

**Young Americans Center
for Financial Education**

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

Board of Directors Young Americans Center for Financial Education

Opinion

We have audited the accompanying consolidated financial statements of Young Americans Center for Financial Education and affiliate, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 and affiliate as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young Americans Center for Financial Education and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Americans Center for Financial Education's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Board of Directors
Young Americans Center for Financial Education

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Young Americans Center for Financial Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Americans Center for Financial Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kundinger, Corder & Montoya, P.C.

May 20, 2022

Young Americans Center for Financial Education
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 2,881,509	2,502,792
Cash restricted for YouthBiz program	206,452	289,697
Cash restricted for Rural program	278,185	278,086
Accounts receivable (note 1(j))	55,168	20,700
Contributions receivable (note 1(j))	344,962	43,046
Prepaid expenses and other assets	57,586	58,782
Cash held for others (note 1(h))	535	535
Property and equipment, net (note 3)	358,901	370,061
Total assets	<u>\$ 4,183,298</u>	<u>3,563,699</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 66,534	48,317
Due to related parties (note 6)	59,409	180,441
Deferred revenue (note 1(j))	100,272	56,997
Cash held for others	535	535
Total liabilities	<u>226,750</u>	<u>286,290</u>
Net assets (note 4)		
Without donor restrictions	3,382,823	2,599,526
With donor restrictions	573,725	677,883
Total net assets	<u>3,956,548</u>	<u>3,277,409</u>
Commitment (note 5)		
Total liabilities and net assets	<u>\$ 4,183,298</u>	<u>3,563,699</u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,212,161	398,762	1,610,923
In-kind contributions	1,303,171	—	1,303,171
Program fees, net of scholarships of \$20,411	399,689	—	399,689
Special event revenue	311,264	—	311,264
Special event expense	(46,212)	—	(46,212)
License and service fees (note 7)	35,000	—	35,000
Rental and other income	41,593	—	41,593
Net assets released from restrictions (note 4)	502,920	(502,920)	—
Total revenue	3,759,586	(104,158)	3,655,428
Expenses			
Program services			
Young AmeriTowne	1,148,703	—	1,148,703
International Towne	541,322	—	541,322
Summer programs	322,750	—	322,750
Rural programs	98,674	—	98,674
YouthBiz	225,329	—	225,329
Other programs	96,401	—	96,401
Total program services	2,433,179	—	2,433,179
Supporting services			
Management and general	245,849	—	245,849
Fundraising	297,261	—	297,261
Total supporting services	543,110	—	543,110
Total expenses	2,976,289	—	2,976,289
Change in net assets	783,297	(104,158)	679,139
Net assets at beginning of year	2,599,526	677,883	3,277,409
Net assets at end of year	\$ 3,382,823	573,725	3,956,548

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 (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	<u>2,469,590</u>	<u>564,240</u>	<u>3,033,830</u>
Net assets at end of year	<u><u>\$ 2,599,526</u></u>	<u><u>677,883</u></u>	<u><u>3,277,409</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, 2021

	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	\$ 251,949	70,607	77,303	10,273	157,149	75,812	643,093	164,725	190,933	355,658	998,751
Benefits	44,004	12,200	12,594	114	18,775	13,176	100,863	18,391	21,155	39,546	140,409
Payroll taxes	21,014	5,902	6,382	718	12,220	6,508	52,744	11,099	13,972	25,071	77,815
Contract labor and professional services	96,497	26,304	—	—	8,345	—	131,146	33,952	2,600	36,552	167,698
Advertising	—	—	3,447	—	1,132	—	4,579	—	232	232	4,811
Office supplies and postage	87,272	29,220	8,884	6,905	18,114	155	150,550	1,988	3,813	5,801	156,351
Occupancy	3,733	1,639	—	22,893	—	—	28,265	4,255	—	4,255	32,520
Travel and meetings	603	75	110	1,610	218	725	3,341	353	1,379	1,732	5,073
Depreciation	32,180	2,067	—	2,069	3,488	—	39,804	—	—	—	39,804
Insurance	4,173	1,117	1,100	2,022	300	—	8,712	—	—	—	8,712
Donated services and use of facilities	601,256	390,803	203,434	47,554	—	—	1,243,047	10,021	50,103	60,124	1,303,171
Fundraising events	—	—	—	—	—	—	—	—	52,248	52,248	52,248
Other expenses	6,022	1,388	9,496	4,516	5,588	25	27,035	1,065	7,038	8,103	35,138
	<u>1,148,703</u>	<u>541,322</u>	<u>322,750</u>	<u>98,674</u>	<u>225,329</u>	<u>96,401</u>	<u>2,433,179</u>	<u>245,849</u>	<u>343,473</u>	<u>589,322</u>	<u>3,022,501</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>(46,212)</u>	<u>(46,212)</u>	<u>(46,212)</u>
Total expenses	\$ <u>1,148,703</u>	<u>541,322</u>	<u>322,750</u>	<u>98,674</u>	<u>225,329</u>	<u>96,401</u>	<u>2,433,179</u>	<u>245,849</u>	<u>297,261</u>	<u>543,110</u>	<u>2,976,289</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 Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 679,139	243,579
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	39,804	54,517
Donated toy inventory	—	(5,000)
(Increase) decrease in operating assets		
Accounts receivables	(34,468)	14,548
Contributions receivable	(301,916)	63,822
Prepaid expenses and other assets	1,196	(34,790)
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	18,217	751
Due to Young Americans Education Foundation	(121,032)	98,922
Deferred revenue	43,275	(39,466)
Net cash provided by operating activities	<u>324,215</u>	<u>396,883</u>
Cash flows from investing activities		
Payments for purchases of property and equipment	<u>(28,644)</u>	<u>(286,526)</u>
Net cash used in investing activities	<u>(28,644)</u>	<u>(286,526)</u>
Change in cash, cash equivalents, and restricted cash	295,571	110,357
Cash, cash equivalents, and restricted cash, at beginning of year	<u>3,070,575</u>	<u>2,960,218</u>
Cash, cash equivalents, and restricted cash, at end of year	<u>\$ 3,366,146</u>	<u>3,070,575</u>
Supplemental disclosures		
Cash payments for interest	\$ <u>310</u>	<u>438</u>
Donated inventory	\$ <u>—</u>	<u>5,000</u>
Reconciliation of cash, cash equivalents, and restricted cash at end of year		
Cash and cash equivalents	\$ 2,881,509	2,502,792
Cash restricted for YouthBiz program	206,452	289,697
Cash restricted for Rural program	<u>278,185</u>	<u>278,086</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 3,366,146</u>	<u>3,070,575</u>

See the accompanying notes to the consolidated financial statements.

Young Americans Center for Financial Education
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

(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, 2021 or 2020.

(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, 2021 and 2020, the balance of funds collected under the program but not yet disbursed totals \$535 for both years 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. The Center received a state government grant during 2021 that is conditioned upon specific performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2021, conditional contributions totaling \$57,631 related to this grant has not been recognized in the accompanying financial statements.

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>2021</u>	<u>2020</u>
Contributions for current year operations	\$ 24,962	11,662
Program sponsorship receivables	255,000	28,884
Event sponsorships for future years	<u>65,000</u>	<u>2,500</u>
	\$ <u>344,962</u>	<u>43,046</u>

Contributions receivable are expected to be collected as follows: \$212,462 in 2022 and \$132,500 in 2023. Amounts due in future years have not been discounted to their present value since the discount amount is immaterial.

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 2021 and 2020, scholarships totaled \$20,411 and \$26,520, 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, 2021 and 2020, the Center had net accounts receivable from exchange transactions totaling \$55,168 and \$20,700, 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, 2021 and 2020. Following are the changes in deferred revenue:

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	56,997
Amount recognized in revenue	(35,527)
Amount refunded	(905)
New deferrals	<u>79,707</u>
Deferred program fees, December 31, 2021	\$ <u>100,272</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, 2021 and 2020 totaled \$4,811 and \$9,553, 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 2021 and 2020, 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 20, 2022, the date the financial statements were available to be issued.

(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>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,881,509	2,502,792
Cash restricted for YouthBiz program	206,452	289,697
Cash restricted for Rural program	278,185	278,086
Accounts receivable	55,168	20,700
Contributions receivable	<u>344,962</u>	<u>43,046</u>
Total financial assets at year-end	<u>3,766,276</u>	<u>3,134,321</u>
Amounts unavailable to be used within one year		
Contributions receivable due in more than one year	(132,500)	—
Net assets with purpose restrictions to be met in more than one year	<u>(84,837)</u>	<u>(168,053)</u>
Amounts unavailable to be used within one year	<u>(217,337)</u>	<u>(168,053)</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>2,648,939</u>	<u>2,066,268</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. See note 4.

(3) Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 494,229	523,751
Leasehold improvements	433,443	143,692
Leasehold improvements in progress	<u>—</u>	<u>273,898</u>
	927,672	941,341
Less accumulated depreciation	<u>(568,771)</u>	<u>(571,280)</u>
Property and equipment, net	\$ <u>358,901</u>	<u>370,061</u>

(4) Net Assets

Net assets without donor restrictions

The Center's board of directors established board designated funds for operations. The target to be held in the operating reserve is between three to six months of cash expenses, and the balance at December 31, 2021 and 2020 of \$900,000 represents approximately six months of cash expenses for both years. 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>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
YouthBiz	\$ 256,452	289,697
Young AmeriTowne	197,500	257,690
Micro loans	28,885	28,856
Send-a-School	7,988	57,729
On the Road	17,500	35,911
Other programs	<u>400</u>	<u>3,000</u>
Total subject to purpose restrictions	508,725	672,883
Subject to passage of time		
Future events subject to time restrictions	<u>65,000</u>	<u>5,000</u>
Total net assets with donor restrictions	\$ <u>573,725</u>	<u>677,883</u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
YouthBiz	\$ 83,245	106,325
Young AmeriTowne	257,690	75,250
On the Road	25,911	5,000
International Towne	—	7,500
Send-a-School	128,074	6,375
Other programs	<u>3,000</u>	<u>1,000</u>
Total purpose restrictions released	497,920	201,450
Expiration of time restrictions	<u>5,000</u>	<u>5,000</u>
Total net assets released from restrictions	\$ <u>502,920</u>	<u>206,450</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 \$17,160 and \$21,450 in 2021 and 2020, 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>2021</u>	<u>2020</u>
Accounting and management services	\$ 249,511	203,368
Grant from Foundation to Center	373,807	—
In-kind rent and occupancy		
Headquarters building	1,002,058	954,272
Jefferson County building	253,558	241,484
Wray building	<u>47,260</u>	<u>47,208</u>
Total related party transactions	<u>\$ 1,926,194</u>	<u>1,446,332</u>

At December 31, 2021 and 2020, amounts owed to the Foundation for accounting and management services totaled \$54,587 and \$178,093, respectively. At December 31, 2021 and 2020, the Center also owes Young Americans Bank, a related party, \$4,822 and \$2,348, 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 \$34,829 in 2021 and \$28,829 in 2020.

(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>2021</u>	<u>2020</u>
Annual, nonrefundable license fees	\$ 25,000	35,000
Start-up license fees	—	12,500
Annual service fees	<u>10,000</u>	<u>—</u>
Total license and service fees revenue	<u>\$ 35,000</u>	<u>47,500</u>