

**Young Americans Center  
for Financial Education**

**Consolidated Financial Statements**

**December 31, 2019 and 2018**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

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*Certified Public Accountants*

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## **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, 2019 and 2018, 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 consolidated 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 consolidated 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, 2019 and 2018, 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.

*Kundinger, Corder & Engle, P.C.*

May 15, 2020

**Young Americans Center for Financial Education**  
**Consolidated Statements of Financial Position**  
**December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 2,327,271	2,253,377
Cash restricted for YouthBiz program	396,022	547,949
Cash restricted for Rural program	236,925	171,146
Accounts receivable (note 1(j))	35,248	53,462
Contributions receivable (note 1(j))	106,868	232,367
Prepaid expenses and other assets	18,992	21,512
Cash held for others (note 1(h))	15,435	25,376
Property and equipment, net (note 3)	138,052	87,914
Total assets	<u>\$ 3,274,813</u>	<u>3,393,103</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 47,566	67,301
Due to related parties (note 6)	81,519	8,095
Deferred revenue (note 1(j))	96,463	160,052
Cash held for others	15,435	25,376
Total liabilities	<u>240,983</u>	<u>260,824</u>
<b>Net assets (note 4)</b>		
Without donor restrictions	2,469,590	2,205,469
With donor restrictions	564,240	926,810
Total net assets	<u>3,033,830</u>	<u>3,132,279</u>
<b>Commitments (note 5)</b>		
Total liabilities and net assets	<u>\$ 3,274,813</u>	<u>3,393,103</u>

See the accompanying notes to the consolidated financial statements.

**Young Americans Center for Financial Education**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Contributions	\$ 959,690	38,112	997,802
In-kind contributions	1,292,910	—	1,292,910
Program fees, net of scholarships of \$76,152	1,115,886	—	1,115,886
Special event revenue	264,676	—	264,676
Special event expense	(77,942)	—	(77,942)
License and service fees (note 7)	135,000	—	135,000
Rental and other income	33,460	—	33,460
Net assets released from restrictions due to satisfaction of expenditure requirements (note 4)	400,682	(400,682)	—
Total revenue	<u>4,124,362</u>	<u>(362,570)</u>	<u>3,761,792</u>
<b>Expenses</b>			
Program services			
Young AmeriTowne	1,580,901	—	1,580,901
International Towne	628,350	—	628,350
Summer programs	442,717	—	442,717
Rural programs	120,509	—	120,509
YouthBiz	284,310	—	284,310
Other programs	64,370	—	64,370
Total program services	<u>3,121,157</u>	<u>—</u>	<u>3,121,157</u>
Supporting services			
Management and general	298,844	—	298,844
Fundraising	440,240	—	440,240
Total supporting services	<u>739,084</u>	<u>—</u>	<u>739,084</u>
Total expenses	<u>3,860,241</u>	<u>—</u>	<u>3,860,241</u>
<b>Change in net assets</b>	264,121	(362,570)	(98,449)
<b>Net assets, beginning of year</b>	<u>2,205,469</u>	<u>926,810</u>	<u>3,132,279</u>
<b>Net assets, end of year</b>	<u>\$ 2,469,590</u>	<u>564,240</u>	<u>3,033,830</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**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Contributions	\$ 1,159,719	406,674	1,566,393
In-kind contributions	1,228,944	—	1,228,944
Program fees, net of scholarships of \$83,008	1,085,999	—	1,085,999
Special event revenue	309,853	—	309,853
Special event expense	(61,836)	—	(61,836)
License and service fees (note 7)	70,000	—	70,000
Rental and other income	20,934	—	20,934
Net assets released from restrictions due to satisfaction of expenditure requirements (note 4)	<u>181,150</u>	<u>(181,150)</u>	<u>—</u>
Total revenue	<u>3,994,763</u>	<u>225,524</u>	<u>4,220,287</u>
<b>Expenses</b>			
Program services			
Young AmeriTowne	1,643,289	—	1,643,289
International Towne	626,376	—	626,376
Summer programs	416,933	—	416,933
Rural programs	113,095	—	113,095
YouthBiz	294,562	—	294,562
Other programs	<u>51,910</u>	<u>—</u>	<u>51,910</u>
Total program services	<u>3,146,165</u>	<u>—</u>	<u>3,146,165</u>
Supporting services			
Management and general	283,254	—	283,254
Fundraising	<u>401,787</u>	<u>—</u>	<u>401,787</u>
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>
<b>Change in net assets</b>	163,557	225,524	389,081
<b>Net assets, beginning of year</b>	<u>2,041,912</u>	<u>701,286</u>	<u>2,743,198</u>
<b>Net assets, end of year</b>	<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 Functional Expenses**  
**Year Ended December 31, 2019**

	Program services						Supporting services			
	Young Ameri-Towne	Inter-national Towne	Summer Programs	Rural Programs	Youth-Biz	Other Programs	Total program services	Management and general	Fund raising	Total supporting services
Salaries	\$ 486,041	140,796	156,001	26,765	162,772	50,689	1,023,064	202,315	259,720	462,035
Benefits	89,511	25,466	26,081	1,072	21,512	5,887	169,529	27,481	42,105	69,586
Payroll taxes	40,509	11,815	12,797	2,039	12,278	2,427	81,865	12,571	17,348	29,919
Contract labor and professional services	118,551	7,407	—	—	—	—	125,958	35,400	6,395	41,795
Advertising	—	—	3,262	—	10,137	—	13,399	—	2,427	2,427
Office supplies and postage	161,619	59,066	25,171	13,205	24,189	573	283,823	2,131	13,528	15,659
Occupancy	14,835	2,529	—	20,852	—	—	38,216	6,355	—	6,355
Travel and meetings	28,737	243	7,875	2,165	2,738	4,474	46,232	2,709	3,440	6,149
Depreciation and amortization	52,231	6,017	—	608	2,848	—	61,704	—	—	—
Insurance	6,891	991	933	2,365	264	—	11,444	—	—	—
Donated services and use of facilities	560,401	364,730	198,580	47,488	43,854	—	1,215,053	9,089	58,768	67,857
Donated goods	—	5,000	—	—	—	—	5,000	—	—	—
Fundraising events	—	—	—	—	—	—	—	—	88,260	88,260
Other expenses	21,575	4,290	12,017	3,950	3,718	320	45,870	793	14,403	15,196
	1,580,901	628,350	442,717	120,509	284,310	64,370	3,121,157	298,844	506,394	805,238
Less special event expenses netted with revenue	—	—	—	—	—	—	—	—	(66,154)	(66,154)
Total expenses	\$ 1,580,901	628,350	442,717	120,509	284,310	64,370	3,121,157	298,844	440,240	739,084
										3,860,241

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			
	Young Ameri-Towne	Inter-national Towne	Summer Programs	Rural Programs	Youth-Biz	Other Programs	Total program services	Management 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
Benefits	98,072	28,481	25,836	2,597	24,670	6,477	186,133	33,650	45,459	79,109
Payroll taxes	52,038	15,112	13,709	1,378	13,090	3,436	98,763	17,855	24,121	41,976
Contract labor and professional services	115,941	5,246	—	—	12,764	178	134,129	34,783	—	34,783
Advertising	680	480	3,095	—	13,495	—	17,750	—	13,506	13,506
Office supplies and postage	170,439	59,092	27,050	16,573	16,393	2,100	291,647	2,854	4,753	7,607
Occupancy	15,615	1,601	180	20,611	—	73	38,080	1,677	—	1,677
Travel and meetings	37,327	207	7,658	768	6,566	4,873	57,399	398	3,603	4,001
Depreciation and amortization	57,935	7,973	—	5,618	2,848	—	74,374	1,554	—	1,554
Insurance	7,461	1,493	909	2,821	178	—	12,862	—	—	—
Donated services and use of facilities	546,837	347,825	193,735	47,285	25,587	—	1,161,269	8,656	43,279	51,935
Donated goods	5,740	5,000	—	—	—	—	10,740	—	—	—
Fundraising events	—	—	—	—	—	—	—	—	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
	1,643,289	626,376	416,933	113,095	294,562	51,910	3,146,165	283,254	463,623	746,877
Less special event expenses netted with revenue	—	—	—	—	—	—	—	—	(61,836)	(61,836)
Total expenses	\$ 1,643,289	626,376	416,933	113,095	294,562	51,910	3,146,165	283,254	401,787	685,041
										3,831,206

See the accompanying notes to the consolidated financial statements.

**Young Americans Center for Financial Education**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (98,449)	389,081
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	61,704	75,928
Donated toy inventory	(5,000)	(5,000)
(Increase) decrease in operating assets		
Accounts receivables	18,214	(24,965)
Contributions receivable	125,499	(204,257)
Prepaid expenses and other assets	7,520	25,041
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	(19,735)	12,903
Due to Young Americans Education Foundation	73,424	8,095
Deferred revenue	(63,589)	82,362
Net cash provided by operating activities	<u>99,588</u>	<u>359,188</u>
<b>Cash flows from investing activities</b>		
Payments for purchases of equipment	(111,842)	—
Proceeds from sale of equipment	—	6,699
Net cash provided by (used in) investing activities	<u>(111,842)</u>	<u>6,699</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(12,254)	365,887
<b>Cash and cash equivalents at beginning of year</b>	<u>2,972,472</u>	<u>2,606,585</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,960,218</u>	<u>2,972,472</u>
<b>Supplemental disclosures</b>		
Cash payments for interest	\$ 390	1,143
Donated inventory	\$ 5,000	5,000
<b>Reconciliation of cash and cash equivalents at end of year</b>		
Cash and cash equivalents	\$ 2,327,271	2,253,377
Cash restricted for YouthBiz program	396,022	547,949
Cash restricted for Rural program	236,925	171,146
	<u>\$ 2,960,218</u>	<u>2,972,472</u>

See the accompanying notes to the consolidated financial statements.

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**(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.

*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.

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(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 4.

*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. The Center did not have any net assets with perpetual restrictions at December 31, 2019 or 2018.

**(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.

**(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. The Center receives a significant amount of support from Young Americans Education Foundation. A decrease in this support could adversely affect the operations of the Center.

**(g) Restricted Cash**

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

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(h) 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, 2019 and 2018, the balance of funds collected under the program but not yet disbursed totals \$15,435 and \$25,376, respectively, which is reflected as an asset and a liability on the accompanying consolidated statements of financial position.

**(i) 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.

**(j) Revenue Recognition**

Contributions

Contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Payments received in advance of conditions being met are recorded as deferred revenue in the statements of financial position.

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.

Special events

Special events is comprised of revenue from an exchange transaction equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contribution revenue is recognized following revenue recognition policies discussed above, and exchange transaction revenue is recognized the day the event takes place.

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(j) Revenue Recognition, Continued**

Contributions receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Contributions for current year operations	\$ 28,868	55,617
Program sponsorship receivables	48,000	156,750
Event and operating sponsorships for future years	<u>30,000</u>	<u>20,000</u>
	<u>\$ 106,868</u>	<u>232,367</u>

All contributions receivable are considered fully collectable and are due within one year.

Program fees

Program fee revenue consists of school and camp fees to participate in on-site and on-the-road programs and individual fees to participate in classes. Fees are charged based on school class size or by individual head count. School fees are collected in the form of a deposit when a class registers and are recorded as deferred revenue when received. Camp fees are also recorded as deferred revenue when received in advance. School fees and camp fees are recognized as revenue the day the program takes place.

Fees for smaller individual classes are collected during registration which typically occurs a few weeks in advance of the event. Management recognizes these fees when they are collected, which may be before the event occurs. At year-end, management reviews the class fees revenue received in the fourth quarter for any payments related to the following year's events, which are reclassified to deferred revenue.

Total program fees are reported net of scholarships, which are provided to schools and individuals in need, in the form of scholarships. During 2019 and 2018, scholarships totaled \$76,152 and \$83,008, respectively.

License and service fees

License and service fee revenue consists of agreements with third-parties to run Center programs at off-site locations. Service fees are charged to set up the program and provide support which may be a one-time fee or an annual fee, while license fees are charged annually. Service set up fees are recognized when the program commences, after the set up work has been performed. Annual license and service fees are recognized over the period of the agreement, which are annual agreements based on the calendar year. Fees received in advance are deferred until the year in which the agreement relates.

Accounts receivable from exchange transactions represent amounts due resulting from program services provided to schools and individuals. At December 31, 2019 and 2018, the Center had net accounts receivable from exchange transactions totaling \$35,248 and \$53,462, respectively. Management considers all accounts receivable to be fully collectable; accordingly, no allowance for doubtful accounts is necessary.

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(j) Revenue Recognition, Continued**

Deferred revenue consists of the following at December 31:

	<u>2018</u>	<u>Amount recognized</u>	<u>New deferrals</u>	<u>2019</u>
Program fees	\$ 90,052	(89,552)	95,963	96,463
License and service fees	<u>70,000</u>	<u>(70,000)</u>	<u>—</u>	<u>—</u>
Total deferred revenue	\$ <u>160,052</u>	<u>(159,552)</u>	<u>95,963</u>	<u>96,463</u>

**(k) 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.

**(l) Functional Allocation of Expenses**

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statements 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.

**(m) Advertising Costs**

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2019 and 2018 totaled \$15,826 and \$31,256, respectively.

**(n) 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.

**(o) 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 2019 and 2018, 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**

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**(1) Summary of Significant Accounting Policies, Continued**

**(o) 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.

**(p) Subsequent Events**

The Center has evaluated subsequent events through May 15, 2020, the date the financial statements were available to be issued. The COVID-19 outbreak has caused significant business disruption throughout the world and has been particularly disruptive to K-12 education. The Center estimates revenue will be reduced by nearly 40% in 2020. As a result, management plans to reduce expenditures by approximately 35%. The situation is being closely monitored and further actions will be taken as warranted.

**(q) New Accounting Pronouncements**

During 2019, the Center adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 applicable to both contributions received and to contributions made have been implemented in the accompanying consolidated financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU 2018-08.

During 2019, the Center adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method. The update supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires that entities disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of Topic 606 did not significantly impact the Center's consolidated statements of activities or consolidated statements of financial position; therefore, no cumulative adjustment to beginning net assets was required as a result of adoption.

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(q) New Accounting Pronouncements, Continued**

During the year ended December 31, 2019, the Center adopted Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update requires entities to include restricted cash in the total of cash and cash equivalents when presenting the change during the year in the consolidated statement of cash flows. Additionally, this guidance requires that entities disclose a reconciliation to the consolidated statements of financial position either on the face of the consolidated statement of cash flows or in the footnotes. The nature of material restrictions is disclosed at note 1(g).

**(r) 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.

**(2) Liquidity and Availability of Financial Assets**

The following reflects the Center's financial assets as of December 31, 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.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,327,271	2,253,377
Cash restricted for YouthBiz program	396,022	547,949
Cash restricted for Rural program	236,925	171,146
Accounts receivable	35,248	53,462
Contributions receivable	<u>106,868</u>	<u>232,367</u>
Total financial assets at year-end	<u>3,102,334</u>	<u>3,258,301</u>
Amounts unavailable to be used within one year		
Net assets with purpose restrictions to be met in more than one year	(274,349)	(426,254)
Contributions receivable due in more than one year	<u>—</u>	<u>(50,000)</u>
	<u>(274,349)</u>	<u>(476,254)</u>
Amounts unavailable without board approval		
Board designated special reserve (note 4)	—	(125,000)
Board designated operating reserve (note 4)	<u>(900,000)</u>	<u>(900,000)</u>
	<u>(900,000)</u>	<u>(1,025,000)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,927,985</u>	<u>1,757,047</u>

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.

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

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**(2) Liquidity and Availability of Financial Assets, Continued**

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 which 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. In addition, the board established a special reserve in 2018 in the amount of \$250,000, of which \$125,000 was available to be spent in both 2019 and 2020. See note 4.

**(3) Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 511,123	425,431
Leasehold improvements	<u>143,692</u>	<u>149,942</u>
	654,815	575,373
Less accumulated depreciation	<u>(516,763)</u>	<u>(487,459)</u>
Property and equipment, net	\$ <u>138,052</u>	<u>87,914</u>

**(4) Net Assets**

Net assets without donor restrictions

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, 2019 and 2018 of \$900,000 represents approximately four months of cash expenses based on the current year's expenses. A special reserve was approved during 2018 for \$250,000, and \$125,000 was spent during 2019. The balance at December 31, 2019 totaled \$125,000. All board designated funds are held in cash and cash equivalents.

Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
YouthBiz	\$ 396,022	547,949
Young AmeriTowne	78,056	118,102
Micro loans	28,827	28,805
Send-a-School	6,924	21,054
On the Road	40,911	117,000
International Towne	7,500	15,000
Other programs	<u>1,000</u>	<u>33,900</u>
Total subject to purpose restrictions	559,240	881,810
Subject to passage of time		
Future operations	—	25,000
Future events	<u>5,000</u>	<u>20,000</u>
Total subject to time restrictions	<u>5,000</u>	<u>45,000</u>
Total net assets with donor restrictions	\$ <u>564,240</u>	<u>926,810</u>

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

**(4) Net Assets, Continued**

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

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
YouthBiz	\$ 151,927	36,072
Young AmeriTowne	72,046	54,398
On the Road	81,089	4,000
International Towne	7,500	—
Micro loans	—	45,219
Send-a-School	14,220	6,531
Other programs	<u>33,900</u>	<u>3,320</u>
Total purpose restrictions released	360,682	149,540
Expiration of time restrictions	<u>40,000</u>	<u>31,610</u>
Total net assets released from restrictions	\$ <u>400,682</u>	<u>181,150</u>

**(5) 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 \$25,524 and \$26,588 in 2019 and 2018, respectively.

**(6) 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>2019</u>	<u>2018</u>
Accounting and management services	\$ 296,755	282,372
In-kind rent and occupancy		
Headquarters building	908,924	865,577
Jefferson County building	230,013	219,083
Wray building	<u>47,208</u>	<u>47,285</u>
Total related party transactions	\$ <u>1,482,900</u>	<u>1,414,317</u>

At December 31, 2019 and 2018, amounts owed to the Foundation for accounting and management services totaled \$74,033 and \$8,095, respectively. The Center also owes Young Americans Bank, a related party, \$7,486 at December 31, 2019.

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

**Young Americans Center for Financial Education**  
**Notes to Consolidated Financial Statements, Continued**

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**(6) Related Party Transactions, Continued**

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 \$28,829 in 2019 and \$30,467 in 2018.

**(7) License Agreements**

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 consist of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Annual, nonrefundable license fees	\$ 105,000	50,000
Start-up license fees	—	10,000
Annual service fees	<u>30,000</u>	<u>10,000</u>
Total license and service fees revenue	<u>\$ 135,000</u>	<u>70,000</u>