

Young Americans Center for Financial Education

Consolidated Financial Statements

December 31, 2020 and 2019

(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, 2020 and 2019, 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 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, 2020 and 2019, 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 14, 2021

Young Americans Center for Financial Education
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 2,502,792	2,327,271
Cash restricted for YouthBiz program	289,697	396,022
Cash restricted for Rural program	278,086	236,925
Accounts receivable (note 1(j))	20,700	35,248
Contributions receivable (note 1(j))	43,046	106,868
Prepaid expenses and other assets	58,782	18,992
Cash held for others (note 1(h))	535	15,435
Property and equipment, net (note 3)	370,061	138,052
Total assets	<u>\$ 3,563,699</u>	<u>3,274,813</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 48,317	47,566
Due to related parties (note 6)	180,441	81,519
Deferred revenue (note 1(j))	56,997	96,463
Cash held for others	535	15,435
Total liabilities	<u>286,290</u>	<u>240,983</u>
Net assets (note 4)		
Without donor restrictions	2,599,526	2,469,590
With donor restrictions	677,883	564,240
Total net assets	<u>3,277,409</u>	<u>3,033,830</u>
Commitments and contingency (notes 5 and 8)		
Total liabilities and net assets	<u>\$ 3,563,699</u>	<u>3,274,813</u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Consolidated Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,054,644	320,093	1,374,737
In-kind contributions	1,272,861	—	1,272,861
Program fees, net of scholarships of \$26,520	326,009	—	326,009
Special event revenue	228,038	—	228,038
Special event expense	(46,258)	—	(46,258)
License and service fees (note 7)	47,500	—	47,500
Rental and other income	30,250	—	30,250
Net assets released from restrictions due to satisfaction of expenditure requirements (note 4)	206,450	(206,450)	—
Total revenue	<u>3,119,494</u>	<u>113,643</u>	<u>3,233,137</u>
Expenses			
Program services			
Young AmeriTowne	1,079,615	—	1,079,615
International Towne	513,067	—	513,067
Summer programs	469,746	—	469,746
Rural programs	113,860	—	113,860
YouthBiz	214,766	—	214,766
Other programs	51,973	—	51,973
Total program services	<u>2,443,027</u>	<u>—</u>	<u>2,443,027</u>
Supporting services			
Management and general	242,007	—	242,007
Fundraising	304,524	—	304,524
Total supporting services	<u>546,531</u>	<u>—</u>	<u>546,531</u>
Total expenses	<u>2,989,558</u>	<u>—</u>	<u>2,989,558</u>
Change in net assets	129,936	113,643	243,579
Net assets at beginning of year	2,469,590	564,240	3,033,830
Net assets at end of year	<u>\$ 2,599,526</u>	<u>677,883</u>	<u>3,277,409</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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
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>
Expenses			
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>
Change in net assets	264,121	(362,570)	(98,449)
Net assets at beginning of year	2,205,469	926,810	3,132,279
Net assets at end of year	<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 Functional Expenses
Year Ended December 31, 2020

	Program services							Supporting services			
	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	Total
Salaries	\$ 282,481	88,016	180,703	9,334	161,323	36,500	758,357	133,168	189,785	322,953	1,081,310
Benefits	59,695	17,722	43,953	136	24,817	11,215	157,538	16,056	29,511	45,567	203,105
Payroll taxes	23,839	7,455	12,818	686	11,593	3,349	59,740	9,198	12,757	21,955	81,695
Contract labor and professional services	22,669	257	—	4,469	250	—	27,645	59,262	—	59,262	86,907
Advertising	—	—	3,152	—	6,286	—	9,438	—	115	115	9,553
Office supplies and postage	40,118	20,537	7,179	7,700	4,048	324	79,906	457	5,549	6,006	85,912
Occupancy	4,217	1,176	—	34,099	—	—	39,492	3,404	—	3,404	42,896
Travel and meetings	6,945	—	58	1,015	42	499	8,559	613	423	1,036	9,595
Depreciation	46,361	2,878	—	2,430	2,848	—	54,517	—	—	—	54,517
Insurance	5,516	1,023	981	2,011	275	—	9,806	—	—	—	9,806
Donated services and use of facilities	577,358	372,166	209,325	48,180	—	—	1,207,029	9,543	51,289	60,832	1,267,861
Fundraising events	—	—	—	—	—	—	—	—	49,616	49,616	49,616
Other expenses	10,416	1,837	11,577	3,800	3,284	86	31,000	10,306	11,737	22,043	53,043
	1,079,615	513,067	469,746	113,860	214,766	51,973	2,443,027	242,007	350,782	592,789	3,035,816
Less special event expenses netted with revenue	—	—	—	—	—	—	—	—	(46,258)	(46,258)	(46,258)
Total expenses	\$ 1,079,615	513,067	469,746	113,860	214,766	51,973	2,443,027	242,007	304,524	546,531	2,989,558

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	Manage- ment and general	Fund raising	Total supporting services	Total
Salaries	\$ 486,041	140,796	156,001	26,765	162,772	50,689	1,023,064	202,315	259,720	462,035	1,485,099
Benefits	89,511	25,466	26,081	1,072	21,512	5,887	169,529	27,481	42,105	69,586	239,115
Payroll taxes	40,509	11,815	12,797	2,039	12,278	2,427	81,865	12,571	17,348	29,919	111,784
Contract labor and professional services	118,551	7,407	—	—	—	—	125,958	35,400	6,395	41,795	167,753
Advertising	—	—	3,262	—	10,137	—	13,399	—	2,427	2,427	15,826
Office supplies and postage	161,619	59,066	25,171	13,205	24,189	573	283,823	2,131	13,528	15,659	299,482
Occupancy	14,835	2,529	—	20,852	—	—	38,216	6,355	—	6,355	44,571
Travel and meetings	28,737	243	7,875	2,165	2,738	4,474	46,232	2,709	3,440	6,149	52,381
Depreciation	52,231	6,017	—	608	2,848	—	61,704	—	—	—	61,704
Insurance	6,891	991	933	2,365	264	—	11,444	—	—	—	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	1,282,910
Donated goods	—	5,000	—	—	—	—	5,000	—	—	—	5,000
Fundraising events	—	—	—	—	—	—	—	—	88,260	88,260	88,260
Other expenses	21,575	4,290	12,017	3,950	3,718	320	45,870	793	14,403	15,196	61,066
	1,580,901	628,350	442,717	120,509	284,310	64,370	3,121,157	298,844	506,394	805,238	3,926,395
Less special event expenses netted with revenue	—	—	—	—	—	—	—	—	(66,154)	(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 Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 243,579	(98,449)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	54,517	61,704
Donated toy inventory	(5,000)	(5,000)
(Increase) decrease in operating assets		
Accounts receivables	14,548	18,214
Contributions receivable	63,822	125,499
Prepaid expenses and other assets	(34,790)	7,520
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	751	(19,735)
Due to Young Americans Education Foundation	98,922	73,424
Deferred revenue	(39,466)	(63,589)
Net cash provided by operating activities	<u>396,883</u>	<u>99,588</u>
Cash flows from investing activities		
Payments for purchases of property and equipment	<u>(286,526)</u>	<u>(111,842)</u>
Net cash used in investing activities	<u>(286,526)</u>	<u>(111,842)</u>
Change in cash, cash equivalents, and restricted cash	110,357	(12,254)
Cash, cash equivalents, and restricted cash, at beginning of year	<u>2,960,218</u>	<u>2,972,472</u>
Cash, cash equivalents, and restricted cash, at end of year	<u>\$ 3,070,575</u>	<u>2,960,218</u>
Supplemental disclosures		
Cash payments for interest	\$ <u>438</u>	<u>390</u>
Donated inventory	\$ <u>5,000</u>	<u>5,000</u>
Reconciliation of cash, cash equivalents, and restricted cash at end of year		
Cash and cash equivalents	\$ 2,502,792	2,327,271
Cash restricted for YouthBiz program	289,697	396,022
Cash restricted for Rural program	<u>278,086</u>	<u>236,925</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 3,070,575</u>	<u>2,960,218</u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

(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

(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, 2020 or 2019.

(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 plus other cash that the Center has set aside for specific program purposes.

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

(1) Summary of Significant Accounting Policies, Continued

(h) Cash Held for Others

Spark Change is 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, 2020 and 2019, the balance of funds collected under the program but not yet disbursed totals \$535 and \$15,435, 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. Contributions restricted for the purchase of long-lived assets are reported as an increase in net assets without donor restrictions if the acquired asset is placed in service in the same year as the gift was received. 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

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Contributions receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Contributions for current year operations	\$ 11,662	28,868
Program sponsorship receivables	28,884	48,000
Event and operating sponsorships for future years	<u>2,500</u>	<u>30,000</u>
	<u>\$ 43,046</u>	<u>106,868</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 2020 and 2019, scholarships totaled \$26,520 and \$76,152, 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, 2020 and 2019, the Center had net accounts receivable from exchange transactions totaling \$20,700 and \$35,248, 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

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Deferred revenue consists of program fees at December 31, 2020 and 2019. Following are the changes in deferred revenue:

Deferred program fees, December 31, 2018	\$ 90,052
Amount recognized in revenue	(89,552)
New deferrals	<u>95,963</u>
Deferred program fees, December 31, 2019	96,463
Amount recognized in revenue	(46,192)
Amount refunded	(6,270)
New deferrals	<u>12,996</u>
Deferred program fees, December 31, 2020	\$ <u>56,997</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, 2020 and 2019 totaled \$9,553 and \$15,826, 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.

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

(1) Summary of Significant Accounting Policies, Continued

(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 2020 and 2019, the Center did not incur any unrelated business income tax. In addition, the Center qualifies for the charitable contribution deduction.

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 14, 2021 the date the financial statements were available to be issued. See note 8.

(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>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,502,792	2,327,271
Cash restricted for YouthBiz program	289,697	396,022
Cash restricted for Rural program	278,086	236,925
Accounts receivable	20,700	35,248
Contributions receivable	<u>43,046</u>	<u>106,868</u>
Total financial assets at year-end	<u>3,134,321</u>	<u>3,102,334</u>
Amounts unavailable to be used within one year		
Net assets with purpose restrictions to be met in more than one year	<u>(168,053)</u>	<u>(274,349)</u>
Amounts unavailable without board approval		
Board designated operating reserve (note 4)	<u>(900,000)</u>	<u>(900,000)</u>
Financial assets available for general expenditures within one year	\$ <u>2,066,268</u>	<u>1,927,985</u>

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

(2) Liquidity and Availability of Financial Assets, Continued

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 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.

(3) Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 523,751	511,123
Leasehold improvements	143,692	143,692
Leasehold improvements in progress	<u>273,898</u>	<u>—</u>
	941,341	654,815
Less accumulated depreciation	<u>(571,280)</u>	<u>(516,763)</u>
Property and equipment, net	\$ <u>370,061</u>	<u>138,052</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, 2020 and 2019 of \$900,000 represents approximately four months of cash expenses based on a normal year's expenses and six months of cash expenses at the reduced spending rate for 2020. A special reserve was approved during 2018 for \$250,000 of which \$125,000 was spent in both 2019 and 2020 thus there is no remaining balance at December 31, 2020. Board designated funds are held in cash and cash equivalents.

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

(4) Net Assets, Continued

Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
YouthBiz	\$ 289,697	396,022
Young AmeriTowne	257,690	78,056
Micro loans	28,856	28,827
Send-a-School	57,729	6,924
On the Road	35,911	40,911
International Towne	—	7,500
Other programs	<u>3,000</u>	<u>1,000</u>
Total subject to purpose restrictions	672,883	559,240
Subject to passage of time		
Future events subject to time restrictions	<u>5,000</u>	<u>5,000</u>
Total net assets with donor restrictions	\$ <u>677,883</u>	<u>564,240</u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
YouthBiz	\$ 106,325	151,927
Young AmeriTowne	75,250	72,046
On the Road	5,000	81,089
International Towne	7,500	7,500
Send-a-School	6,375	14,220
Other programs	<u>1,000</u>	<u>33,900</u>
Total purpose restrictions released	201,450	360,682
Expiration of time restrictions	<u>5,000</u>	<u>40,000</u>
Total net assets released from restrictions	\$ <u>206,450</u>	<u>400,682</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 \$21,450 and \$25,524 in 2020 and 2019, respectively.

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

(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>2020</u>	<u>2019</u>
Accounting and management services	\$ 203,368	296,755
In-kind rent and occupancy		
Headquarters building	954,272	908,924
Jefferson County building	241,484	230,013
Wray building	<u>47,208</u>	<u>47,208</u>
Total related party transactions	\$ <u>1,446,332</u>	<u>1,482,900</u>

At December 31, 2020 and 2019, amounts owed to the Foundation for accounting and management services totaled \$178,093 and \$74,033, respectively. At December 31, 2020 and 2019, the Center also owes Young Americans Bank, a related party, \$2,348 and \$7,486 at December 31, 2019, respectively.

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, 2022. Gross rental income under this lease totaled \$28,829 in both 2020 and 2019.

(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 either three, four or five years, and some 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>2020</u>	<u>2019</u>
Annual, nonrefundable license fees	\$ 35,000	105,000
Start-up license fees	12,500	—
Annual service fees	<u>—</u>	<u>30,000</u>
Total license and service fees revenue	\$ <u>47,500</u>	<u>135,000</u>

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

(8) COVID-19 Pandemic

The COVID-19 pandemic has caused business disruption and economic uncertainties throughout the world, heavily impacting in-person programming provided by the Center and resulting in a decline in program fee revenue from \$1,115,886 in 2019 to \$326,009 in 2020. The Center responded by revising the budget, increasing fundraising efforts, and closely monitoring expenses which resulted in layoffs. The Center has created conservative budget estimates for 2021, has evaluated the financial implications, and is working to mitigate lost revenue by implementing cost-saving strategies. Although the Center has a board designated operating reserve (see note 4), the Center intends to draw from reserves only after all other viable alternatives are implemented. The extent of how the pandemic continues to impact the Center's operational and financial performance cannot be determined at this time.