts owed to the Foundation for accounting and management services total \$8,095. At December 31, 2017, the Foundation owed the Center \$15,880 due to a true-up of actual accounting and management services.

Additionally, the Foundation provides the use of certain fixed assets to the Center for their programs at no charge.

The Center has subleased a portion of their available space at the Wray building to an unrelated party. The Center has a lease agreement with the unrelated party that expires June 30, 2020. Gross rental income under this lease totaled \$30,467 in 2018 and \$32,104 in 2017.

Young Americans Center for Financial Education

Notes to Consolidated Financial Statements, Continued

(10) License Agreements

Beginning in 2016, the Center has entered into various licensing agreements with partner organizations which allows the partner organization the right to use the Center's curriculum and cloud-based internet platform for the purpose of expanding certain programs into nearby states. In connection with the license agreements, the Center provides training and support to the partner organizations to carry out the program pursuant to a service agreement. The agreements are in effect for an initial term of four to five years and automatically renew thereafter for additional one year periods up to 10 years, unless either party terminates the agreements at least 90 days prior to the end of the period.

License and service fees earned during the years ended December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Annual, nonrefundable license fees	\$ 50,000	50,000
Start-up license fees	10,000	—
Annual service fees	<u>10,000</u>	<u>10,000</u>
Total license and service fees revenue	\$ <u>70,000</u>	<u>60,000</u>

In October 2018, the Center entered into another license agreement with a new partner organization to commence programs in April 2019. The partner organization paid their annual and start up license and service fees in advance totaling \$70,000. This amount is included in deferred revenue as of December 31, 2018 on the statement of financial position and will be recognized as revenue in 2019 when the performance obligations under the agreement are met.